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Preparing U.S. Policy for the Next Phase of Egypt's Transition

Brian Katulis, Ken Sofer, and Peter Juul   March 1, 2013

As Egypt moves toward another round of parliamentary elections beginning in April,[1] the country remains in a series of interlinked security, political, economic, and social crises. These crises are the result of an inconclusive struggle for power among competing political forces inside the country, as well as a daunting set of policy challenges that Egypt has faced—but not effectively addressed—for decades.

Over the past year, one group—the Muslim Brotherhood and its affiliated Freedom and Justice Party—worked to dominate the political transition, moving forward with a new Egyptian Constitution in late 2012 in a manner that undermined the legitimacy and credibility of the country's political transition and the resulting political order.

A political legitimacy crisis looms in Egypt, driven by two main factors. First is the messy political transition, which suffers from a lack of inclusivity on the part of the Islamist parties that won a majority in the 2012 parliamentary and presidential elections. Since 2011 Egypt has seen four distinct phases in its political transition:

- **The Tahrir Revolution:** Popular protests that ended with President Hosni Mubarak's resignation
- **Military rule:** Political transition managed by the Supreme Council of the Armed Forces
- **Contested and unclear transition:** Delicate and often contentious power sharing between the Supreme Council of the Armed Forces and the Islamist-dominated civilian government
- **Reassertion of presidential dominance:** Expansion of executive authority under President Mohamed Morsi and increasing conflict between the Muslim Brotherhood and the other key centers of political power

(See our timeline detailing the key events in the transition on page 12 and online.[2])

The second factor contributing to the looming political legitimacy crisis is a disorganized political opposition and the lack of a coherent viable political alternative to the Islamists. The opposition's lack of clear strategy to advance their own agenda—exemplified by their

recent call to boycott the next round of parliamentary elections—is likely to contribute to further undermining the trust in and support for Egypt's political institutions.

This political legitimacy crisis has exacerbated the problems of governance by causing a stalemate on important national policy questions that the country faces—particularly questions about the economy and key legal reforms. The deadlock has worsened the daunting economic problems facing tens of millions of poor Egyptians, such as a growing national deficit and a 13 percent unemployment rate.[3] Restrictions on freedoms such as speech, expression, and assembly remain in place, and many Egyptians fear that the coming year will bring further restrictions on basic rights. (See the text box on page 4 on recent negative trends in Egypt's political transition.)

All of this comes at a time when new security problems have emerged inside of Egypt, including ongoing threats within the Sinai Peninsula from terrorist organizations[4] and growing problems of law and order and basic security. A recent example of this dynamic was seen in the deadly clashes earlier this year at demonstrations commemorating the second anniversary of the early 2011 revolt against former Egyptian President Hosni Mubarak[5] and protests over death sentences handed down to soccer fans involved in deadly riots at a match in Port Said last year.[6]

The hope for a better future that thousands of protesters expressed at the start of 2011 has faded, and two years later Egypt faces the prospect of continued internal political fragmentation and a breakdown of basic governance. The primary burden for dealing with these challenges falls on Egypt, its leaders, and its people. Outside actors such as the United States can influence trends in the country, but they cannot determine them.

Since the start of Egypt's political transition in 2011, the United States has made some important tactical adjustments to its policy on Egypt, but its overall strategic approach has remained largely unchanged. The United States has utilized several main tools to advance its goals:

• Close and regular diplomacy with a range of Egypt's leaders
• Continued security assistance and cooperation
• An additional offer of economic assistance linked to the International Monetary Fund's efforts to support Egypt's economic stabilization

The offer of economic assistance has become a principal means of engagement with Egypt. Current U.S. policy is centered on the notion that the prospect of support for economic stabilization can build U.S. credibility with a range of Egyptians, which creates leverage to hold discussions with Egypt's leaders on the next stages of political reform. The rationale is that economic support—combined with continued bilateral security cooperation—can help Egypt move forward on a stable path of democratic and economic reform and strengthen U.S.-Egyptian bilateral ties. Economic cooperation is the chief terrain that the

ruling Muslim Brotherhood has staked out for engaging the United States and the international community; Egypt's current ruling authorities understand that the dire economic situation in Egypt requires external support and assistance.

Two years into the transition, however, it remains uncertain how much leverage the United States has managed to build for itself inside Egypt. The current policy approach, with its focus on the links between security and economics, has served some U.S. national security interests in the short term; the approach was, for example, instrumental in managing the dangerous security situation in the Gaza Strip in November 2012,[7] when the barrage of rocket attacks from Palestinian terrorists into Israel nearly erupted into a wider conflict. Egypt played a pivotal role in helping de-escalate that conflict.

Nevertheless, this policy approach has limitations, given the messy political transition process and the growing political and social divisions inside Egypt. The Obama administration has done an excellent job advancing America's security interests in the region, but it can do more to make clear to Egypt's new leaders that support of democratic values by the current ruling authorities in Egypt is just as vital as maintaining security cooperation.

Recent public statements on this front are a step in the right direction. President Barack Obama's discussion with Egyptian President Mohammed Morsi earlier this week sent an important message to Egypt that the United States places a priority on an inclusive democratic transition.[8] In addition, a public speech by U.S. Ambassador to Egypt Anne Patterson in Alexandria last month reaffirmed that democracy requires not simply holding elections but also ensuring respect for basic rights and pluralism. As Ambassador Patterson said in her speech, "Egypt needs to ensure the protection and participation of the full breadth of its rich tapestry of citizenry."[9] These statements are grounded in what has been defined as U.S. policy on paper.

Official U.S. government policy states that its aims are to help support "a successful transition to democracy and economic stability in Egypt, one that protects the basic rights of its citizens and fulfills the aspiration of the Egyptian people."[10] Stated U.S. policy aims are to support Egyptian efforts to protect civil liberties and human rights, introduce transparency and accountability in government, foster economic growth and democratic institutions, and develop a robust, independent civil society.

These public statements lay out important markers—and given the complications of Egypt's internal politics, the United States should be prepared for negative reactions and criticisms from within Egypt that they amount to meddling in Egypt's internal affairs. But the United States should remain engaged in this debate and prepare for a range of contingencies and possible necessary policy shifts if the current negative trends in Egypt continue.

As Egypt heads into the next phase of its transition, the United States should continue to outline more clearly and consistently that it seeks to support a truly free and democratic transition in Egypt. It should also underscore that U.S. interests and values are at stake.[11]

U.S. support for the Egyptian people's aspirations for a democratic Egypt—one that protects the rights of all of its citizens and builds a diversified economy with a strong private sector—can ensure that Egypt is an anchor for stability and progress in the Middle East for decades to come. By contrast, a government in Egypt that lacks popular legitimacy and does not support pluralism and universal values—including respect for the basic rights of all Egyptians regardless of gender and faith and basic freedoms such as those of speech and assembly—will lead to sustained internal turmoil.[12] This would ultimately hamper Egypt's capacity to serve as a viable regional security partner.

The transition in Egypt has already taken several unexpected turns over the past two years, and uncertainty will likely remain for years to come. As a result, U.S. policymakers should take a long view of the events currently playing out in Egypt and make more active attempts to bend the long arc of revolution toward a prosperous, pluralistic, and democratic Egypt—one that can serve as an anchor of stability in the Middle East.

Continued threats to freedom in Egypt

Civil society: Draft legislation on nongovernmental organizations currently under consideration by the Shura Council—the upper house of the Egyptian parliament—is considered by some human-rights groups to be more restrictive than Mubarak-era laws. The draft law gives Egypt's Interior Ministry oversight rights over any organization, inhibits the formation of new organizations, and prohibits Egyptian organizations from engaging with "international entities" without proper permission from the government.[13]

Freedom of assembly: A draft public protest law currently under the consideration of the Shura Council requires government approval of protests, limits protests to limited areas of designation, and gives the police wide authority to disperse protests and use lethal force to protect property. Rights groups such as Human Rights Watch have criticized the draft law and its potential for abuse to inhibit the freedoms of assembly and demonstration.[14]

Freedom of the press: Government officials have been accused of pressuring editors and producers of various Egyptian media outlets to limit their criticism of the Muslim Brotherhood government, including through suspension of a satellite television station that featured an anti-Morsi host and confiscation of copies of a newspaper that published frequent criticism of the Brotherhood.[15]

Police brutality and vigilantism: Several human-rights groups have accused Egyptian police of the systematic torture and abuse of and brutality toward protesters, including the frequent use of indefinite detention. The Interior Ministry has been criticized for not responding to the Muslim Brotherhood party cadres' use of violence against political opponents and opposition activists.[16]

Women's and religious rights: The new Egyptian Constitution has raised concerns about protecting the rights of women and religious minorities. The only mention of women in the constitution refers to their role in the "genuine character of the Egyptian family." Additionally, the constitution says that religious rights are only guaranteed if they are "not in contradiction with public order." The government has taken little action to curb consistent claims of sexual assault against women and violence against religious minorities.[17]

Blasphemy: Article 44 of the new constitution prohibits speech that would defame religion or prophets. Prosecutors have pursued several cases against Egyptian citizens who criticized Islam and religious institutions, handing down, for example, a three-year sentence to an individual for posting a video criticizing organized religion. What's more, a court attempted to block YouTube access in Egypt in response to the anti-Islam "Innocence of Muslims" video. The government has also filed numerous lawsuits against journalists and activists on charges of "insulting the president."[18]

Recommendations for U.S. policy

Egypt's political transition

State clearly and regularly the U.S. interests and values at stake in Egypt's political transition
One of the most important things that the United States can do in the coming year is to make clear the interests and values it has at stake in Egypt's political transition. The United States should join forces with other key leaders in the international community, including its partners in the European Union, to make known its standards and voice its concerns about the political-transition process. This does not mean, however, that the United States should seek to pick winners or favorites in Egypt's struggle for power and political legitimacy—such an attempt would likely backfire on the United States and further undermine the credibility of the political process.

Rather, the United States should be clear and consistent in its support for an inclusive democratic political transition that supports pluralism and the diversity of voices inside of Egypt. These statements should not just focus on election outcomes—other key components of democracy and basic freedoms, such as those of speech and assembly, are vital as well. The United States should be prepared to alter the basic terms of its bilateral relationship with Egypt if Egypt's new leaders fail to respect democratic values.

Expand diplomatic outreach during Egypt's ongoing political transition and make regular public statements about the importance of pluralism
The downfall of the Mubarak regime unleashed a complex constellation of political forces and a new configuration of power in Egypt, ranging from the military and the Muslim Brotherhood to the judiciary and parliament, from disparate leftist and liberal groups to Salafist parties and extremist groups.[19] It is important for U.S. interests to navigate this array of political forces without appearing to favor one at the expense of others—as it is often accused of doing. The United States should not treat the Brotherhood as if it is the new National Democratic Party of the Mubarak regime or the sole influential political force in the country. It is important that the United States promote pluralism in word and deed by engaging with a broad range of political actors and encouraging those actors to engage with each other—even when the parties hold views unfavorable to the United States.

Focus diplomatic efforts on encouraging Egypt to pass a new law on nongovernmental organizations that protects freedoms
The State Department should engage the Egyptian government on the importance of civil-society issues and seek the passage of a new nongovernmental organization law that protects the rights of civil-society organizations to operate independently. A draft law of associations regulating nongovernmental organizations that was prepared and discussed

in early 2013 has raised concerns among human rights organizations and democratic-development groups due to the role it established for the Egyptian security apparatus in overseeing Egyptian civil society.[20]

Expand support to a wider range of civil-society groups

In addition to traditional support for human rights and democracy-promotion groups, the U.S. government should expand its support for Egyptian nongovernmental organizations across a wide range of sectors. In particular, the U.S. government and U.S. civil-society groups should build relationships with constituency-based civil-society groups such as labor, business, farmers', and professional groups, all of which will likely play a growing role in Egyptian politics. In addition to supporting important elements of Egyptian society, engagement with these groups will also contribute to the deepening and broadening of the U.S. relationship with Egypt.

Economic challenges

Continue to extend the offer of support to Egypt in international financial institutions

Though the United States has limited funds for direct economic assistance to Egypt, it holds a significant leadership role in international financial institutions such as the International Monetary Fund, or IMF, and the World Bank. The delayed IMF loan to Egypt remains the single most important opportunity to help Egypt reduce its $27 billion annual budget deficit and dwindling foreign currency reserves.[21]

Furthermore, getting the IMF loan in place will send a signal to other major donors—such as the European Union and the Gulf states—and private investors who remain skeptical about Egypt's economic condition that Egypt's economy is once again stable enough for international investment. As part of this effort, the United States will need to work with its international partners and the IMF to ensure that a real but manageable schedule for economic reforms is developed—with appropriate accountability requirements to keep the process on track. The implementation of economic reforms—including the reform of key state subsidies that help millions of ordinary Egyptians obtain food and fuel—will present a major political challenge, as they will likely face enormous political opposition among key constituencies.

Continue to encourage private-sector investment in Egypt

The United States should demonstrate a commitment to improving the Egyptian economy; it will be critical to restoring private-sector confidence. The United States can also expand opportunities for Egyptian businesses to participate in existing Egyptian Qualified Industrial Zones—special free-trade manufacturing zones that can access U.S. markets without tariff or quota restrictions under certain conditions. The U.S. government can work with private investors in the region—such as Turkey and certain countries in the Gulf—as well as U.S. businesses to support long-term investment in

Egypt. Private-sector investment will be particularly important in creating jobs in labor-intensive economic sectors to address the unemployment crisis.[22]

Finally, the United States has significant public and private technical expertise that it can share with Egypt to help it launch reforms and construct a more balanced economy built on small- and medium-sized enterprises. U.S. public and private resources—including the Chamber of Commerce, financial institutions, and the Department of Commerce—could equip Egyptian entrepreneurs with the legal, financial, management, and marketing skills to operate in an open, competitive economy. This will have the added benefit of developing greater U.S.-Egyptian ties among private businesses, labor unions, and trade associations—a critical component of the bilateral relationship.

Security relationship

Maintain support for the full security-assistance package—for now
Despite calls from some in Congress to suspend annual U.S. military aid to Egypt over the current problems with the political transition,[23] now is not the time to cut off aid to Egypt. The overall aid package should be mutually negotiated with Egypt over time—not suddenly cut off in a moment of crisis. Cutting off aid is a dramatic gesture only to be used in the most extreme circumstances.

Though this is not that time, the United States should make absolutely clear to the Egyptian government what actions would constitute grounds for immediate termination of military aid. These negative developments may include laws that restrict civil liberties or entrench single-party rule, politically motivated prosecutions, or the refusal to abide by security commitments, particularly relitigation of the 1979 Egypt-Israel Peace Treaty.

Reform the structure of U.S. military aid to meet Egypt's security needs
In order to address the most significant security threats facing Egypt today—such as militant extremist groups in the Sinai[24]—the United States should adjust bilateral training exercises such as Bright Star—a joint military exercise held every two years designed to improve readiness and interoperability between the United States and Egypt[25]—to focus on non-state actors and special operations instead of just conventional military threats. Additionally, funds for U.S. military aid should shift away from heavy weaponry systems and toward more technical training programs, bilateral exercises, and service-academy exchanges.

Broaden and deepen the security relationship
Some of the most important elements of the military-to-military relationship are the exchanges and interactions between U.S. and Egyptian forces. The United States should seek to maximize funding for International Military Education and Training to create more opportunities for regular military-to-military exchanges and interaction. This is important in order to foster working relationships with the next generation of military leaders.

Work to create more functional trilateral U.S.-Egypt-Israel coordination on security matters

The United States, Egypt, and Israel should work together to establish a long-term plan to manage their triangular relationship so that they can effectively deal with continued threats such as terrorist elements in the Sinai. Such a plan will allow the United States and Israel to think out contingencies in advance rather than being caught unprepared and forced to improvise.

Recommendations to the Egyptian government

Egyptian President Mohamed Morsi's government has not effectively addressed the interlinked series of political, economic, and security challenges facing the country. And the lack of a credible economic agenda and an overwhelming focus on the consolidation of executive power has only exacerbated many of these problems.

First and foremost, the Morsi government and the Muslim Brotherhood should develop a more inclusive posture when engaging with other interest groups and political parties in order to incorporate them into the decision-making process. The style of majoritarian politics that the Muslim Brotherhood is currently practicing is not an acceptable way to govern. As a practical matter, this style of governing has crippled Egypt's overall ability to deal with its policy agenda.

The lack of inclusivity and broad consultation in the process to secure a new constitution in late 2012 caused considerable damage to Egypt's unity. Engaging more regularly with key stakeholders in a manner that acknowledges and respects the interests of a wide range of political groups will help reduce much of the political tension in Egypt, and it will ultimately allow President Morsi to govern the country more successfully.

This sort of executive leadership and consultation with other key domestic and international stakeholders will be crucial to addressing Egypt's short- and long-term economic challenges. Securing the IMF loan is the single most valuable step that the Egyptian government can immediately take to mitigate the short-term crises of declining foreign currency reserves, the decreasing value of the Egyptian pound, and a growing budget deficit.[26] Agreeing to the IMF loan and the attached economic reforms will send a positive signal to much-needed foreign investors that Egypt is serious about putting itself on a sustainable economic path forward. Implementing the economic reforms—and timing the removal of the subsidies for fuel and energy in particular—will present considerable challenges and cause domestic turmoil.

Egypt's inefficient energy and food subsidy program, which accounted for 27 percent of government spending in 2011,[27] should be reformed to better target those most in need, and it should eventually be replaced with a conditional cash-transfer program modeled on similar initiatives worldwide such as Brazil's successful *Bolsa Família* program.[28]

In the medium to long term, the government will also need to work with the Egyptian military to narrow the military's long-held economic role to clearly military-related sectors, while improving the private sector's capacity to provide basic and commercial goods. Finally, Egypt's informal sector economy—which comprises an estimated 40 percent of the country's economy and 82 percent of the country's businesses[29]—should be incorporated into the formal Egyptian economy through a reduction in bureaucratic red tape, increased access to financing, and an improved tax system for businesses.

Egypt will also need to make long-term structural reforms to its security infrastructure, which will need to address the country's modern security challenges, both domestic and foreign, in order to ensure Egypt's territorial integrity and stability. The civilian government should coordinate with the Egyptian military to identify major modern threats to Egyptian security, including extremist militias in the Sinai Peninsula, weapons proliferation caused by loose borders with Libya and Sudan, and potential humanitarian crises caused by food or water shortages.

The Egyptian government can transform the country's security posture over the next decade by utilizing the resources made available through the U.S. security-assistance package and building bilateral and regional security relationships in the Middle East and North Africa. Security reform will also need to include a reorganization of the Interior Ministry to end the culture of police brutality and torture, which will continue to undermine internal security and create the sort of lack of basic law and order that has been seen on the Egyptian streets over the past few months.

Conclusion

2013 will be another pivotal year in Egypt's transition, and the United States has a strong interest in seeing stability, prosperity, and pluralism in Egypt. Egypt also needs support from the United States to advance its strategic and economic interests in the long run.

In the past two years, the Obama administration has taken a pragmatic approach to managing the transition in Egypt. But the looming political legitimacy crisis and the growing internal divisions require that the United States more clearly present its interests and values in support of true democratic and inclusive political reform in Egypt.

The Obama administration needs to prepare a range of options if Egypt's current trends toward shutting down dissent and closing off open debate continue. This should include examining ways to introduce more flexibility in bilateral assistance so that more emphasis is placed on supporting inclusive democratic governance. It should also include considering options for completely renegotiating the basic terms of the bilateral relationship if the recent worrisome trends in Egypt's political transition continue.

Brian Katulis is a Senior Fellow at the Center for American Progress. Ken Sofer is a Research Associate with the National Security and International Policy team at the Center. Peter Juul is a Policy Analyst with the National Security and International Policy team at the Center.

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Egypt Revolution Timeline

2011

Phase 1: The Tahrir revolution

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January 2011: Activists in Egypt call for an uprising to protest unemployment, severe poverty, corruption, and the three-decade rule of President Hosni Mubarak. Thousands gather at Tahrir Square in downtown Cairo for a "day of rage." The successive days of rallies turn violent as Egyptian police attack protesters, firing tear gas and using water cannons.

ASSOCIATED PRESS/ TARA TODRAS-WHITEHILL

February 2011: President Mubarak resigns the presidency after 18 days of public demonstrations and more than 800 protesters dead. Power is transferred to the Supreme Council of the Armed Forces, or SCAF, headed by Field Marshal Mohamed Hussein Tantawi for a six-month transition period until an elected civilian government can take over. The SCAF immediately dissolves parliament and suspends the constitution.

Phase 2: Military rule

ASSOCIATED PRESS/AMR NABIL

March 2011: The SCAF constitutional reform committee proposes a series of changes to the existing constitution, which are passed with a 77 percent approval in a public referendum, paving the way for parliamentary and presidential elections initially scheduled for later in 2011.

ASSOCIATED PRESS/MANU BRABO

March–November 2011: A series of violent protests occur, leading to heavy brutality and souring public sentiment. The security institutions extending the Mubarak-era emergency laws, are accused of sexually abusing female activists, and kills dozens of protesters in several clashes. The violence culminates in the security institution's use of armored vehicles and live ammunition to suppress a protest by Coptic Christians in Maspero, resulting in 28 deaths and 212 injuries.

2011

Phase 3: Contested and unclear transition

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2012

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November 2011–February 2012: After a series of delays, parliamentary elections conclude with the Muslim Brotherhood gaining a plurality, winning 47 percent of the seats in parliament. The more conservative Islamist party Al-Nour comes in second with 25 percent of the vote. The Islamist-dominated parliament appoints an Islamist-dominated Constituent Assembly to draft a new constitution.

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April 2012: The Brotherhood goes back on its pledge to not seek the presidency, putting forth Khairat el-Shater as a candidate. Egypt's presidential election commission, however, subsequently rules 10 of the 23 candidates, including el-Shater, ineligible. The Brotherhood taps Mohamed Morsi as their replacement candidate.

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ASSOCIATED PRESS/AMR NABIL

May 2012: Muslim Brotherhood candidate Mohamed Morsi and former Mubarak-era Prime Minister Ahmed Shafiq are the top two vote getters in the first round of presidential voting with 24.8 percent and 23.7 percent respectively. The two emerged out of a divided electorate, edging out Nasserist candidate Hamdeen Sabahi (20.7 percent), former Muslim Brotherhood leader Abdel Moneim Aboul Fotouh (17.5 percent), and former Arab League Secretary General Amr Moussa (11.1 percent).

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June 2012: Days before the runoff presidential vote, the judiciary rules existing parliamentary election laws unconstitutional. The SCAF orders the Brotherhood-dominated parliament disbanded, assumes legislative power, and severely limits the power of the presidency. Following the presidential runoff, outside observers claim Morsi received the most votes, but both Morsi and Shafiq declare victory. After a week of uncertainty, the nation's election commission announces that Morsi is the winner by a vote of 51.7 percent to 48.3 percent.

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Phase 4: Reassertion of presidential dominance
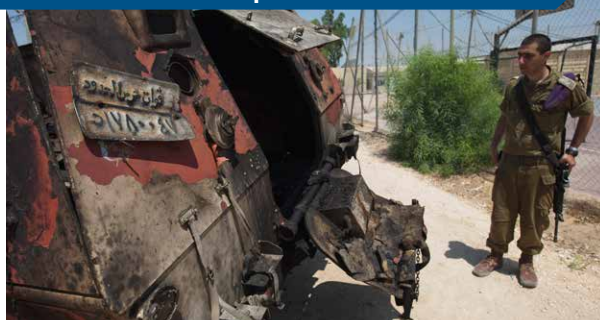
ASSOCIATED PRESS/ARIEL SCHALIT

August 2012: Masked gunmen open fire on an Egyptian army checkpoint in the Sinai Peninsula, killing 15 soldiers. Morsi forces Field Marshal Tantawi, Army Chief of Staff Sami Anan, and several other top generals to retire following the Sinai attack. Morsi names Gen. Abdel-Fattah el-Sissi to replace Tantawi and nullifies the SCAF's constitutional declaration that curtailed the powers of the presidency.
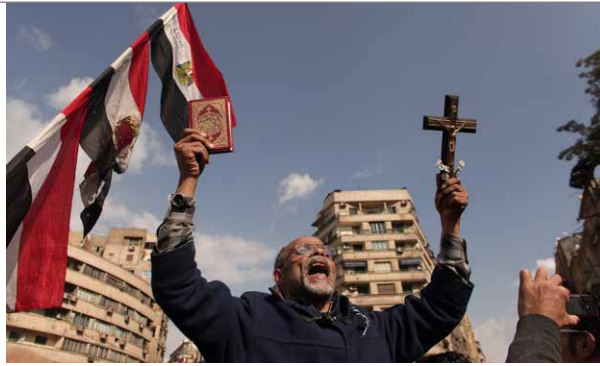
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ASSOCIATED PRESS/MAYA ALLERUZZO

November 2012: Over the course of three days, 26 liberal and Christian representatives walk out in protest of Egypt's 100-person Constituent Assembly. Morsi issues a decree granting himself broad executive and legislative powers, including giving himself judicial immunity, just a day after winning international acclaim for his role in helping to secure a ceasefire between Israel and Hamas in the Gaza Strip. Morsi supporters argue the move is a temporary but necessary move to cut through the country's political deadlock.

November–December 2012: After reports that the Supreme Constitutional Court is preparing to disband the Constituent Assembly, the Assembly announces it will finish drafting the constitution that day, three months earlier than scheduled. The draft constitution is approved the next day by the Constituent Assembly and Morsi announces a national referendum. The speed and exclusivity of the process leads to anti-Morsi protests across the country with many calling for his resignation. The constitution is approved by a two-stage national referendum 64 percent to 36 percent. But low voter turnout, urban opposition—including 57 percent of Cairo voters disapproving—and election irregularities mar the legitimacy of the outcome.

ASSOCIATED PRESS/ALY HAZZAA

January–February 2013: Major anti-Morsi protests erupt in Cairo, Alexandria, and Port Said triggered by the anniversary of the 2011 revolution and the sentencing to death of 21 soccer fans following a riot the previous year. Morsi calls for a national dialogue with opposition leaders in an effort to defuse the protests.