



Sisi's First 100 Days

U.S.-Egypt Relations and the Challenges Ahead

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Egyptian President Abdel Fattah al-Sisi finished his first 100 days in office with diplomatic flourish this September. He addressed the U.N. General Assembly in New York and met with President Barack Obama for the first time in what could be a turning point in the frosty relationship between the United States and Egypt. Much hinges, however, on the next few months and how Egypt addresses the multiple challenges it faces at home and in the region.

Sisi returned home with the same daunting list of challenges he faced before the trip: a need to spark economic growth to create jobs, a host of domestic and foreign security threats, and the country's struggle over power in the midst of an incomplete political transition process. Perhaps Sisi's biggest accomplishment since taking office has been his ability to keep Egypt's myriad challenges from becoming full-blown crises. But he did so without offering a longer-term, sustainable plan for the country's economic and political future.

The economic, security, and political challenges are intertwined, and how Sisi navigates them will be critical to both his political legitimacy at home, as well as to the amount of support he can build and maintain from abroad, including from the United States. The United States appears poised to open a new chapter in bilateral relations, but progress greatly depends on whether Egypt makes choices that position it to become a reliable partner, one that is capable of addressing its challenges and that builds a stable foundation for the country's future.

The greatest challenge: The economy

President Sisi's success or failure to strengthen the Egyptian economy will affect both the tenuous security situation and the incomplete political transition. The economy is the area in which Sisi has taken his most far-reaching steps; many have received a "cautious thumbs up by economists."¹

Sisi's fuel subsidy cuts have given a measure of confidence to the investors Egypt seeks to attract in the forthcoming donors' conference. The subsidy cut led to a fuel price spike as high as 78 percent²—a step the government hopes will trim the budget deficit by 2.5 percent of GDP.³ Sisi has also taken steps to reform other subsidies: Smart cards that help cut waste by monitoring consumption of subsidized goods such as bread⁴ and fuel⁵ are now in use. But inflation, already at 11 percent, continues to rise. Those hardest hit are the 65 percent of Egyptians who live on four dollars a day or less.⁶ Subsidy reform is a deeply political process—one that has led to popular protests in the past.

The country's energy crisis is another major challenge. The new government has moved to repay debt owed to foreign energy companies such as BP and Apache Corporation in the hopes that these companies will expand exploration and increase output.⁷ But the government borrowed from banks to do so,⁸ a dangerous move given Egypt's ranking as the world's 19th most indebted country.⁹ Egypt's annual deficit would be at least 5 percentage points higher without assistance from the Gulf states.¹⁰ But the influx of assistance from the Gulf cannot keep up with Egypt's strained power grid, and severe power cuts remain a fact of life across Egypt. In early September, a total blackout hit Cairo for several hours during peak rush hour, a crisis deemed severe enough for Sisi to address the nation and urge patience.¹¹

Egypt's energy troubles and public debt have led some to question Sisi's multi-billion dollar endeavor to expand the Suez Canal.¹² Due to be completed sometime in the next few years, the government hopes that the "New Suez Canal" will help double the revenue generated from the waterway.¹³ In an impressive display of mobilization, the government raised \$8.7 billion in eight days through attractive certificates offering 12 percent interest.¹⁴ Questions remain, however, about the efficacy and timing of the project.¹⁵ But when completed, the expanded canal might offer new opportunities for the international community to reassess the framework of its economic assistance arrangements to Egypt.

These efforts toward subsidy reform and debt, energy, and infrastructure investment are just the first steps in what must be a massive and long-term overhaul of Egypt's economy, which has not met its potential for decades and requires major private and public investments to spark job creation. With a major youth bubble coming into the labor market in the next decade, Egypt needs to create enough jobs to employ the estimated 850,000 new entrants in the labor market each year in order to sustain itself.¹⁶

An unsettled and uncertain security environment

Compared to the turmoil sweeping through many parts of the Middle East and North Africa—including in neighboring countries such as Libya—Egypt has remained fairly stable. But Egypt's battle against militants is far from over.

New jihadist actors—such as the Ajnad Misr group—operating in the Cairo metropolitan area continue to elude authorities.¹⁷ Recent terrorist attacks in Egypt’s western desert raise concerns over the threat emanating from an imploding Libya.¹⁸ The Egyptian government has made some headway against militant groups, including Ansar Bayt al-Maqdis, or ABM,¹⁹ but recent reports of coordination between ABM and the Islamic State in Iraq and al-Sham, or ISIS, are cause for concern.²⁰ Thousands of Egyptians are estimated to be in ISIS’s ranks,²¹ and the group’s spokesperson recently called for attacks in Egypt.²²

In his first 100 days, President Sisi made security a top priority. But it remains to be seen whether Egypt will undertake a comprehensive overhaul of its security institutions, including the police and justice sectors that are essential in the battle to fight extremism. An effective fight against terrorist groups requires counterterrorism training and policing capabilities that are sorely lacking in many Egyptian security institutions. The current U.S. security assistance program that emphasizes sophisticated military hardware—better suited for conventional warfare—represents a missed opportunity to help Egypt restore law and order and deal with the new threats from extremist groups. Furthermore, the overreach of security institutions and the Egyptian government’s jailing of many individuals is unlikely to improve the security situation. A stronger focus on fundamental reforms in the police, law and justice, and governance sectors is required. Security cooperation and assistance programs with other countries need to make these sectors a higher priority in order to help Egypt deal with internal instability.

Some of Egypt’s security challenges are directly connected to regional challenges—especially the turmoil next door in Libya and the uncertain security situation in the Sinai Peninsula and Gaza Strip. Under Sisi, Egypt has taken some steps toward addressing these challenges, but these efforts remain incomplete. Given the massive challenges Egypt faces internally, it remains questionable how much Egypt can help in the fight against ISIS. But it is clear that Egypt needs to do more to secure its immediate periphery, which means a stronger effort toward enhancing its border controls.

Egypt’s incomplete political transition

Egypt remains locked in an internal struggle between multiple centers of power that emerged after the ouster of President Mubarak in February 2011. President Sisi used his first 100 days to consolidate his own control over government institutions and to strengthen their authority.²³ Many significant questions remain about a broader effort to lay the foundations for functional politics, open debate, and pluralism. This is particularly challenging in a country still gripped by extreme polarization and a lack of depth in political debate. As secular politician George Isaac recently put it, Egypt has been going through a “politics-free period” since Sisi’s election.²⁴

More than three years after the start of Egypt's political transition, the country's political debate remains stultified; Egypt's leaders are largely disconnected from the needs and the interests of ordinary Egyptians. The next parliamentary elections, expected early next year, offer another opportunity for political leaders and parties to organize and create a new spectrum of voices to represent the many different interests of the broader Egyptian society. But early examples of the quality and nature of the public discourse surrounding the forthcoming elections are not encouraging.

Egypt's new political landscape is inchoate and more chaotic than ever. Political parties are weak and factions vying to be centers of power independent from the military are on a tight leash. The number of parties expanded substantially since 2011: Some 80 are registered, and dozens more are in formation.

Yet after former President Morsi's ouster in 2013, Egypt's non-Islamists failed to organize themselves or their ideas. Many are mired in petty disagreements over coalition names and priority on the electoral lists. These nascent political coalitions claim nondescript differences in their ideological vision for Egypt's future. Moreover, Egypt's new parliamentary election laws favor independent candidates; almost 78 percent of the 540-member body is to be allocated to independents contesting single member districts.²⁵

Three electoral alliances have emerged thus far: the Egyptian Wafd Alliance, the Democratic Current, and the Egyptian Front Alliance.²⁶ The former two are largely secular and support the democratic principles of the January 25 revolution, but the parties themselves still differ on essentially everything else. For its part, the Egyptian Front Alliance does not hide its embrace of former members of Mubarak's now disbanded National Democratic Party. Nor does it hide its opposition to the January 25 revolution. The Egyptian Front condemns its opponents as "anti state"—including mainstream groups such as the liberal Constitution Party founded by Nobel Prize winner Mohamed ElBaradie.²⁷

In this context, the 2015 parliamentary elections are shaping up to be a raw competition for power, rather than a battle over ideas. As a result, the outcome of the parliamentary campaign is likely to be a return to the past, when competing factions were positioned against one another without staking out clear positions and electoral platforms. The prospects of a parliament that practices Egypt's old style of politics does not bode well for the type of legislative reform the country badly needs.

The need to address human rights and political inclusivity

The government continues to restrict political space in its campaign to silence civil society and human rights activists, and arrests are escalating. One of the most controversial cases involves the prosecution of high-profile activists for challenging the new protest law.²⁸ The government ostensibly took these actions in the name of stability, but it has instead mired itself in a politically costly campaign against nonviolent activists. Many of these activists are serving long sentences under terrible conditions and have resorted to hunger strikes to raise awareness. This threatens to agitate youth groups whose possible return to protests may further destabilize the country.

President Sisi has yet to demonstrate a willingness to take bold steps to overcome the political impasse with the Muslim Brotherhood. Yet at the same time, the remaining voices of the Muslim Brotherhood have not signaled any willingness to engage in the new political environment that has emerged under Sisi. The standoff with the Muslim Brotherhood continues, but the movement is splintered and lacks broad popular support after its failures in power.

Conclusion

As Egypt approaches the fourth anniversary of its transition, a tenuous sense of stability has set in—especially compared with Egypt’s past three years or with the tumultuous events now taking place in Syria, Iraq, Libya, and Yemen. But Egypt’s basic economic, security, and political fundamentals are worrisome.

The economy requires major reforms to attract the levels of direct private and foreign investment required to create enough jobs to build a new foundation for economic growth. The security situation remains uncertain, with new types of threats emerging and the potential for instability from the region spilling into the largest country in the Arab world. Finally, Egypt’s political environment remains sharply divided and polarized: The multiple political voices that emerged since 2011 largely remain, but the overall system appears incapable of adequately incorporating these voices and does not seem poised to open a pathway to more capable and inclusive governance.

Relations between Egypt and the United States remain on a shaky foundation as well. The meeting between Presidents Obama and Sisi could predict a new chapter, but much of this depends on how Egypt addresses these massive economic, security, and political challenges. At a time when the United States is seeking reliable and capable partners in a region plagued by extremism, multiple layers of ethnic and sectarian conflicts, and continued challenges from Iran, Egypt could see its regional leadership role increase.

But for now, the Obama administration has adopted a wait-and-see approach on Egypt. It has allowed some security assistance programs to restart, but it is holding back other forms of assistance. Obama's meeting with Sisi was intended to send the message that the United States is ready to re-engage Egypt and build a new foundation for a bilateral relationship on new, more constructive terms. A new discussion between the two countries that includes a strategic dialogue setting new and constructive terms for the relationship is possible.

But this new foundation won't likely begin unless Sisi takes more steps to address the problems facing the country. President Sisi's first 100 days offer very mixed signs as to whether Egypt can prevent itself from being left behind and can chart a path to re-emerge as a regional leader.

The next 100 days will be just as pivotal as the past 100.

Endnotes

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