

COUNCIL *on* FOREIGN RELATIONS

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“Egypt on the Brink: Factors of Regime Instability”

This memorandum summarizes the findings of a Center for Preventive Action Potential Conflict Roundtable series session titled “Egypt on the Brink.” On October 1, 2008, experts from the Council on Foreign Relations, U.S. government, nongovernmental organizations, academia, and the private sector analyzed the Egyptian regime and assessed the risk of social unrest, state collapse, and/or violent conflict. The goal of the meeting was to explore options for addressing the challenges Egypt is facing.

Critical Issues

Participants discussed five interrelated sources of tension in Egypt.

Bureaucratic Incompetence

Deteriorating infrastructure and a lack of efficient bureaucratic capacity have long been problems in Egypt. This is particularly evident with regard to the many preventable disasters that have occurred since 2002—bus crashes, rock slides, and others—and taken hundreds of Egyptians lives. This negligence on the part of government officials stirs up resentment among the lower and middle classes.

Poverty and Inequality

Egyptian society suffers from a huge income gap between the upper class and the rest of the population. Around 40 percent of Egyptians live below or near the poverty line. Burdened by inflation levels of nearly 30 percent, this segment of the population is struggling to feed families on a daily basis. Food prices in particular are a major source of concern. Egypt is also becoming what one participant called a country of “gated communities,” where the rich can isolate themselves from the vast reservoir of poor Egyptians.

Demographics

Changing demographics and a generational gap were cited as possible sources of tension. Middle class youths are facing a lack of educational and professional opportunities and are disillusioned with the government’s record on both these issues. This has not led to as much unrest as one might anticipate mainly due to some mitigating circumstances. Both the public and informal sectors have acted as a cushion for the lack of opportunities in the private sector, and Egyptian youth’s willingness to travel or work abroad serves as a release valve for those with the means to do so.

Political Succession

With President Hosni Mubarak's advancing age (he turned 81 last May), questions of who will be the next president abound. The main candidate seems to be Mubarak's son Gamal, who is steadily becoming more involved in public life. It remains unclear whether Gamal will be a reformer. There are some questions about his ability to navigate the complex political landscape in Egypt, particularly if challenges arise from the military/intelligence communities.

External Factors

Diverse factors outside Egypt, including the situation in Gaza, the economic boom in the Gulf States, the rise of Iranian influence, and waning American power could all pose problems for regime stability. Earlier this year, Egypt faced a test on its border with Gaza when Hamas blasted several holes in the border fence, allowing thousands of Gazans to spill into Egypt. Cairo allowed them to purchase much-needed supplies but moved quickly to reseal the border. The economic success of the Gulf has also created some unease and pressure in Egypt, mainly due to unfavorable comparisons.

Mitigating Factors

Though there are numerous threats to regime stability in Egypt, the consensus among roundtable participants was that these are not strong enough to result in regime change.

Government Action

The regime's tools for maintaining stability, namely patronage and coercion, have been very effective. The public sector employs an estimated 6 million people, giving many citizens a stake in regime survival. Recently, to help quell tensions arising from skyrocketing food prices, the government increased public salaries by 30 percent. It has cracked down on political dissent and opposition groups, namely the Muslim Brotherhood. Participants cited the regime's ability to repress opposition figures before these could mount a serious challenge to the Egyptian leadership.

Easing of Tensions

Some recent developments have helped give the regime more breathing room. In many ways, Egypt has been isolated from the major security challenges facing the Middle East in Iran, Iraq and Lebanon. This is perhaps a symptom and a cause of declining regional influence as power gradually shifts east toward the Gulf States. The downgrading of the freedom agenda by an overstretched U.S. administration has also removed a source of pressure. Inside Egypt, inflation remains high but unemployment has decreased in recent years, which further mitigates economic tensions. Even though most problems are attributed to the government, public opinion of government has remained a question of popularity rather than legitimacy, and none of the most important constituencies (i.e. business, military) have defected from the regime.

U.S. Interests and Policy in Egypt

Participants identified several critical issues in U.S.-Egypt relations and how to approach them:

- *Israel*: Israel's strong ties with the United States and its shared border with Egypt make it an important and sensitive element of U.S.-Egypt relations. Given Washington's tarnished image abroad, there is concern that Mubarak or a new Egyptian regime might increase rhetoric

against Israel to gain popularity. Even if the rhetoric does intensify, there remains a low probability of severe confrontation.

– *Foreign Assistance:* The United States is the largest donor of aid to Egypt, much of which is directed toward the military. Despite this significant support package, bilateral relations have been strained. In Egypt as in other countries, foreign aid from the United States is increasingly viewed as a tool of hegemony. For U.S. policymakers, putting more conditions on aid may help in other policy areas but it may also drive Egypt away from the United States and toward other international actors competing on the world stage.

– *Governance:* Rather than adopting a heavy-handed approach toward democratization, Washington should find ways to support change at all levels, possibly by providing the middle class with capital for diversifying businesses, through decentralization programs, and through partnerships with other international actors like the European commission. There still remains the question of whether progress on good governance is possible without more political competition in the system.

The group had differing views on whether the United States may need to scale back its approach to Egypt and then reengage once it has regained resources and goodwill, and work actively to achieve U.S. interests. Either way, participants agreed that more communication channels were needed at all levels.