The interaction between donors and recipients: A case study on Egypt's bilateral aid regime

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The American University in Cairo
School of Humanities and Social Sciences

The Interaction Between Donors and Recipients: A Case Study on Egypt’s Bilateral Aid Government

A Thesis Submitted to
The Political Science Department
In partial fulfillment of the requirements for the degree of Master of Arts/Science
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Under the supervision of Dr. Ibrahim Elnur
May /2016
The American University in Cairo

The Interaction Between Donors and Recipients: A Case Study on Egypt’s Bilateral Aid Regime

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To Department of Political Science

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The degree of Master of Arts

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1 Chapter 1: Introduction:

A Puzzle:

“Before, during, and after the Arab Spring, one thing has remained constant in the Middle East: the outsized influence of outside powers.” Financial aid is one form of this influence that is allocated to different countries in a variety of forms; it is subsequently used in a variety of ways. The literature on aid effectiveness has reached divergent conclusions, calling for a new way of assessing the impact of aid and conditionality on a government. As such, the impact of aid on the government in Egypt is observed as a stabilizing factor and donor policies seem to be resilient despite changes in global constellations and threats at various periods of time to withdraw the aid, and despite the diversity of donors and their conditions-if any. The literature to this point fails to explain the relevance of aid on government type and characteristics; accordingly, it fails to explain the interaction between donor conditions and recipient actions; whether this resilience is explained by weak measures and de-facto conditionality or by the strength of the recipient government. Donors, however, are not uniform; they exhibit strikingly disparate aims and conditions attached to their allocation of aid. Therefore, they must be assessed in two different groups: Western donors and Non-Western donors. In this sense, as will be shown in the literature review, aid has been assessed in a way that has lead to divergent conclusions that fail to explain the extent of the effect of aid on stabilizing the existing government in Egypt. With the emergence of new donors in the international aid system and with the apparent resilience of the Egyptian government and its various characteristics, the role of aid in this becomes questionable. In this sense, this thesis will adopt a new method on assessing the impact of aid on government characteristics by observing the interaction

between donors and recipients, in an attempt to explain the effect of aid on the Egyptian government.

B Research Questions:
Surveying the literature on the effectiveness of aid, I raise the following arguments and questions: What explains the effect of aid on government characteristics and policies? In this sense, does conditionality have real substance and positive effects to it in Egypt? In effect, is the stabilizing effect of aid and its failure to transform into democratic change due to the weakness of measures and conditions of donors or the strength of the recipient government? What is the stronger factor in determining the impact of aid on government characteristics and policies? Is it the donor and its leverage, incentives and conditions, or is it the recipient’s government type, leverage, and “reactions?”

C Hypothesis:
International aid has traditionally been understood with the perspective of the donor as the main determinant of aid flow. The recipient is often considered a passive or even stagnant actor in the allocation and use of aid. The literature has begun to notice that this is not necessarily the case. To the contrary, it considers that not all recipient countries are as passive as they may seem or as each other. Recipient countries are more often than not rational actors that want to utilize funds from international aid to maximize their welfare. Their behavior changes in response to the different incentives and capabilities presented by interactions with donor behavior in the international aid structure. The complex series of interactions between donors and recipients impact the effectiveness of aid, and fundamentally re-conceptualizes how the structure for international aid has traditionally been understood. As such, recipients’ behavior has both a direct effect on the impact of aid, as well as an effect on donors who seek to use their aid to fulfill a specific strategic agenda or their specific interests. Recipients, respond to incentives and change their behaviors in order to meet their own goals and to
adapt to conditionality and demands by donor governments. This situation allows for a series of interaction between donors and recipients, which has traditionally not been taken into account.

Stemming from my theoretical overview and framework, I hypothesize that: *The interaction between donor incentives and conditionality (or a lack there-of), and the Egyptian government’s strategic adjustment to these conditions, explains not only the resilience of the Egyptian authoritarian government but also donor policy resilience despite threats of change. It is a combination of weak conditions/ measures and a strong recipient that explains this resilience.*

**D Research Design and Methodology:**

This research topic lies in the intersection of the fields of International Relations, Development Studies, and Middle East Comparative studies. By applying this interdisciplinary approach a multitude of observations and thus conclusions can be made.

Within a political economy perspective, the majority of the literature on the subject suggests that the political institutions and policies of the recipient country condition the effect of foreign aid on political governments.² By analyzing this puzzle in a case study, I will be able to analyze the various domestic incentives of the governments confronted with democracy aid or political conditionality attached to foreign assistance, thus giving a more systematic in-depth qualitative research that employs structured comparison and process tracing. This is also relevant, since one of my strongest constants and intervening variables is geostrategic location that is unique to Egypt. By using a single

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case study, I will be able to analyze the complexities in causality that the literature realizes concerning the topic at hand. A case study will also allow me to take into account the specific contextual factors such as the degree of aid dependence and the different dynamics within the country itself.

Also, a historical approach will enable me to take state formation as changing and contingent with variations shaping differences in how a state responds to international pressures. A historical approach will also enable me to assess the impact of various moments in history on this interaction between donor and recipient. The historical approach confirms my claim that geostrategic location is constant and warrants a larger role for political economy factors. Moreover, due to the explanatory nature of the research objectives of this thesis, I will use a qualitative approach that assesses and examines secondary research and primary news sources.

For purposes of analysing the interactive element between donors and recipients and the importance or effectiveness of conditionality, I will analyse aid from the largest bilateral donors in the West and in the non-West criteria of donors. In this sense, I will include one chapter on U.S. aid and another on Saudi Arabian aid that is assumed to be unconditional.

**Data Sources**
The data on aid comes from the OECD online statistics database, which provides data on DAC donor aid flows. Aid is defined as grants or loans to recipient countries, which are undertaken by the official sector, for the promotion of economic development and welfare including emergency and distress relief.

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The bulk of the sources used in this dissertation come from primary sources, press releases, news reports, and government statements on both sides of the formula. Although U.S. aid flows were more transparent than those of Saudi Arabia, the analysis was able to still reach important conclusions with rough numbers and estimates of aid amounts. Although most Arab multilateral aid agencies document their aid flows, bilateral Arab donors are much less transparent. They have supplied insufficient data and have made many additional unreported aid transfers. This is a known phenomenon among scholars that work with Arab aid. Saudis are believed to conduct a major portion of their aid activity off the books, through the Ministry of Finance instead of the Saudi Fund.

The research dealt mainly with content analysis, foreign policy analysis, news reports, a precise analysis drawing upon academic sources as well as government and news reports; this combination of sources enabled an overcoming of the limitations of lack of transparency in exact amounts of aid flows and unclear conditions attached to these flows.

The difference between stated conditions and “real” conditions was also an obstacle when observing the data on the topic; however, by examining the interaction, this discrepancy became not only obvious, but also highlighted by the thesis. Interviews were also conducted with the former minister of finance, Dr. Medhat Hassanein and the renowned political economist Dr. Galal Amin.

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F Structure

The thesis will begin with an introduction, clear statement of objectives, methodology and research questions, followed by a chapter with an overview of previous literature on the topic. The proceeding chapter will be a historical overview that outlines the interaction between consecutive Egyptian governments from the period of Gamal Abdel Nasser with different donors, until the early 2000s. The fourth chapter thoroughly analyzes the interaction between the Egyptian government(s) and the U.S. Administration with regards to aid flows. The fifth chapter does the same, but with regards to G.C.C. aid flows to Egypt, specifically those coming from Saudi Arabia. The final chapter is a conclusion with policy implications and further research questions.

2 Chapter 2: Literature Review

The literature on the effect of foreign aid on governments has reached divergent conclusions and provided ambiguous empirical evidence. From the very classical works on democracy promotion, aid is assumed to promote democracy by promoting economic and social development. Existing empirical studies have provided evidence that foreign aid targeted to promotion of democracy and civil society activities favors transitions to more democratic ways of government. Aid can also be conductive to democracy when it funds institutional development with regards to specific institutions that are believed to be prerequisites for democracy for example civil society, advancements in news or social media, empowerment of oppressed groups, or election

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Aid is believed to facilitate democracy by laying out its foundations, by promoting: growth, education, welfare and the expansion of civil society. So in addition to directly supporting democratic institutions, development aid is believed to indirectly enhance democratization through an economic modernization that enhances the institutions that democracy is conditional upon. Stemming from this, conditionality research suggests that only when recipient governments perceive the conditionality as being in their own interest are they willing to implement it. This makes causality more complicated and encourages more in-depth case studies on the topic. This also emphasizes the complex nature of aid and its interactive element; with the recipient playing an important role.

The negative impact that aid can have on government is assessed in a number of works. According to Easterly, empirically, foreign aid has an abysmal historical record. Financial aid can be misused by an incumbent to remain in power at the expense of furthering the productive capacity of the country, aid can also be used to maintain “the status quo” and to decrease the likelihood of democratization by contributing to the

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development of “bad institutions” it can also increase rents to ruling incumbents, reducing representativeness. Stemming from the importance of recipient government type an amplification effect was also reported; aid makes autocracies more autocratic and democracies more democratic. For example, foreign aid has been found to have a positive effect on democratization in highly institutionalized, party-based democratic governments, whereas this effect was not found in autocracies with a limited support base such as military governments. In military governments, aid was found to decrease the chances of government change. Foreign aid has also been found to feed patronage politics in autocracies, but not in democracies. This highlights the role of the recipient government in determining the impact of aid.

As displayed above the literature shows how aid could be empirically linked to institutions that uphold democracy and also the features and institutions that characterize authoritarianism. For example aid can be linked to corruption this is further supported by Pande, who speaks of a new form of political corruption that is related to the possibility of misusing aid. Alesina and Weder also demonstrate this positive correlation between aid and corruption. Steven Knack also examined aid and governance quality, finding a significant negative relationship between both variables.

24 Easterly W. 2006. The White Man’s Burden: Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good. New York: Penguin Press HC
among all recipient nations of his study from 1982-1995. Aid dependency also had a negative effect on institutions that are often associated with being conducive to democracy, such as the rule of law and corruption control. Bader et al. find that foreign aid mostly stabilizes the prevailing political structure. Since aid is a fungible resource, it is questionable whether foreign aid can break the logic of political survival in autocracies and foster democratization.

Kalyvitis et al. bring into question the type of aid, in determining how easy it is to misuse; they believe that foreign aid subsidizes corrupt dictators whereas political aid is harder to misuse. Foreign aid can easily be “misallocated” so that it contributes to the stabilization of authoritarian structures, while remaining in line with other prioritized foreign-policy goals. Macqueen finds that George W. Bush’s democracy promotion enabled autocracies to enhance their capacity for social penetration and facilitated direct and indirect modes of oppression against opposition forces that have drawn from democracy promotion funding; which in turn has enabled these governments to enhance tactics of resilience like imitative institution building, elite change and co-optation. This has put into effect “upgrading of authoritarianism” and “perverse institutionalization” instead of democratic development.

This overview of the literature on the effect of aid on government characteristics is

28Ibid.
important as its points to the divergence in conclusions; thus the inconclusiveness of
this research; this in turn points to a gap in the literature that fails to capture the
complexity of the flows of aid from donor to recipient that I attempt to fill.

Global constellations are important in assessing the impact of aid on government
type.\textsuperscript{34} The recent rise in aid from Non-Western sources points towards the changing
global constellations. The Cold War era, in which there was presence of two
superpowers had a negative effect on the effectiveness of aid; where geopolitically
motivated aid, in which with regards to conditionality it was sufficient to merely
support one of the two global powers, prevented improvements in governments.\textsuperscript{35} Global
constellations and the end of the cold war has been acknowledged to affect not only the
allocation of aid but also the composition and implementation of aid within recipient
countries.\textsuperscript{36} The end of the cold war was believed to be an opportunity for aid to be
conductive to democracy in that the USA was able to target aid more selectively, rather
than using aid to strengthen corrupt but geopolitically useful autocracies.\textsuperscript{37} This claim
makes the implications of aid on democratization relevant again today with the new
global order and the rise of powers to challenge the USA; this points to the importance
of the donor himself, whether “Western” or “Non-Western” and how this matters to
effectiveness; this is further studied by Bermeo who finds a link between aid from
democratic donors and transitions to democracy, but no such link when aid is from
autocratic donors.\textsuperscript{38} In a more recent study she argues that the impact of aid on

\textsuperscript{36}Ibid.
democracy changes as donor motives changed at the end of the cold war. Authoritarian donor countries such as China and Russia are argued to be more interested in stabilizing authoritarian order elsewhere than in supporting democracy.

The importance of incentives to provide aid is also rendered important and academics relate aid to oil in its negative effects on democracy, in that for example some believe that the incentive effects of aid like those of oil induce an “unnatural resource curse that hinders democratic development”. Although scholars compared aid to oil, in its effects for government type: Djankov et al. go so far as to claim that aid is a bigger curse than oil in preventing democratic transitions. This stems from the fact that aid, unlike oil comes with a donor attached; donors come with their conditionality’s (in some cases) and their own preferences over the outcomes of foreign aid. The specific goal of the donor becomes important and must be evaluated.

This seems to suggest that the relationship between aid and regime characteristics and resilience depends on the source and type of aid suggesting that the characteristics of the donor and its intentions must be assessed in detail for understanding the outcome of the variables associated with aid revenue. Others argued that the structure within the recipient country determines the effect of non-tax resources on government survival.

More specific to the region, Benjamin Macqueen studies the effect of democracy promotion on autocracy in the Arab world. The Middle East's political stability is considered crucial for the stability of the region and for guaranteeing Western donors’

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economic and security interests. This is important since the literature also acknowledges a tension between the interest in political stability in a given country or region and the goal of incentivizing political change toward democratic governance. Egypt as a case becomes an outlier in almost all studies on the effect of aid on government. Due to Egypt’s strategic location, external states became less concerned about political and economic development and more about stability. During the cold war, the new powers didn’t care about government change and instead attempted to secure beneficial aid relationships by military and economic aid. Kersting & Kilby also highlight the importance of strategic location: their study differentiates between types of donors and their incentives; highlighting the effect of strategic location on the affect of aid on “progress towards democracy”.

The literature on the topic of aids effect on resilience seems to be more or less established in the sense that aid provides stability and resilience in authoritarian settings; however the literature attributes a role to donor policies and conditionality in determining whether democratization may take place. This suggests that the previous trend of studying aid from one side: either the supply or demand is insufficient in explaining the effect of aid on government type in Egypt. Thus the interaction between both the donor and recipient must be evaluated to test the relevance of aid conditionality and donor policies on the government in Egypt.

To study the link between aid and economic growth, a significant line of literature

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assumes that aid flows are exogenous\textsuperscript{49}, accounting for distortions within the recipient
country and studying the impact of unconditional aid in the presence of different
political institutions. A different line shows that the effectiveness of unconditional aid is
very limited in the presence of less democratic political governments. This will be
assessed in my thesis, by the comparative method between conditional aid and
unconditional aid.

If donor intent matters, then we should observe a different relationship between aid and
regime transition based on the source of the aid funding. If, on the other hand, recipients
are able to use aid interchangeably regardless of donor intent, then the source of the aid
should not matter in determining the link between aid flows and the likelihood of
government change. This brings us to the question of which side matters more in
assessing the implications of aid on the government characteristics, the donor or the
recipient?

Most of the traditional literature, as shown above; assumes that with regards to aid flow
and influence both flow in only one direction: from donor to recipient. Donors design
their aid allocation without accounting for recipient need and only keep in mind their
personal motivations; this fails to account for interactions between donors and recipients
outside of the transfer of resources. It also obscures the possibility that recipients also
may have a degree of influence over donor behaviour. Recent literature however has
begun to address this problematic focus: Villanger for example has pointed out the
inability of this model to reflect the complex systems of relationship between the many
actors such as donors, recipients, foreign companies, and local NGOs participating in

this system. This highlights the importance of studying different behavioural incentives, however these studies, have not yet challenged the basic donor/recipient structure and have not yet explored the effects of these interactions on the existing model. This is what I aim to do in my thesis.

Although Villanger assumes complexity, he assumes it with regards to the number of actors and not with regards to the fundamental assumption on donor-recipient relationship and the overall structure of international aid. In this sense I will attempt to explain the complexities of the case of Egypt by challenging this traditional model of the aid system and studying the complex interaction between donors and their incentives and conditions with recipients as rational actors.

Villanger, puts us one step forward in that he realizes that recipients of aid are not passive actors and are rational profit-maximizing actors. He argues that recipient governments can adopt certain strategies within the aid structure to force donors to continue giving aid even when conditions are not met. Economides et al. also make some progress on this topic by arguing that the micro-macro paradox of aid introduced by Peter Mosley’s article titled “Aid effectiveness: The micro- macro paradox” may be due to the increasingly rent-seeking behaviour of recipients. However neither Economides et al. nor Mosely suggests an intricate analysis of the interaction between donors and recipients. As long as recipient governments behaviour and donor incentives do not play an important role in the empirical and theoretical literature on international aid; the literature will not be able to explain accurately the implications of aid on governments. In order to correctly assess the problems facing the international aid

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community, and offer adequate structural reforms, it is necessary to take into account recipient and donor incentives playing out in the background and the effect of their behaviour on the international aid structure.

### Outline/ Structure of Paper:
This paper will take a historical, process-tracing approach looking at how the interaction between the donors and the Egyptian government and conditionality has affected policy developments that stood in the way of democratization or at least change; showing how specific structural realities within Egypt, make it very hard to break from this strong relationship between aid and authoritarian resilience; that may prove detrimental especially with the new global constellations. This historical structural approach will be important in understanding the interests of the global community and other states in upholding the stability of Egypt.

Ties between development and security show how aid policy and practice are contextually specific, emphasizing the importance on case studies with regard to this topic. A case study on Egypt is missing from the literature since most literature on the impact of aid on government regards Egypt as an outlier or a dummy variable, due to the immense amount of aid it receives. This is why it is important to study Egypt and its uniqueness in this regard.

The historical overview will start from Nasser’s era, focusing with more detail on crucial factors and moments in time that affected aid inflows and conditionality like 9/11 and the 25th of January revolution in Egypt.

In the chapters dealing with specific donors I will assess in detail the interaction between conditionality accommodated to Egypt with regards to the donors interests and motivations and the recipient governments adaptability to these conditions and adjustment explaining authoritarian resilience. The final chapter will deal with Gulf donors, specifically from Saudi Arabia, which will highlight the determining
capabilities of conditionality on government trajectory in Egypt and will also answer to whether government type of the donor affects the type of government it supports in the recipient country.

B Conceptualization and Theoretical Framework:

Before proceeding with my hypothesis, it is useful to define terms in order to set some boundaries for my research and findings. Drawing from the literature on the topic and my own argument I will attempt explain the effect of aid on the policies of the Egyptian government and the actions of recipient governments by exploring the interaction between the donors and the recipients. This will be done by providing evidence for a link between influxes of aid, the conditionality (or lack thereof) it entails and institutions and characteristics that have been widely cited in the literature to promote authoritarian resilience such as corruption, patronage politics and a strong autonomous military.52

A historical structural approach that looks at institutions will enable me to take state formation as changing and contingent with variations shaping differences in how a state responds to international pressures53. Since this work deals largely with content analysis, foreign policy analysis and news reports, a precise analysis, drawing upon academic sources, government and news reports will enable one to open the black box of decision-making.54 The historical approach confirms my claim that geostrategic location is constant and warrants a larger role for political economy factors.

With regards to types of aid, my thesis will focus on bilateral transfers of aid, whether they are in the form of ODA (Official Development Assistance), which encompasses

54Ibid.
grants and concessionary loans or government-to-government aid in the form of private sector investment. Although the ODA excludes military assistance from its definition, I will not; that is because of the relevance of military aid to other variables such as geo strategic location and global constellations and also because of the large percentage of military aid that Egypt receives and the affect of the military on authoritarian resilience. Political aid – mainly in the form of technical assistance— is also considered due to its potential to serve as an impediment to the “status quo” effect of misused financial aid, since it cannot be easily diverted. Therefore to account for these different forms of aid and their political implications it will be useful to analyse all types of both economic, development and military aid.

I justify my focus on bilateral aid since it is believed to be given to strategic allies whereas multilateral aid is more likely to be given to countries with a good history of growth and political stability. Bilateral aid will also be the focus of this research since it is the largest chunk of the aid Egypt receives. Bilateral aid is by far the most quantitatively significant form of aid and accounts for approximately 75% of all measured government administered international aid. Although multilateral aids’ impact on government actions and its importance cannot be neglected, analysis of multilateral aid is beyond the scope of this research.

With regards to the donors themselves: I will focus on bilateral aid from the U.S. and the Gulf Donors: specifically KSA; since these are the most related to changing global constellations. The U.S. is an example of a Western donor with conditionality and the U.S.s aid to Egypt compromises the most significant factor of total aid. Saudi Arabian

aid will also be included because it represents changes in global and regional constellations, which in turn have an effect on aid. The Saudi Arabian aid specifically is chosen due to its numerical importance and the reality that it along with the U.S. are the largest foreign donors to Egypt. The Gulf donors represent a different type of aid that is believed to be with no conditionality or defacto conditionality; they also have contemporary relevance and a thorough analysis of the implications of their aid may allow predictions for the future.

Ideally, aid conditionality is in the literature, among other things, considered a way to increase leverage with recipient countries, to encourage them to do things they might not do without this conditionality. This increased leverage is not necessary the case; thus this will be assessed.

Assessing the effectiveness of aid using the traditional model as seen in the literature review above is problematic in that the effects of aid are blamed on either the behaviour of the donor or the inadequate institutions in the recipient country that are unable to efficiently use aid; this ignores the importance of the interaction between both mechanisms. By overlooking this crucial interaction the current model and literature with regards to aid cannot correctly assess the true impact of aid or pinpoint obstacles to better effectiveness.

The international aid structure is composed of two main types of actors: donors and recipients. These seemingly unified “players” are the culmination of complicated relationships and interactions between individual actors whose individual motives and actions influence the general aggregate behaviour of “donors” and “recipients” in this model. This assumption is problematic in that it ignores that the actors involved in this bilateral relationship are two governments, that have separate stakes in the outcomes of this aid and separate and often multiple objectives.
With two governments involved, with two (or more) different sets of interest groups, the political economy of bilateral aid is vastly complex; thus I suggest a step past the traditional model of a one way path between donors and recipients and suggest that the relationship is interactive and more complex; with donors adjusting conditionality to the recipient and the recipient reacting accordingly. In this sense my independent variable is the reaction between donors and recipient and I measure the effect of this on recipient behaviour and government characteristics.

C What NOT to Expect from this thesis

This thesis merely attempts to explain how the interaction between the Egyptian government and the governments of Saudi Arabia and the U.S. with regards to aid flows, explains aid effectiveness and conditionality. This thesis does not attempt to decipher and open the black box of Arab aid. It does not attempt to overcome the opaqueness of the aid literature. This thesis is not a quantitative analysis of the different forms and types of aid Egypt receives from the different donors it deals with. The thesis does not analyze multilateral aid flows or aid from any other donors other than the U.S. and Saudi Arabia.

Foreign aid rests on the assumption or belief that external support is necessary to overcome the constraints of insufficient capital investment that result from limited savings and foreign exchange: this gap is filled by financial and technological assistance that should create conditions for self-sustainable growth. Supposedly, however, a reliable flow of foreign aid should prove sufficient enough to stimulate a country’s own efforts and encourage an appropriate domestic environment. The gains of aid should thus promote political stability, and henceforward, promote close ties and favorable attitudes toward the aid donors. 58

With regards to Egypt, successive U.S. Administrations have concluded that strategic objectives, namely securing the U.S. interests in the region by stabilizing it, were directly served by economic aid. Egyptian foreign policies, democratization plans of both Sadat and Mubarak, and Western oriented economics were considered by the U.S. Administration as dependent on the government’s ability to realize public demands for economic improvement. 59 Continuity of the government’s policies depended on satisfying economic expectations among key segments of society. In only a handful of countries, the political motives in aid stood out more and the recipients’ needs and interests given less weight in deciding the magnitude of aid than in Egypt. 60

The most important precursor to present day aid programs was the Marshall Plan program. The Marshall Plan’s economic and technical assistance programs ran from 1947-1952. Similar to that of the Marshall Plan, the U.S. aid’s purpose was to provide the know-how and resources to launch “new” states on the road to self-sustaining

59 Ibid.
60 Ibid.
development. During the Cold War, whilst in competition with the Soviets, the U.S. allocated aid to countries that accepted principles of non-alignment; therefore, the political obligations in taking economic aid became more implicit and the effectiveness of aid diminished.

From 1957-1987, most of Egypt’s aid was funded through capital transfers and technical assistance. This aid see-sawed from 1957-1973 as the U.S. tried to influence Egypt’s behavior in the region and in other international affairs. It increased steadily from 1974-1985 with a more continuous policy, as Egypt sought to maintain a friendly relationship with the U.S. and make peace with Israel; it dipped slightly in 1986 followed by an increase from 1987-1990.

The 1950’s, in the eyes of the United States, was a dangerous time: the Soviet Union had a nuclear device and a communist government had assumed power in the most populated country in the world: China. In the eyes of Egypt, it was a time of hope and promise: for the first time since the Persian conquest in 525 BCE, Egypt would be ruled entirely by Egyptians. It was only thereafter, as the Free Officers secured their hold of power at home, that they aimed to become the dominant regional power. Doing this had a lot to do with foreign relations. In pursuit of becoming the regional power, Egypt tried to engage the U.S. and the Soviet Union in a “bidding war for Egypt’s affections”. This failed-or ended, when the U.S. withdrew its funding from the Aswan High Dam project.

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63 The year 1957 is when this historical overview begins because it represents the beginning of the American “development assistance” program for Egypt.
A  Nasser’s Closed Door Policy:
In Nasser’s transformation of the economy to a Nationalist socialist state, the economy became relatively closed; this was a result of domestic regulations and policies that constrained Egypt’s relations with the West.\textsuperscript{66} When President Abd El Nasser told President Lyndon B. Johnson to take his aid and “drink from the sea”, the Egyptian-American aid relationship reached its lowest.\textsuperscript{67} In 1958-1959, the Eisenhower Administration decided to withhold aid from Egypt; this was based on the argument that there was a serious communist threat in the Middle East that Abdel Nasser was part of.\textsuperscript{68} On Egypt’s part, Nasser at the time, along with other Arab governments, was supportively arguing the assumption that Eisenhower’s Administration was part of an imperialist policy to justify aggressive interventions.
U.S. aid to Egypt during Nasser’s Era correlated with the U.S.-Egyptian relation’s ups and downs. Although Eisenhower’s Administration made available ten million dollars through a lump sum payment to the Egyptian American Rural Improvement Service program (EARIS), resistance by Nasser’s government to Western pressures to join the Baghdad Pact deteriorated relations and seemed to result in the U.S.’s decision against financing the Aswan High Dam and the subsequent nationalization of the Suez Canal; this set the stage for the Suez War of 1956, which resulted in a halt in the US’s shipments of wheat to Egypt.\textsuperscript{69} After the Baghdad Pact crumbled, the U.S. decided that Nasser’s influence in the region will keep growing and that it would only be able to play a role in the region by returning Egypt’s food aid program.\textsuperscript{70} This shows how Egypt

\textsuperscript{66} Ibid.
\textsuperscript{68} U.S. Congress. “The President’s Proposal in the Middle East” (Hearings before the committee on Foreign Relations and the Committee on Armed Services, U.S. Senate), 85th Congress, 1st Session on SJ Res. 19 and HJ Res. 117. Washington, D.C.: GPO, No. 167, 1957.
\textsuperscript{70} Ibid.

received this aid at the time only because of the Nasser/Communist threat perceived by Eisenhower’s Administration at the time.

Relationships improved towards 1960, and the work on the project and shipments were gradually resumed. In March 1960, 32.5 million dollars were set for economic development. This improvement was because of Kennedy’s “fresh start approach”. By cutting the size of CIA activities in Egypt and subsequently decreasing the monitoring of Nasser and his family, relationships improved between the two governments.

Throughout the 1960s, Soviet aid sustained Egypt’s industrial sector. By the summer of 1963, the Soviet Union had supplied Egypt with a lot of hardware including tanks and aircraft.\(^{71}\) However, with stagnation in the country after 1966, subsidies became a heavy burden on the government. In this sense, with a balance of payments crisis on the verge, Egypt’s political and financial indebtedness to the Soviet Union increased clearly. Soviet aid programs showed sensitivity to the nationalist fervor in Egypt at the time. The USSR’s appreciation of Egypt’s political and strategic importance was obvious when looking at the per capita assistance it gave Egypt in comparison with other countries during the same period.\(^{72}\) They had no political or military conditions attached to their aid and their project assistance was not conditional on broad economic changes. After the June 1967 war, however, Egypt relied more on the Soviet Union; with this increased reliance and presence of the Soviet Union, tensions increased. Egyptians became convinced that the Soviets were present in the Middle East merely to establish alliances and military bases as bargaining chips to be traded away with the United States on various political and economic issues.\(^{73}\) Aid authorization turned bad again in 1965 and 1966; ideological difference proved to be detrimental to the relationship. To match the

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\(^{71}\) Ibid. pg. 142.

\(^{72}\) See Discussion in Mohamed Heikal, *Autumn of Fury: The Assassination of Sadat* (London: Andre Deutsch, 1984), pp. 77-78

US’s pro Israel policies, Nasser began to strengthen ties with the Soviet Union. Nasser’s role in the Congo and Cyprus conflicts, and the government’s reaction to the Anti-U.S. protests and Nasser’s criticism towards the U.S.’s role in Vietnam, aggravated the U.S. Administration. U.S. policy-makers remained intent on salvaging the U.S.-Egyptian relationship only due to fear that a failure to support the Egyptian economy could lead to a communist, chaotic Egypt.\textsuperscript{74} Loans and grants that had reached 94.5 million dollars between 1962-65 dropped to only 1.5 million dollars in 1966 and to around half of that in 1967, before ceasing to exist entirely.

Nasser’s appearance to reject political conditions attached to food aid brought him huge support domestically. The problem was, however, that people had gotten used to low priced, abundant supplies of food grains.

President Johnson wanted to teach Nasser a lesson that America meant “business”.\textsuperscript{75} Accordingly, America’s aid to Egypt reached its lowest and was suspended in 1964. After 1967’s shocking defeat, confidence in Nasser and his rhetoric was destroyed; this, in addition to the 1968 riots, stripped away his illusions.\textsuperscript{76} President Sadat would have to take a completely new direction if he wanted U.S. aid to Egypt to resume.

During Nasser’s era, what is impressive when looking at this aid relationship, from the recipient’s perspective, is the consistency of Egypt’s policy. The decision makers were impatient for rapid growth and they were ambivalent about the role of foreign investment: hoping to steer the benefits to the citizens this time.

However, from the American side, it has appeared to be in flux for the majority of Nasser’s period. The amount of aid increased drastically in the mid 1950s and the goal

\textsuperscript{74} Ibid.
\textsuperscript{74} Ibid.
of that aid changed from mere technical assistance to significant capital assistance under a security rubric. The explicit and stated goal for U.S. aid in 1952 was to stabilize and aid the new government of Egypt. In following years, the U.S. was perceived, in light of its aid, as a modifier of Egyptian policy, in 1953 as a promoter of Anglo-Egyptian agreement over the Suez Canal Base, and in 1956 as a promoter of direct peace negotiations with Israel. All strategic, and not developmental interests.

This observation not only highlights where the fault lies in this deteriorating relationship, but it also supports my argument that the interaction or relationship must be analyzed away from the traditional one way flow of aid. In this sense the dynamic in this interaction proved how the Americans and Nasser’s government were unable to build a strong partnership that could hold despite the stresses of the time. This inability and failure had roots in both governments' ability to antagonize the other, but also in the global environment itself. Both the Soviet Union and Israel, at the time, had strong interests in preventing Egypt from growing too close to the Americans. The Soviet Union was, in turn, able to create trouble for U.S. plans in the Middle East at virtually no cost. The British government also pressured the U.S. government at times to sacrifice programs in Egypt for the interests of its own relationship with the American government. The main problem lay in the fact that the projects by the American government at the time did not yield enough benefits by 1955 to induce both the recipient and donor governments to put aside their ideological differences. When tensions rose, the projects did not have enough constituencies to sustain the relationship. The interesting aspect that arises when one observes both sides of this bilateral relationship in this period is that each side felt weaker than the other side perceived it to

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78 Ibid.
be. The problem was with the constraints faced by each government and the inconsistencies in the relationship itself. Egyptian interests were guided mainly by the need for economic development whereas American interests were funded by the cold war; even though at times these interests coincided, they could not ultimately unify. The relationship crumbled because it wasn’t able to broaden the narrow basis upon which it was found. Improving the bilateral relationship was never a main concern of either government.

B Anwar El Sadat and Infitah:
Anwar El Sadat, either by opportunistic afterthought or by design, realigned Egypt’s alliances to attract financial assistance from wealthy Arab governments and Western investors, in order to completely restructure the economy. The U.S. government was reassured by Egypt’s dire economic predicament and Sadat’s political vulnerability domestically. In 1971, we witnessed how the resumption of U.S. aid was not a decision taken by the donor side alone. However, the recipient government, namely Sadat’s, played a big role in ensuring the aid. Through intensive international maneuvering, Sadat made an offer to open dialogue with the Israelis through the American Secretary of State: William Rogers. Although this effort failed, by 1975 the U.S. Government began to take his pleas for peace seriously. Worried by opposition from Congress, Kissinger exhibited how the Administration would be willing to provide economic assistance but was not willing to supply Egypt with arms. Kissinger also worked steadily on obtaining new sources of aid to Egypt through such outlets as West Germany, the United Kingdom, and even China. The United States began supplying aid in January 1974 when 8.5 million dollars was committed to rid the Suez Canal of

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79 Ibid.
81 This was in response to Egypt’s proposal to buy American arms with Saudi Arabian and other Gulf States funds.
war debris and begin restructuring it. Although Nixon’s Administration programmed an additional 50 million dollars by March, by mid May this was still seen as insufficient by the U.S. ambassador to Cairo Hermann Eilts. El Sadat was waiting for an opportunity to press a case of economic aid that would give him parity with Israel. He got his opportunity with Kissinger in March 1975; during these talks, the figures were raised to 750 million dollars and an additional 200 million dollars was set aside for food aid. These figures did not, in any way, reflect the Egyptian government’s needs neither budgetary nor developmental. The aid merely needed to be substantial enough, so that Egypt could face its deteriorating economic realities and to ensure that the Soviet Union could not regain its economic and political standing in Egypt. Any reduction in the aid figures would be interpreted by Sadat’s government as a representation of softening in the U.S.’s backing for the government or a changed expectation about Egypt’s role in regional peace and stability.  

Sadat’s Infitah policies, with IMF’s blessings, helped improve Egypt’s credit worthiness in world markets. Egypt’s economic redirection made sense in 1974, given the country’s budget deficit (1.3 billion dollars), which reached 18 % of the state budget. By 1975, the U.S. had begun supplying Egypt with non-offensive military equipment and nuclear retractors. The Carter Administration had a bigger problem, due to domestic issues and criticism with regards to justifying American power and intervention overseas; this problem found expression in the Administration’s foreign aid policy. Throughout both Nasser and Sadat’s eras, we witnessed how the continuation in technical and economic aid reliance, whether bilateral or multilateral, ensured the recipient bureaucracy an active and preeminent role in the economy.

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83 Ibid.
U.S. assistance to Egypt after 1967 was in accordance with the New Directions Philosophy, which expected that aid would reach the poor majorities, and in effect, substitute a “trickle down” strategy for a “percolate up” one. 87 The aid, however, showed how the U.S. had little knowledge, or no regard for Egypt’s economic problems and how much it could absorb or what impact aid might have on the domestic economy. Government officials in Egypt, who were used to massive Soviet projects and centralized decision-making, had trouble accustoming to U.S. aid strategies that did not concentrate funds in few highly visible projects and required coordination and participation among the ministries. Other issues arose from the incompatibility of U.S. development ideas with inherited practices and structures from the Nasser era, such as over-centralization, a rigid financial system, and the reluctance of some sectors to expand the private sector. 88

Political factors also figured into the aid allocation formula. Following the food riots in 1977, the U.S. shifted 190 million dollars of already committed capital development funds to commodities that would quickly enter the economy. As a reward for signing the peace accords at Camp David, the U.S. Congress agreed to supplement Egypt with a peace dividend valued at 300 million dollars; also included was a military assistance program that promised 1.5 billion dollars over a 3 year period. This new generosity was expected to bolster Sadat’s popularity with the armed forces and enhance his regional stature. 89

The U.S. also felt obligated to compensate Egypt for the decline and eventual cut off of Arab assistance. Between 1974 and 1977, this aid had officially reached more than 7 billion dollars.90 Led by the KSA and Kuwait, several Arab countries had begun giving

87 Ibid.
88 Ibid.
90 The actual amount of assistance from Arab governments is not clear. Mohamed Heikal quotes a former Ministry of Finance official who put the figure at 14 billion dollars for the period from 1971-1977; other sources claim it ran as high as 17 or even 22 billion dollars. There are obvious discrepancies in the accounting depending on whether the
aid to Egypt following the 1967 war. This aid was increased greatly after the 1973 war. A combination of Sadat’s peace treaty and a concern that their aid was used to finance consumption led the Arab donors to ostracize Egypt both politically and economically.

It must be noted that the U.S. wasn’t Egypt’s only source of aid from the West at the time. Donor assistance flows increased from 800 million dollars in 1973 to 2.9 billion dollars in 1977. With the drying up of Arab assistance, the structure of Egypt’s foreign aid changed drastically towards the late 70s. The largest financial contributors were the World Bank, West Germany, and Japan. This new bilateral aid was flexible in contrast to earlier lending practices of the IMF, where Egypt paid a high political price for getting their aid.

Realignment with the West promised, at the time, not only the direct aid benefits, but also a lowering of military expenditures as well as the making of a risk averse Egypt with regards to foreign capital thus attracting new investments. Peace with Israel would also enhance the state’s coffers from Suez Canal fees, increase revenues from the returned Canal oil fields, and enhance tourism. Egypt also hoped to get preferential treatment in Western and regional markets for its exports.

With regards to the newly acquired oil wealth in the Middle East; Sadat hoped to obtain a share in the regions economic growth with its exportable manpower, central location, and large market. Egypt expected to play its traditional leadership role: showing moderate Arab governments how to obtain territorial concessions from the Israelis.

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money was deposited in the Central Bank. Contributions to Egypt’s defense were most likely to have escaped detection in ordinary accounts. Heikal, *Autumn of Fury*, 79-80
Sadat’s plans and relationship with the U.S. shows how he envisioned Arab capital in sync with Western technology; his policy changes implied an Egypt open to foreign investment and world market oriented policies.91

The problem with both Nasser and Sadat’s eras and foreign aid was how the U.S. Administrations continuously underestimated Egypt’s structural obstacles to change and overestimated Egyptian rulers’ will and capacity for change. The legally favored foreign companies helped associates and relatives of Sadat accumulate fortunes, which hand in hand with increasing evidence of corruption, brought the government under immense attack. Although later, Hosni Mubarak, at the outset of assuming office, expressed new doubts about the consequences of economic liberalization, Egypt’s dependence on the U.S. never waivered.92

C Mubarak in the International Arena:
Between 1977 and 2007, the Egyptian government received approximately 62 billion dollars from the U.S. in foreign military assistance and economic aid; this came to an average of 2.1 billion dollars annually. Egypt’s aid from Washington’s Economic Support Fund for 2008 was larger than that of the whole sub-Saharan Africa, despite a significant decrease in these transfers since 1998.93

During the Reagan presidency, the Egyptian government saw great advantages, specifically because of the release of previously halted funds. In early 1983, the U.S. Congress unfroze aid accounts totaling more than 100 million dollars. In 1985, a 100 million dollar cash transfer was made to Egypt in addition to regular project funding.94

The interaction between the Mubarak and Reagan governments was also interesting in highlighting the conflicting interests that each side of the relationship has. Reagan saw

94 Ibid.
the Middle East through a Cold War lens of politics, in which he wanted to make Lebanon, pro U.S to block Soviet influence in the region. Mubarak, however, saw the conflicts in the Middle East through a regional lens, within which he did not want to become even more isolated. In this sense, Mubarak, trying to fulfill his own interests, attempted to gain regional support by supporting Iraq in its war against Iran. At the same time, Mubarak was appeasing the U.S. by helping its secret campaign in Afghanistan.

In the 1990s, Egypt won great economic benefits, from both the Gulf and the U.S. for military operations. For example, for Operation Desert Shield against Iraq, Egypt was forgiven of 6.7 billion dollars in debt to the U.S. along with a further 7 billion dollars in debt forgiven by the Gulf. After the success of the operation, further debts were forgiven that amounted to 10.1 billion dollars. Not since 1979 had any Egyptian leader so effectively cashed in on security cooperation with the U.S.

Egypt also received various transfers of advanced military equipment. For example, a deal in 1999 involved hardware worth approximately 4 billion dollars, which included: fighter jets, missiles, helicopters, and hundreds of tanks. At the time of the deal, officials in the Pentagon said that this equipment would support U.S. foreign policy goals as well as some national security goals. Egypt was thus considered ‘a friendly country that had always been and will remain an important power for political stability and economic progress in the Middle East.’ This reality is considered remarkable considering how Egyptian troops rarely interfere or play a role in military conflicts with external powers. Other than the minor role-played in the Gulf War of 1991, Egyptian troops haven’t been active since 1973; this doesn’t stop them, however, from playing an

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important role in supporting American policy in the MENA region. According to the U.S. state department, “Egypt provides military assistance and training to a number of African States in order to bolster stability and moderation in the region”98

Since 2001, in this sense, Egypt has played an important role in Washington’s global security strategy. Egyptian forces extract information from detainees kidnapped around the world by the CIA.99 Domestically, this legitimized and reinforced the governments infringement on civil liberties in the name of “fighting terrorism”; this provided rationales for initiatives such as the “Anti-Terrorism Act” that was introduced in 2006, and measures such as the trial of civilians in military courts. The underlying stance of the U.S. government has been to support this repression in the name of stability; however, at times, the U.S. has been forced to pay lip service to democratic change to avoid hostility back home to its policy in the region.

As in the late 70s, human rights advocacy was set-aside in the 2000s by strategic considerations of U.S. security. Mubarak was a vital player in the U.S. war against Saddam and the war against terror. The U.S. also remained a key ally of the Egyptian government as aid continued pouring in.

For example, in November 2003, President Bush set out a project for political change across the Arab World with special reference to Egypt, specifically saying that it should “show the way toward democracy” in the region100; in 2005, he insisted that free and fair elections in Egypt must be part of the change process. This lip service did not prevail. Washington became aware of the dangers of an active process of reform and U.S. commentators close to the Administration claimed that if America pushed too far,

too fast, the Islamists would gain the upper hand. Scared even more by the electoral progress of the Muslim Brotherhood in the 2005 elections in Egypt and in Palestine with Hamas, Washington switched from a strong support of democratic transformation in the Middle East, to a “cold realism that counsels warm relations with dictators in exchange for their help on counterterrorism and other strategic matters.”

Actions by Bush in the second half of the 2000s show how he used democracy promotion in Egypt as an instrument to anchor Egypt’s alignment before Mubarak passed away.

D U.S. AID
In the post war period, the U.S. aid programs have taken a variety of forms and directions depending on the changing global needs and objectives of the government whether long term or short term. With regards to the results of these aid programs in various countries, it has been observed that the adequacy and appropriateness of aid depends on the absorptive capacity of the recipient country and its political will to express change through domestic policies. The difficulty here lies in the reality that aid policies usually involve mixed motives and can attempt to serve several purposes at a time.

U.S. economic aid involves commodity transfers of consumables, raw materials, and finished goods as well as development aid for large projects and technical assistance. Of the approximately 1 billion dollars given to Egypt annually in economic aid through the 80s, about 450 million dollars was directed towards development projects, 300 million towards commodity aid, and the rest for sales under the Food for Peace Program. Approximately 1.2 billion dollars was allocated for military sales to Egypt; this rose

102 Ibid.
U.S. foreign aid to Egypt increased during Bush’s Administration. This was justified by Egypt’s cooperation in the Persian War against Iraq. The rationale behind this substantial assistance was Egypt’s important role in maintaining peace and stability in the region and its leadership role in the Persian Gulf crisis. An Egypt that is strong enough to play both these constructive roles is to the U.S.’s interests. Egypt’s aid decreased slightly with Clinton’s Administration getting power, as the Administration raised concerns about Egypt’s arbitrary detention and arrests. However, the Administration also claimed to be pleased with Egypt’s economic reform process. The problem that was continuously brought up by U.S. administrators was how aid during Mubarak’s era especially was dealt with as an entitlement. After the September 11 2001 terrorist attacks, and the subsequent U.S. focus on promoting democracy in the Middle East, the Mubarak government came under increasing U.S. pressure to accelerate political reforms making Egypt more democratic. In an effort to control the reform agenda without relinquishing their grip on power, Mubarak and the ruling National Democratic Party (NDP), instituted some political reforms, however emphasizing the need for economic reform as a precondition for political reform.

The issue with regards to political aid is the extent to which it distorts the full value of assistance. Aid that strongly depends on a donor’s economic philosophy may be inappropriate even if incrementally beneficial to the recipient. The problem with U.S. aid is that the economic assistance programs it supports have tried to simultaneously pursue not only political and commercial objectives, but also humanitarian and developmental ones. In this sense, even though political and economic aims do not necessarily work in a parallel sense, they can even become incompatible with the

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105 Ibid.
development needs of the recipient government. This having been said, it is fair to say that politically motivated aid has tended to strengthen the status quo in Egypt.  

**E Conclusion:**

Historically, although foreign aid has added, even if inadvertently to the distortions and disincentives of the Egyptian economy, the assumption that foreign aid and the dependency it creates is a hindrance to the economy is difficult to prove in the case of Egypt. Foreign aid has appeared to be a condition, albeit hardly a guarantee of economic development in Egypt. If Egypt, for some reason, were to refuse aid or stop receiving aid, without being able to compensate by other large capital inflows, it would be forced to press down strongly on consumption and curtail most if not all development plans. This has not happened or been viable due to the huge population growth in the country over the years.

This historical overview has shown how foreign bilateral political aid creates dependence that may be beneficial for the recipient. This is in comparison to other types of aid, whether multilateral or non-politically motivated. The case of Egypt has shown that this type of aid is very generous. Also, political aid almost always comes on easier terms; for example, by the early 1980s, almost all of U.S. aid was shifted to a grant basis and loans also remained soft. This aid entails much less stringent domestic economic conditions than aid from the IMF for example. Another important point is that by the commitment Washington made to authorize more than one billion dollars annually to Egypt as economic aid, a crucial means of leverage over the Egyptian economic policies is effectively denied. In this sense, aid officials cannot without conviction threaten to withdraw aid from the government. Also, U.S.’s desire to assure

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109 Ibid.  
110 Ibid.
that Egypt will cooperate in regional policies limits the demands the Administration can impose. An Egyptian government that complains strongly enough and implies that its ability to succeed is at stake during the history of the U.S. aid received most, if not all, of what it sought.\textsuperscript{111}

In conclusion, foreign aid’s lack of effectiveness on the Egyptian economy has been proved through macro, micro and inductive methods. The negative impacts of aid on development historically in Egypt have been attributed to misplaced priorities, such as preoccupation with the cold war, overemphasis on consumer domestic subsidies instead of capital goods, and the imposed developmental conditions of the various U.S. Administrations as well as the overriding interests of American firms.\textsuperscript{112}

This historical overview has proven how, for reasons of Egypt’s designated geostrategic location, the country’s government can rely on the U.S. and other donors to come forward with whatever aid and assistance is required in case the domestic economy deteriorates to the point that the government’s stability is threatened. The historical overview has also shown how the U.S. increases aid depending on the Egyptian government’s responsiveness to its political interests in the region is not a farfetched claim. This is exactly why there was low aid in 1958-1959, since the U.S. perceived Nasser to be a “Communist stooge”\textsuperscript{113}; when the Administration realized that this was not true, aid increased from 1960-1963. Aid was suspended in 1963-1964 because of Johnson’s anti-communist pro-Israeli ideology and increased from 1975-1990 to maintain peace between Egypt and Israel. The overview has shown how the Egyptian bureaucracy and its domination of all aspects of Egyptian life make it difficult to pursue coherent development policies; this also affects the sustainability of these projects.

\textsuperscript{111} Ibid.
\textsuperscript{113} This was implicitly stated in a number of administrations testimonies before Congress.
Although the relationship between the U.S. and Egypt has at times strained and loosened up again, bilateral tensions, in no period of time since Sadat’s era, didn’t interfere in any way with strategic cooperation.\textsuperscript{114} This relationship and interaction has proven to be an “interdependent relationship”, where the U.S. aid to Egypt is a means to strengthen its power in the Middle East and maintain the peace between Egypt and Israel, whilst Egypt, on the other hand, benefits by maintaining peace with Israel and preventing internal political and military disturbances by using U.S. aid to promote government subsidized programs.\textsuperscript{115} The U.S. relationship with Egypt is unique and not a one-way process. It can more accurately be described as a “typical bargaining process” with the characteristics of haggling.\textsuperscript{116} In this sense, we can see success in the relationship when the interests of both the recipient and the donor overlap. Another conclusion that was reached was that the more the percentage of security assistance of total assistance, the more maneuverability the Egyptian government had.

In a nutshell, this historical overview showed how Egypt’s geostrategic importance and the constant threat of domestic instability and upheaval helped explain why Egyptian presidents and especially Mubarak was able to continue securing multibillion dollar deals, broken promises, and renegotiations.\textsuperscript{117} Even the feasible efforts at democracy promotion proved to be, as a result of the interaction, a mere nudge for an incumbent to broaden participation without “ending tyranny” in the country.\textsuperscript{118}

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It must also be noted that despite the reality that this chapter is covering the historical overview of both U.S. and Saudi Arabian aid to Egypt the majority of it has focused on that of the U.S. This is due to the lack of transparency of Saudi Arabian aid and also the reality that Saudi Arabian aid does not flow continuously or annually like that of the U.S.. As the historical overview has shown Saudi Arabian aid occurs at certain instances in history and is not necessarily long term or continued.
4 Chapter 4: The U.S.-Egypt Bilateral Interaction

A Introduction

This chapter aims to show how the U.S, with regards to foreign aid interactions between the post Arab Spring governments in Egypt and the Obama Administration, has poorly played its hand in the region and specifically in Egypt: “flip-flopping like a trout on a boat deck”\(^{119}\), leading it to support the repressive governments it condemned at the wake of the Arab Spring. In so doing, I will demonstrate how this was not accidental and did not occur in a vacuum. The decisions by the U.S. government, with regards to aid, were and are affected by the Egyptian governments actions and responses. This way, we can see how the Egyptian government might’ve not only played a role in this U.S. presence, but also may have actually driven the process, or at least strongly maneuvered it.

The importance of studying this interaction within the general literature on the topic, and in theory building, lies in the fact that with regards to the U.S. contribution to robust authoritarianism\(^{120}\) and the scholars who wrote on the topic, one theory stands out. Namely, that is the theory of “linkage and leverage” by Steven Levitsky and Lucan Way. Specifically, there has yet be an autocracy more linked to and more leveraged by the U.S. than that of Egypt.\(^{121}\) However, studying Egypt shows something very important with regards to this theory. According to Levitsky and Way, leverage is vulnerability to democratizing pressure, and Egypt’s strategic importance limits this vulnerability. However, as I will show in this chapter, there is no democratizing

\(^{119}\) Ibid. Obama administration's policy during Sisis presidency can be summarized as one of muted rhetoric calling for reform while propping up the dictatorship.


pressure in the first place by the U.S. towards Egypt for it to be vulnerable to. The interaction between the U.S. and Egypt reveals this reality.

The relevance of assessing foreign aid today, and the implications this aid has on the recipient government, lies in the fact that many will attribute the failure of the revolution to exogenous factors. Among those is how the international community too readily supported the repressive governments that followed the 2011 fall of Mubarak. The promises Obama made that year: "to promote reform across the region, and to support transitions to democracy", going on to specify that in Egypt the U.S. “will oppose any attempt by any group to restrict the rights of others, and to hold power through coercion and not consent," seem not to hold anymore today. So, what role did aid play in the lead up to Egypt’s current situation? How did the actions of the Egyptian governments and the American Administration interact to impact on the trajectories of post Arab Spring Egypt? Who had more influence on the process, the donor: the U.S. or the recipient: Egypt?

The U.S. foreign policy towards Egypt, as was shown in the previous chapter, is geared mainly towards maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the Egyptian-Israeli peace treaty. Successive Administrations have always viewed Egypt’s leaders as a moderating factor in the region; although, in the 2000’s, there have been increasing calls by the U.S. for Egypt to democratize. The problem lies mainly within Congress, where views of Egypt vary; many members believe that Egypt is a stabilizing force in the region, whereas others would like the U.S. to pressure Egypt to reform politically, improve with regards to human rights, and take a more active role in reducing Arab-Israeli problems. With or

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without these calls, the U.S. has provided Egypt with an annual average of over two billion dollars in economic and military foreign assistance since 1979.\textsuperscript{123}

Egypt’s annual economic assistance from the U.S. is provided as a combination of both direct cash transfers to the Egyptian government and as funds for the programs of USAID in Egypt. Towards the end of the 2000s, Congress had increasingly sought to specify that Egypt should spend its economic aid on democracy and education programs. However, this has been problematic for Egypt since actions by Egyptian governments show how it believes that U.S. assistance programs must be jointly negotiated and cannot be unilaterally dictated by the United States.\textsuperscript{124}

In Egypt, a 3:2 ratio exists with regards to military to economic aid respectively. Economic aid, since 1998, had dropped in annual 40 million dollar increments: from 815 million dollars in 1998 to 415 million dollars in 2008.\textsuperscript{125}

Because of the Egyptian economy’s strong macroeconomic growth rates from 2000 towards 2010, and an increasing desire for more U.S.- Egyptian trade combined with Egypt’s reluctance to accept conditions on U.S. aid, both U.S. and Egyptian officials showed a desire to stop receiving economic assistance. Egyptian officials wanted to establish an endowment to jointly fund development projects. This proposal by the Egyptian government was believed to be a move to shield Egypt from the potential conditionality agreements that Congress mandated. The U.S. government, somewhat submitting to Egypt’s demands, proposed to decrease economic assistance by


\textsuperscript{124} Congress seeks to ensure that U.S. foreign assistance for Egypt is being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that “democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities.”

\textsuperscript{125} Egypt has periodically received supplemental aid. The FY2003 Emergency Supplemental Appropriations Act (P.L. 108-11) included $300 million in ESF for Egypt, which was used to cover the costs of up to $2 billion in loan guarantees issued over three years.
appropriating 200 million dollars in economic assistance to Egypt for 2009: “2009 126 economic assistance funds for Egypt will decrease from the 2008 level, reflecting a more balanced, mature bilateral relationship consisting of foreign assistance and commercial linkages.” 127

Military aid to Egypt is divided into three general components: acquisitions, upgrades to existing equipment, and follow-on support and maintenance. According to Egyptian and U.S. officials, approximately 30% of annual military aid to Egypt is spent on new weapons systems, since Egypt’s defence modernization plan attempts to replace most of Egypt’s older Soviet weapons with U.S. equipment.

Average Egyptians do not feel the impact of economic aid from the U.S., since the per capita share that this aid translates to is six dollars per capita. In 2009, with U.S. economic aid to Egypt cut to 200 million dollars, the per capita share became a mere two dollars and 60 cents in a country with an average GDP per capita at prices of about 2,184 dollars in 2008 128—and an inflation rate of 11.8 percent. 129 Not only is the amount of aid minor, but also the focus of aid does not impact most average Egyptians. The main focus of USAID programs has been on helping powerful businessmen and funding U.S.-chosen infrastructure projects that have created few permanent job opportunities. 130

With regards to military and security aid, evidence shows how it is not aimed at strengthening Egyptian military power against an external threat-this would be in

126 Of the 200 million dollars requested in 2009, 110 million will be used for education and health projects managed by USAID; 45 million will be used for democracy programs, including direct grants to Egyptian NGOs; and 44 million will be provided to Egypt as a direct cash transfer to help Egypt further liberalize its economy.
128 according to the World Development Report of 2009
130 Ibid.
violation of the declared objective of the U.S., that is ensuring Israeli security and maintaining Israeli military supremacy over its Arab neighbors, including Egypt—instead this aid is mainly used to strengthen the governments domestic security and its ability to confront popular movements and opposition. This raises the issue of the real value of the limited U.S. aid attached to peace with Israel, which seems mainly to be used to improve America’s image in the media and cover up the U.S. bias toward Israel at the expense of Arab rights.\textsuperscript{131}

Aid that the U.S. provides to Egypt also gives the U.S. strategic, political, and economic benefits that seem to exceed those accruing to Egypt. The conditions that are tied to U.S. aid ensure that most of the money goes back to the U.S., whether as imported products, work contracts, or salaries for U.S. officials. Most pressingly, this aid created a trade imbalance during the period from 1983-2007. Egypt’s total accumulated trade deficit with the United States was 45.1 billion dollars.\textsuperscript{132}

Ever since the mid 2000s, U.S. Congress has debated whether U.S. aid to Egypt should be conditional upon; among other things, improvements in human rights, religious freedoms, democratization and Egypt’s efforts to control the Gaza border. These Congress members argued that U.S. aid to Egypt has not promoted economic or political reform and that these foreign aid agreements must be re-evaluated to include specific benchmarks that Egypt must meet in order to continue getting U.S. aid.

The Egyptian government’s response to these calls, with the support of U.S. Administration, is that decreasing Egypt’s aid would undercut the strategic interests of the U.S. in the region, such as supporting Middle East peace and stability, access to the

\textsuperscript{131} Ibid.
\textsuperscript{132} According to the IMF Trade Statistics Trends Yearbook in Ibid.
Suez Canal, and intelligence cooperation between both nations. This led to the Egyptian government’s further tightening of its grip to power.

The problem did not only lie with the Egyptian government’s resistance to these calls to condition aid, a problem also remained within the dynamics of U.S. decision making, namely between Congress and the Administration and within Congress. There was an argument between both sides within the U.S. government, whether or not to increase conditionality, making the push from the U.S. more or less “half-hearted”.

In this sense, the Egyptian government has and always will chafe at the conditions placed by the U.S. on aid; evidence of this lies in the instance in 2003, when the Middle East Partnership Initiative (MEPI) was created to directly aid local civil society groups across the Middle East and North Africa. In Egypt, the Ministry of International Cooperation took great offense in this. Mubarak himself rebuffed calls for greater political competition during the 2005 presidential elections, and imprisoned Ayman Nour, the first candidate to contest a presidential election. As a result, the U.S. ended its discussion of a U.S.-Egyptian free trade agreement.133

Post the 2005 parliamentary elections, and specifically between 2007 and 2008, the Mubarak government tightened its grip on power and cracked down on opposition. This increase in domestic opposition, followed by increased crackdown, was attributed to a number of reasons. Among them, scholars believe that the government was deliberately flexing its muscles in this period of transition in which Mubarak was grooming his son to succeed him. Another group of analysts believed that the Mubarak government was sending a message to the U.S. and the international community, in general, that it will not be pressured into political reform or democracy.

Although during the 2000s there were a number of attempts to reallocate U.S. assistance to Egypt, they haven’t yielded much success. Although the Bush Administration may have appeared to push for small openings of the government; this has been responded to by rejection or tailored openings to bolster the incumbent-namely Mubarak’s-power.\textsuperscript{134}

An amendment proposed on July 15, 2004, to the House for the year 2005 foreign operations bill H.R. 481, proposed reducing military aid to Egypt by 570 million dollars and increasing economic aid by the same amount, but the amendment failed by a vote of 131 to 287.

On June 28, 2005, an amendment was proposed to the House for the year 2006 foreign operations bill, H.R. 3057 this amendment proposed reducing military aid to Egypt by 750 million dollars and transferring that same amount to child survival and health programs managed by USAID. The amendment failed by a vote of 87 to 326.

Another amendment to the house for the year 2007-House Foreign Relations Authorization bill-proposed reducing military assistance to Egypt by 40 million dollars for each of the following three fiscal years, using the funds to promote economic changes, fight poverty, and improve education in Egypt. There was no comparable provision in the Senate’s Foreign Relations Authorization bill.\textsuperscript{135}

On May 25, 2006 the House rejected an amendment that would cut 200 million dollars of military aid to Egypt for the year 2007. In June 2006 the house narrowly defeated an amendment by 198 to 225 votes that would have taken 100 million dollars in economic aid for Egypt and used it to fight AIDS worldwide and help the Darfur area in Sudan;


However many supporters of the amendment expressed “shock” to the Egyptian government’s 2006 crackdown on pro-democracy activists in Cairo.

In 2007 and 2008, steps towards calling for reform included the passing of an amendment on February 15th 2007 that withdrew 200 million dollars in previously appropriated economic assistance aid to Egypt.

Section 690 of the Consolidated Appropriations Act, for the year 2008, withheld the obligation of 100 million dollars in military aid until the Secretary of State confirmed, among other things, that Egypt has taken concrete steps to “detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza.”

With regards to military aid, U.S. officials argued that the expedited process by which the U.S. Navy sends its nuclear warships through the Suez Canal (average of a dozen ships per month) is only due to the continued U.S. support to the Egyptian military, given that this service can normally take weeks for other foreign ships. Another argument is that cutting military aid to Egypt harms the U.S., since all of Egypt’s military aid must be spent on American hardware and associated services and training.

The Egyptian responses to any pushes for conditionality and political reform continue to highlight how well Egypt knows it worth and strategic importance for the U.S.

Although in 2008, the U.S. did indeed withhold 200 million dollars in Foreign Military Financing Assistance waiting for the secretary of state to certify that Egypt had taken concrete steps towards strengthening the autonomy of its judiciary, improving its human rights record, and controlling Palestinian smuggling across the Gaza border; this was a

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136 Ibid.
rare attempt in the bilateral relationship between the two countries to use this aid to change the governments’ behaviour.\textsuperscript{137}

The Egyptian government responded to this with protest by asserting that this conditionality will be detrimental to bilateral relations. Despite this, Congress still passed legislation\textsuperscript{138} that temporarily suspended some aid to Egypt. Until changes by the Egyptian government mentioned above were confirmed by the Secretary of State,\textsuperscript{139} Egyptian officials began arguing that Israeli officials were behind this “with-holding” of aid and that they were publicly supporting conditioning U.S. aid to Egypt to force Egypt to cooperate more in tighter control efforts over the Gaza border. In a January 2008 interview, Egyptian Foreign Minister Ahmed Abu El Gheit said: “Israel has succeeded in inciting the U.S. Congress, and not the U.S. Administration, by putting some sticks in the wheels of this relationship…. Some people on the U.S. side adopted the Israeli position, and the U.S. aid program (to Egypt) came to be targeted…. We succeeded in cutting Israel down to its real size as far as its talk about the tunnels is concerned.”\textsuperscript{140}

At the end, the U.S. Administration waived the conditions or restrictions on aid in 2008\textsuperscript{142}; nonetheless, questions remained over whether a change in Egypt’s behaviour

\textsuperscript{138} P.L. 110-161, the FY2008 Consolidated Appropriations Act, contained Section 690
\textsuperscript{139} Specifically, this legislation withheld 100 million in military aid until the Secretary of State confirms that Egypt has taken concrete steps to “adopt and implement judicial reforms that protect the independence of the judiciary, review criminal procedures, and train police leadership in modern policing to curb police abuses; and detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza in Sharp, Jeremy Maxwell. Egypt Background and U.S. Relations. Washington, D.C.: Congressional Information Service, Library of Congress, 2005.
\textsuperscript{140} “Egyptian FM says Israel Incited U.S. Congress to Withhold Aid,” Ha’aretz, January 15, 2008.
\textsuperscript{141} Israeli leaders claimed that Egypt’s accusations were overblown, in December 2007, in an attempt to “suck up” to Egypt, Israeli Foreign Minister Tzipi Livni defended the Foreign Ministry’s decision not to distribute footage of Egyptian soldiers helping Hamas weapons smugglers to the U.S., stating that “Some things are done on stage, some are done in Congress, and some other things are done behind the scenes. Every move needs to be calculated. To take an extreme scenario, would you sever relations with Egypt over weapons smuggling?” See, “Livni, Gheit to Patch up Relationship,” Jerusalem Post, April 29, 2008.
\textsuperscript{142} In March 2008, U.S. Secretary of State Condoleezza Rice stated that “I have exercised on behalf of the United States the waiver in terms of Egyptian assistance…. The Bush Administration sought to have that flexibility. We believe that this relationship with Egypt is an important one and that the waiver was the right thing to do.”
did happen. According to Representative Steve Israel, “From the moment Congress began circulating the language conditioning aid to Egypt, the Egyptians began to make an effort to close the tunnels.” During and after the debate on aid conditionality, the Administration sought to create a solution to the smuggling problem that was desirable to all parties. In late 2007, Administration set forth 23 million dollars of Egypt’s annual Foreign Military Financing toward obtaining more advanced detection equipment such as censors. In June 2008, the U.S. Embassy in Cairo Spokesman Robert Greenan said that a U.S. team had begun training Egyptian forces in using electronic equipment to detect smuggling tunnels. Nothing more was said on the other conditions related to democracy, human rights, and the separation of powers: the whole situation was considered an example on how the U.S. Administration realised and accepted the value of their traditional relationship and diplomacy with Egypt and could not afford to alienate Mubarak.

It is interesting here to note how the only condition worth mentioning was that to do directly with the U.S. interests and conditions about domestic conditions, political – namely democratic-reform, and human rights were set aside.

Many U.S. lawmakers and Congressmen believe that Egypt, as a major recipient of U.S. aid must have conditional aid that depends on improvement in Egypt’s human rights and freedoms records. According to the U.S. State Department’s 2007 Country Reports on Human Rights Practices, the Egyptian government’s respect for human rights “remained poor, and serious abuses continued in many areas.” The 2007 report, as in

past years, documents several instances of torture allegedly carried out by Egyptian security forces.\textsuperscript{145}

In 2007, the international human rights group Human Rights Watch actually applauded the government for convicting two police officers on charges of illegally detaining, beating and then raping a 21-year-old mini-bus driver while he was in police custody.\textsuperscript{146} However, many analysts claim that the incident was an attempt to appease the international community and wouldn’t have come to light if Egyptian bloggers hadn’t shared over the internet a cell phone video of the bus driver’s beating.

Both Egypt and U.S. activists argue that the U.S. stance towards Egypt with regards to human rights is hypocritical since U.S. policymakers do not adequately champion improved human rights in Egypt due to realpolitik considerations in the region. This is evidenced in the above empirical evaluation of proposed amendments to condition aid to Egypt by the U.S. administrators and Congress.

In addition, several reports suggest that, since the September 11, 2001, terrorist attacks, the CIA has deported several suspected Al Qaeda members to Egypt in order to be interrogated and tortured.\textsuperscript{147} Does a U.S. policy to support human rights and political reform really exist, if, on the one hand, the United States condemns Egyptian practices of torture and illegal detention, and, on the other hand, the United States condones Egyptian government behaviour when it matches the interests of the U.S. and its national security?

Much of the evidence above seemingly points to the fact that the real condition to U.S. aid is the sustainment of the Egypt-Israel peace treaty. Officially it may be true that the

\textsuperscript{145} Ibid.
\textsuperscript{147} Egypt has admitted that between 60 and 70 of its citizens have been seized abroad and flown to Egypt. See, “Inside the Dark World of Rendition,” \textit{The Independent} (London), June 8, 2007.
Camp David accords do not require the U.S. to provide Egypt with aid, but the reality is that aid and peace are clearly linked, whether Administration or the Egyptians like to admit it. “The United States is not obligated to provide assistance to Egypt. We provide assistance because it serves U.S. national interests in a crucial and volatile region.”\textsuperscript{148} So although peace with Israel is the locomotive that pulls aid to Egypt through the Congress, there are other cars on the train.\textsuperscript{149}

B Post Arab Spring:

Once the immediate instability, uncertainty, and chaos of the Arab Spring had passed, the U.S. Administration continued to see Egypt in terms of security in the region. During the first year after Mubarak fell in Egypt, the U.S. government’s attitudes towards the military establishment in Egypt displayed a familiar mix between public tension and unwavering strategic cooperation.\textsuperscript{150}

Mohamed Morsis’ government, in 2013, faced the typical pressure from members of Congress and some lawmakers to reduce or withhold some aid to pressure his government to improve its human rights record.

Previously, when Congress made these same calls, whether for democratic reform or human rights improvements, the Israeli embassy in Washington was among the largest objectors, hurrying to emphasize how vital aid was to maintaining their peace treaty. Joining the Israeli embassy in its objections would be the Egyptian military, which has shown to value the U.S. relationship more than its civilian leaders do.


\textsuperscript{149} Ibid.

In 2013, John Kerry rewarded Morsi’s promises and pledges of economic and political reform by releasing 250 million dollars in aid to support Egypt’s “future as a democracy.” He added that the Obama Administration will closely watch how Morsi honours these pledges and added that more aid will depend on the extent of Morsi’s commitment.151

Egypt also tried to meet conditions to close a 4.8 billion dollar loan package from the International Monetary Fund. An agreement between them would release more of the U.S.’s 1 billion dollars promised by President Obama in 2012 and was set to begin flowing with Kerry's announcement.152

Towards the end of Morsis reign Egyptian courts convicted many including Americans, for promoting democracy. Although John Kerry denounced the move and said he was “deeply concerned” he didn’t suggest any consequences like withholding aid.

The U.S. has always benefitted from the military assistance it gives Egypt annually: American warships have priority access to the Suez Canal, strong relations with the Egyptian military and intelligence services are maintained and Egyptian forces prohibit or at least control weapons smuggling into Gaza and combat growing extremist forces in Sinai, in addition to the helpful role Morsis’ government played in the Syrian civil war.153

Although before Egypt got its military assistance the secretary of state had to confirm that Egypt was “supporting the transition to civilian government, including holding free and fair elections, implementing policies to protect freedom of expression, association


152 Ibid.

and religion, and due process of law.” Morsi, similarly to his predecessors very easily ignored these requirements in full confidence that the demands of national security will be waived because as the U.S. constantly showed, maintaining the fragile peace with Israel is more critical to U.S. interests than promoting a democratic revolution that is probably not going to happen.

In this sense, during Morsi’s leadership we witnessed how he did the minimum required to maintain the treaty with Israel, while continuing repression and attempting to consolidate the transition to his form of Islamic rule. U.S.-Egyptian relations were strained at the time and Obama’s timidity actually helped encourage Morsi to call “Washington’s bluff”\textsuperscript{154}, out of confidence his aid will keep flowing in the name of American national security.

\textbf{C \quad El Sisi’s Egypt:}

Although after president Sisi’s rise to power in 2013, Congress again called for restricting American aid to Egypt, as witnessed in 2006, national security waivers are a valuable tool used to bypass any restrictions, much like emergency law in Egypt\textsuperscript{155}. In 2013, ten bills were introduced attempting to limit Americans military and economic aid to Egypt. After El Sisi’s overthrow of Morsi’s government, thirteen more were introduced.\textsuperscript{156} However, none of these proposed amendments even came close to passing. Marina Ottoway, an expert on Egypt, claimed at the time that it was not likely that Egypt will be stripped of its aid, unless a major provocation were to happen from the Egyptian government.\textsuperscript{157} What a major provocation would have to amount to was not clear.

\textsuperscript{154} Ibid.
\textsuperscript{155} Many commentators have pointed to this action by the U.S. and claimed that “\textit{Just disregarding laws you see as inconvenient not only contravenes the democratic value of rule of law, but sets a poor precedent for nations around the globe, including Egypt.}” in Garofalo, Pat. “Rand Paul Is Right About Aid to Egypt.” U.S. News. August 1, 2013. Accessed March 18, 2016. http://www.usnews.com/opinion/blogs/pat-garofalo/2013/08/01/why-rand-paul-is-right-about-the-us-cutting-aid-to-egypt.
\textsuperscript{157} Ibid.
While concerns regarding Egypt's repressive trajectory are well placed, the Administration hasn’t urgently pressed its case. If the aid halts, the U.S. risks losing the strategic benefits derived from its military-assistance relationship with Cairo. Adding insult to injury, withholding aid hasn’t proved itself to be a likely tool that could influence Egypt's domestic political behavior in the short run, and may undermine Washington's ability to influence Cairo in the future, when such pressure might have a greater impact\textsuperscript{158}. Analysts believe that to ensure that leverage over Egypt continues in the long run, Kerry should be prepared to use what options are available to him to ensure the aid continues.\textsuperscript{159}

The Obama Administration has been seen to be in strong opposition of any decrease in aid to Egypt. The furthest the Obama Administration went on frowning upon the Egyptian government was a delay in the delivery of four F-16s to Egypt in 2013.\textsuperscript{160} The U.S. government called on the Egyptian government to stop violence and to place its efforts into a more political process; however, the Egyptian government ignored this advice, or plea from the U.S., resulting on a decision by the U.S. government to cancel the biggest military exercise-operation Bright Star- between both countries (involving around 5000 American troops) and a revenue generator for Egypt. Both responses were considered very “high profile responses”.\textsuperscript{161}

According to U.S. advisors, cancelling the aid entirely is and will remain out of the question, since it would be very difficult to go back on; this is especially true today with

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\textsuperscript{159} Ibid.


many donors willing to fill any void the U.S. leaves open. The Obama Administration believes that the Egyptian military made a short-term miscalculation that it could crack down on the protesters and still return to democracy afterwards. But the Obama Administration told Egypt that is hard to do, and the farther they go down their current path, the more difficult it will be to return.\textsuperscript{162} Looking at issues from the Egyptian governments side, we see no evidence that turning back to democracy is what they attempt to obtain.

Members of Congress strongly spoke out against the decision to hold any of the aid to Egypt, “I am disappointed that the Administration is planning to partially suspend military aid to Egypt,” Eliot Engel said.\textsuperscript{163} “During this fragile period we should be rebuilding partnerships in Egypt that enhance our bilateral relationship, not undermining them.” This might sound strange at hindsight; why is someone like Engel so keen on sustaining aid to Egypt? But, one look at his largest political sponsors shows how he is pro-Israeli at his core.\textsuperscript{164} Actions such as these reflect how the U.S. aid to dictators in the Middle East lost most of its realpolitik value when Mubarak was thrown out. Keeping aid flowing since then has been mainly for the sake of Israel.\textsuperscript{165}

After reviewing the issue for almost three weeks, Obama’s Administration decided that the military’s ouster of Morsi was not a “coup”; this distinction being relevant due to the fact that the government is legally forbidden from aiding governments created by a coup. Although spokesmen for the state department and the Administration, in general, had a hard time explaining how what happened in Egypt didn’t qualify as a coup. Jen

\textsuperscript{162} Ibid.
\textsuperscript{165} Ibid.
Psaki, a spokesman for the state department, insisted that “We don’t need to make a public declaration about whether this was a coup or not.” “The context of this is certainly very important here, which is… the stabilizing pillar that is Egypt and the important role it plays in regional peace and stability.” So, at a time when the U.S. was uncertain of the future of the region, El Sisi promised security and stability. So, without the democratic roadmap being met, the U.S. reinstated Egypt’s aid.

This comes to no surprise since the similar ouster of Hosni Mubarak in 2011 that was also backed by the military was not subject to a revoking of aid. Not only that but Obama even pledged an additional 1 billion dollars in economic assistance to the country at the time. The aid continued to flow during Morsi’s leadership despite the increasing links established between the Muslim Brotherhood and other terrorists groups. “The U.S. approach to Egypt throughout the Arab Spring has been to just keep everything going as if nothing has changed, despite the fact that everything on the ground has changed,”

Most actions by the U.S. government highlight their belief that withholding aid to Egypt will deprive Washington of its “leverage” over Egypt’s military. This leverage is manifested in the cooperation between U.S. and SCAF in counter terrorism activities in Sinai, U.S. aircraft over flight privileges over Egyptian land, and U.S. nuclear armed and powered vessels ability to “cut the line” in the crowded Suez canal.

Evidence of the importance of this leverage to the U.S. lies in actions, such as the fact that even though the Administration believed and declared that Morsi’s overthrow was

169 Ibid.
not a coup, the Administration still suspended some economic aid and paused the delivery of specific weapons. This was done by the Administration to show displeasure with the new Egyptian government’s violent repression of the Brotherhood. The Administration, however, continued pressuring Congress to waive this “coup law” to use funds to pay for military aid contracts for the year 2014.170

To waive this coup law, again the Secretary of State would have to certify that Egypt is sustaining a strategic relationship with the U.S. and is upholding the 1979 Peace Treaty with Israel and the Secretary would also have to certify that El Sisi’s government is following its self declared “road map for a democratic transition.”171 In addition to that, El Sisi would not be required to provide any evidence or analysis on these steps and whether or not they are advancing democracy or are creating a new military authoritarian system. As long as John Kerry claims that Egypt has held a constitutional referendum and is supporting a democratic transition, in the broadness of these terms, Congress would supply 975 million dollars in both military and economic aid. Kerry was not even required to assess whether the referendum vote was free and fair.172

After, the Egyptian government has held parliamentary and presidential elections and is “taking steps to govern democratically” in the vagueness of the conditions, Congress would release the remaining 575 million dollars. These vague and subsequently, meaningless conditions were even less detailed than those appropriated in 2013; 173

signaling a decrease in “de facto” conditionality attached to U.S. aid to Egypt. However, one stipulation to the aid that could have angered the Egyptian government is that, in contrast to previous law, the new bill did not specify the amount of military aid and economic aid; instead, it specified a ceiling of the amounts, giving Congress the ability to decrease the funds in the future. However, this did not have much impact on ground.

With regards to continuing the withheld funds to Egypt, Congress released a bill for the fiscal year 2014. Although the bill did include a few tweaks to the annual 1.5 billion dollar military and economic aid package to Egypt, in the totality, it kept the program nevertheless the same: free of any meaningful democracy conditions. The vagueness in the conditions stipulated with the aid eventually enabled El Sisi to introduce “no more than a fig leaf covering the restoration of the pre-2011 government, in a more malignant form” and still secure the aid.

Shortly after El Sisi was elected, his Administration announced cuts of "subsidies" on natural gas and energy consumption and lowered those for bread and other goods. This was an important step for economic stability in Egypt, but was considered politically impossible for more than half a century during the presidencies of Abdel Nasser, Sadat, and Hosni Mubarak. El Sisi, however, was able to convince Egyptians he was taking necessary action. In another post-election call to Egyptians, he inaugurated a new project: the New Suez Canal, and he called on Egyptians to invest in the project. In eight days, the Central Bank of Egypt raised approximately 8.5 billion dollars. Banks had to stay open late to handle the huge volume of transactions.

In 2015, the U.S. evidently began to “cozy up” to Egypt, claiming on various occasions that they had a strong relationship, despite El Sisi’s mass violations of any conditions or advice by the U.S. Administration. This seemingly rids the U.S. of any leverage to pursue regional security goals- like creating a Sunni coalition to defeat the Islamic State. In this sense why would El Sisi listen to anything the U.S. asks for if the U.S. is already claiming that their relationship is strong?

The partnership between the U.S. and Egypt has always been deemed crucial to both countries, and has shown how it can't be predicated on political manipulation and threats of withholding aid. Moreover, the U.S. must be aware that it is no longer the primary provider of foreign aid to Egypt. As of 2014, the Gulf States contributed more than ten times what the U.S. does.176

The goals of this aid relationship are twofold, some for Egypt and others for the U.S.: observing the actions of both sides of the formula and their interaction clarifies some of these goals. The U.S. wants its strategic benefits mentioned above secured. For Egypt, the government wants military aid; this aid was renewed this year despite the U.S. stature prohibition to aid a country that has undergone a coup.

The Egyptian security apparatus, which includes the military and SCAF, is not only historically the most powerful institution in the country, it is practically the only institution intact. The special privileges that the army enjoys are enhanced and facilitated by the U.S. military and security aid.

Egypt also wants the U.S. to ask no conditions of this aid. The peace with Israel has been sustained; however, some would argue that this peace requires no U.S. pressure or

inducement, since El Sisi and Netanyahu have a common enemy in the Muslim Brotherhood; the treaty would be upheld regardless, since regional turmoil has produced a more organic alignment of Egyptian and Israeli interests than anything U.S. diplomatic bribery could achieve. El Sisi only hopes that human rights get off the U.S. agenda, and as of February this year, we have seen clear evidence of this. 177 Not only that, but in the most recent budget proposals, the reinstatement of the sale of tear gas 178 has been included. Therefore, this reinstatement of aid combined with the removal of human rights provisions and democratic preconditions, seems to indicate that the U.S. is betting against the Egyptian people and siding with their repressive government. 179

The U.S. defended its position of waiving the human rights conditions on foreign aid by referring, again, to Egypt’s strategic significance to the U.S.. In addition to Egypt’s deteriorating security situation, the rise of Islamic State militants across the region and the competition between various global actors to exert influence in Egypt; 180 namely the large influx of aid to Egypt from Gulf states, has weakened U.S. leverage over Cairo. 181

What the donor side of the formulas interests are is harder to pin point. Today, the U.S. national security interest in the region is to restore stability. George Bush’s interest and tactics were devoted to disrupting this stability that had, since the Cold War, been the traditional U.S. regional interest in the region. The U.S. believes that Egypt can help

178 The most popular use of which is to confront protesters -- protesters who have been continuously protesting and demanding their democratic aspirations, protesters that have been jailed, tortured, and disappeared for it. Fahmy, Dalia F. "U.S.-Egypt Relations and the Return of Supported Repression." The Huffington Post. February 15, 2016. Accessed March 13, 2016. http://www.huffingtonpost.com/dalia-f-fahmy-phd/usegypt-relations-and-the_b_9223156.html.
achieve that goal by achieving domestic stability. According to El Sisi this will be achieved by arrests, sham trials and executions.\textsuperscript{182} The U.S. has already given strong support to Sisi, manifested in the resumption of annual aid—most of which is military—and which waives human rights conditions and concerns. This resumption and support came as El Sisi oversees an increase in authoritarianism that some warn is the worst the country has seen in 60 years. This aid is considered a move by the U.S. that can be summarized in that the U.S. likely "lavished the government with aid, money and weapons" not despite—but \textit{because of}—its repression.\textsuperscript{183}

This resumption in the pre El Sisi relationship between U.S. and Egypt hasn’t done much to enhance regional security: it hasn’t given the U.S. any additional leverage, or curbed El Sisi’s autocratic tendencies and human rights violations. Meanwhile, it has involved the U.S. in Egypt’s repression of opposition: mainly the Islamists, secular activists, and journalists who challenged or criticized Sisi. Furthermore, Washington has seen its relative influence and leverage in Cairo diminish even more, as Gulf States have flooded Egypt with an estimated 30 billion dollars in various forms of economic assistance since El Sisi took power.\textsuperscript{184}

A new shift has emerged in U.S. foreign aid policy that focuses more on a regional policy based on interests and not values; since the Arab Spring “metamorphosed into


region-wide protracted conflicts"\textsuperscript{185}, the U.S. has been more keen on preserving its strategic interests than promoting human rights and ending the region’s decades-long dictatorships.\textsuperscript{186} "None of that is new: a staple of U.S. foreign policy has long been to support authoritarian governments as long as they carry out U.S. dictates, all in order to keep domestic populations in check and prevent their views and beliefs (which are often averse to the U.S.) from having any effect on the actions of their own government."\textsuperscript{187}

Again, the U.S. does not need to provide pressure or inducement to have stability in the region and in Egypt, since it is obviously in El Sisi’s interests as the president of the country to have domestic stability. With regards to neighbouring countries and the U.S., expectation that Egypt will take a stand or send peacekeeping troops: the U.S. would need leverage to impose, \textit{that} it seems to be losing.\textsuperscript{188} Egypt also won’t fight against the Islamic State unless it has strong motive; therefore, money, commendation, and support from the U.S. might be enough unless it is withheld; this is not the case now and doesn’t seem likely to be in the future.

Since the failure of liberal idealism, the U.S. will and should now pursue a realist Middle East policy that requires cold-eyed incentives, not relationship building.\textsuperscript{189}

\textbf{D The Future and the Interaction:}

As was shown above, cutting aid to Egypt will be more problematic for the U.S. government than for the Egyptian government; this is for a number of reasons including the fact that aid is the only leverage the U.S. has over Egypt, the Egyptian military has no reason to negotiate, without the aid it acquires. The U.S. also needs an ally in the


\textsuperscript{186} Ibid.


\textsuperscript{188} Ibid.

\textsuperscript{189} Ibid.
region. The U.S. has provided some 85 billion dollars in aid to Egypt over the last three decades for this very reason: Egypt is a rent ally. The U.S. also needs to ensure that the Suez Canal is kept open and that its ships get preferential treatment. Although these are among the reasons that this chapter has highlighted, there may nonetheless be more that could be revealed by further analysis.

Military Major General Hamdi Bakhit argues strongly that the Egyptian army will not be affected by aid cuts. He believes that Washington's threats and decisions to cut aid are a threat to test how united and solid the Egyptian government is in its dealings with the U.S.; he stressed the importance of military ties with Egypt are to the U.S., claiming that “Egypt has good relations with Russia. And if ties with the U.S. are severed, there will be no problem regarding military cooperation with Moscow. And in that case, the U.S. will be the biggest loser because it gets important advantages in the region because of that aid. Not to mention that if there’s a Egyptian-Russian convergence the U.S will have to face another rival in the region,” Others may defend the move in that with regards to the Sinai, it is, anyway, in Egypt’s interest to contain Hamas and fight Islamist terror, whether the U.S. helps with direct military aid or not. And the Obama Administration knows this.

So, although the Egyptian government knows its worth with regards to the bilateral relationship, the U.S. government also, although less confidently and less frequently, displays that it knows its worth. The difference here remains, that with the changing global constellations the U.S.’s worth seems to be diminishing rapidly.

192 Ibid.
Unlike during the Mubarak era, when power was largely centralized in the dictator's hands, El Sisi’s government was believed to be more fractured, with competing power centres—particularly the military, police, and judiciary—acting independently. Withholding aid occasionally compelled Mubarak to change his behaviour, or at least “window dress” changed behaviour; but that tool would not work as effectively now because the state's fractured nature means that each institution controls little outside of its own domain. For example, the military now has little influence over the judiciary and therefore cannot undo the numbers of death sentences that the courts issue. Indeed, top-ranking generals privately say that they not only oppose these sentences, but also are profoundly embarrassed by them.193

Today we see evidence pointing to the fact that the bilateral relationship, or alliance between the U.S. and Egypt has become “a nakedly transactional relationship”—that benefits the Egyptians more than the Americans.194 Many analysts believe that the U.S. should decrease the priority it places on the relationship, reducing the level of economic and military support it offers Cairo, and more closely tying the aid it does deliver to political, military, and economic reforms that would make Egypt a more credible partner.195 The problem is that actions by the U.S. government and its interactions with that of Egypt show that the U.S. doesn’t necessarily want a “credible” partner, as long as it is “stable and strong.”

E Conclusion

History illustrates the danger of not supporting El Sisi, especially with the new, changed global constellations. In 1955, right after the Egyptian Revolution of 1952, the U.S., as

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195 Ibid.
displayed in the previous chapter, agreed to provide funding to help build the Aswan Dam; it was considered pivotal to Egypt's industrialization. Then, when the secretary of state claimed that Gamal Abdel Nasser wasn't trustworthy or credible, he withdrew the U.S. offer of funding. The result of this decision was that Egypt's political compass swung from West to East, and the Soviet Union quickly stepped in to fill the void. Because of this, Egypt’s military, for the majority of the Cold War, was a Soviet client that fought with predominantly Russian weapons. Since the Camp David accords, however, Egypt flipped sides again, with and due to the flood of American military aid and soon the military’s equipment was predominantly American.

Today, hostility, although weak from the current U.S. Administration after Morsi was removed from power in Egypt may change the relationship again. Egypt is looking beyond the U.S. for equipment, and the Russians seemed-albeit for a while- to be seizing an opportunity to begin to bring Egypt back onto its side. Adding plausibility to the idea, the Egyptian military still has Russian equipment. Is Egypt about to flip again? Although for some time an Egyptian flip to the Russian side of global configurations saw many indications; today the plausibility of a Russian-Egyptian alliance are not clear.

This demonstrates the political and bureaucratic conundrum of the complex U.S. aid relationship with Egypt, which was built almost 80 years ago under the assumption that U.S.-Egyptian relations and global constellations would remain permanent: this reality no longer exists. If the U.S. cuts off or withholds aid to Egypt—even in the unlikely event that Egypt decided to violate its peace treaty with Israel—it will always need to make payments to U.S. military contractors.

"This massive security assistance program was designed to be part of a much broader relationship as Egypt was reoriented away from the Soviet Union [during the 1970s]. It was to guarantee a peace with Israel. It was to make Egypt a vital ally of the U.S.. These conditions no longer apply," "The security assistance program stands out as being inappropriate, in light of the lack of the broader conditions that it was meant to address. The Cold War is over. Egypt is at peace with Israel. It's an anachronistic program to say the least."\textsuperscript{197}

However, the given analysis has proved that this bilateral aid relationship is not only anachronistic but is also counterproductive, according to Michelle Dunne "Neither cutting aid nor providing aid seems to have put the United States in the position of having much effect on the positions of El Sisi’s government."\textsuperscript{198}

U.S. decisions and various bills and amendments and statements reflect the desire of diverse entrenched interests to keep the decades-old aid relationship intact, with little if any regard for what the deterioration in Egypt’s internal situation means for U.S. interests. Actions also convey the concern, that without ongoing aid, the U.S. might not be able to engage with or influence Egypt.\textsuperscript{199}

However despite these claims, no change is witnessed in the relationship, in this sense the relationship is a reflection of the interaction between “the power of the defense industry in Congress, and of the desire of the Egyptian military to continue the production lines in Egypt.”\textsuperscript{200}


\textsuperscript{198} Ibid.


What the U.S. needs today is reform in the opaque military aid program that constrains U.S. manoeuvrability and leverage with this volatile country and to figure out how to reposition the United States for this new phase of authoritarian resurgence in Egypt.201 The problem is that with a combination of Egypt’s interactions, showing that it knows its worth to the U.S. and with global constellations changing; the U.S. has much to lose from any reform in the aid relationship. According to Obama in 2012, “The United States doesn’t have an option of withdrawing from the world, it’s important for us to stay engaged.” 202 This is especially true with regards to their engagement in Egypt in the currently volatile Middle East.

Analysts and members of Congress would argue that Washington doesn’t need to cut Cairo loose, but it should stop coddling it.203 What this analysis has shown however is that the U.S. not only cannot or doesn’t want to cut Cairo lose, but it needs to coddle it, or else, the U.S. is who will be cut loose, and not Egypt.

Today, although the strains on the bilateral relationship may be at their peak, 204 U.S. officials have displayed fear of making any dramatic changes to its policies in the Middle East, especially with the regional instability witnessed today. Many in the U.S. worry that political violence is not only a destabilizing factor but may also result in state failure in Egypt. This belief however overestimates the U.S. impact on Egyptian politics and governments. As shown above and in the proceeding chapter, Egyptian leaders have consistently and continuously rejected U.S. advice throughout, after and before the Mubarak period, lending that U.S. policies are not likely to have a large effect on domestic stability in Egypt.

201 Ibid.
204 Ibid.
For the U.S., aid to Egypt has long been considered the central pillar of a strong relationship with the Arab world’s most populous nation - a means of leverage and a source of influence over not only the Egyptians, but also over the main actors in Egyptian political life. In reality however, U.S. aid has failed to produce an effective Egyptian military, to change Egypt’s political characteristics or have a positive effect on Egypt’s post Arab Spring trajectory. If U.S. aid’s real purpose is to fulfill these goals then American aid should be tightly focused on assisting the professionalization and modernization of the Egyptian army and should be made conditional on evidence that Egypt takes those matters seriously. There has been no concrete evidence towards anything of the sort; implying that this is not the goal of U.S. aid to Egypt.

It is hard to imagine Egypt taking any of those steps in the foreseeable future. “Business as usual” will do nothing to alter Egypt’s negative trajectory and will further bind the United States to an unreliable partner.  

A summary of this relationship is how there are conflicting demands from both sides of the aid formula: the recipient side comes with the aspirations of the Arab people and the perceived instability that may come from realizing those aspirations on the one hand, and America's core interests on the other. The reality that both these demands are conflicting has resulted in this dynamic relationship and the history of the U.S. choosing one over the other; whether in its own will, or due to the Egyptian governments dynamism in this relationship. The interaction has attempted to simultaneously serve the donor’s security interests in the region and the interest of Egyptian incumbents in preserving their power.  

205 Ibid.
local incumbents in Egypt- at least until the Arab Spring, and perhaps continuing today- is through coup proofing, national defence, macroeconomic stability and domestic repression. Recently, as of February this year statements by the U.S. make no mention of democracy, human rights and the suppression of civil society.\footnote{207} These recent advancements signal once again that the U.S. is choosing one at the expense of the other. It is important to note here that the very reality that the U.S. must choose one at the expense of the other is not a given. This is the case, due to Egypt’s leverage and actions by Egyptian governments.

Choosing stability over the democratic aspirations of the Egyptian people is considered by many to be not in the strategic interest of the U.S., “While this strategy may seem to be securing the essence of what protecting one's national security means, by turning its back on the Egyptian people the U.S. is emerging as an inconsistent and duplicitous state whose "Grand Strategy" in the Middle East is not democratic.”\footnote{208}

Today, according to Americans stark budget realities make it abundantly clear that their priorities must be strategic, especially since national security cannot be short changed. For just 1 percent of their federal budget, its aid relationship with Egypt them by addressing threats in the most dangerous corners of the world and preventing conflicts before they occur and require boots on the ground.\footnote{209}

Given the upcoming U.S. election, much might change in this dynamic this is exacerbated by a combination of Egypt’s newly expressed independent will as epitomized by the diversification in its relations with Russia, France, Italy, China,

\footnote{208} Ibid.
Greece and others and a new candidate with his/her own “new” ideology. Egypt's unclear relationship with Russia, if nothing else, "does suggest that the Egyptian-American relationship is not nearly as tight nor as broadly geostrategic as it was essentially from 1975 right up until the last couple of years,"210. Regardless of who this new president it she or he will need to bear clearly in mind that if Washington is to enhance its relationship with Egypt and its political leaders, it must respect Egypt’s sovereignty and the independence of its political will.211

The above analysis shows how seeing foreign aid as a faucet that could be turned on and off when the Egyptian government steps out of line with U.S. policy212 is fundamentally inaccurate both with regards to how aid operates but also in terms of understanding the uniqueness and complexity of the U.S.-Egypt relationship. There are significant institutional relationships between both governments that are important to sustain for both parties to the relationship.


Chapter 5: The Saudi-Egypt Bilateral Interaction

Introduction

Under changed global constellations circumstances, U.S. military aid can impact only one thing: the Egyptian military's external behavior. The Egyptian military, as an institution and as demonstrated in the previous chapter, has its own reasons for maintaining strategic cooperation with Washington, since the majority of Egypt's military consists of American-made weapons and policies such as maintaining the peace treaty with Israel and fighting terrorism in the Sinai are in its own interest. Even so, withholding aid could still jeopardize Washington's ability to ensure Egypt's longer-term cooperation. For one thing, Russia is trying to expand its influence in the Middle East by selling weapons to Cairo, and Gulf States—which have sent billions in aid to keep the current Egyptian government afloat—are strongly supporting Putin’s efforts. Moreover, after years of refusing to do so, the Egyptian military has been actively fighting Sinai-based Islamists; so, withholding aid now would send a very confusing message about Washington's strategic priorities. The United States also stands to lose other strategic benefits if the aid is withheld, including overflight rights and preferred access to the Suez Canal.

Today’s changing international context implies that the effects of Western foreign aid can no longer be studied in isolation from non-traditional donors. Western donors, whether multilateral such as the IMF and the World Bank or bilateral donors, are considered to have too many strings attached for far less money than that offered by the Gulf to make it worthwhile for Egypt. These Western donors also interfere strongly with policy making in Egypt. Meanwhile, the Gulf presented itself as a perfect donor to

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Egypt. It has acted more like a generous patron that poured money and petroleum products into Egypt’s economy when needed without asking many questions. The only condition that seemed to hold was that Egypt should help keep the Muslim Brotherhood out of the picture. 214

Despite the apparent up and downs in the U.S.-Egypt relationship illustrated in the previous chapter, the U.S. impact on developments in the region remains clear; however, today more and more actors are becoming involved in the region and in Egypt specifically, with regards to aid flows. The Gulf States are providing Egypt with aid that does not need the American “green light.”215 These very same aid commitments seem to rival those of multilateral donors, such as the IMF and the World Bank. These aid commitments are often without the accompanying conditionality of the Western donors. Saudi aid to Egypt is one of these examples, with provisions that rival those of multilateral organizations and other Western donors. The aid and security nexus of the region is widening, which could mean more sources of funding and ties, but also new patterns and relationships that may have shorter-term horizons.

The relevance of this chapter lies in the increased focus within the literature on changed global constellations within the world in general and within the development assistance arena in specific. “Emerging donors” are seemingly replacing, or at least challenging, the conditionality and logic of aid from Western donors that has dominated the financial aid system since the 1960s. 216

Although Gulf donors are in no way “emerging”, as was demonstrated in chapter two, they are in no way “new” either as they have been active donors, though in a more “wave like” manner since the 1960s, with their discovery of oil. They are more accurately described with regards to their divergence from the traditional DAC norms of aid with regards to their targeting of aid and their practice of giving it. Their technique differs from the typical pro-democracy conditional aid that comes from prominent Western donors. 217

By analysing the interaction between aid from Gulf donors, namely Saudi Arabia and actions by the Egyptian government, we find evidence of how Saudi Arabia, the UAE and Qatar, in the aftermath of the Arab Spring, have been and still are-in some cases-using military and financial aid to compete for influence within Egypt’s evolving political leadership, to attempt to remove Syria’s Assad from power, to counter the movement of Islamic State in Iraq and to influence political battles in Libya, and even Tunisia. 218

Since the Arab Spring in 2011, Egypt has relied ever so strongly on foreign aid. As of 2013, it had burned through 20 billion dollars in foreign reserves, borrowed billions from its allies, and accumulated billions in debts to different foreign aid oil companies in order to save its failing economy and to prop up the Egyptian pound. 219

The Gulf States, except for Qatar, have been major allies of El Sisi providing him with 12 billion dollars in the aftermath of Morsi’s overthrow\textsuperscript{220} and another 12 billion at last year’s economic summit.\textsuperscript{221} The actual assistance of the Gulf States to Egypt probably exceeded the official announced figures, since Saudi Arabia and the UAE have also financed Egypt’s purchasing of Russian arms in 2015 and 2016.

The Gulf Stance towards Egypt, not different from that of the U.S., has not remained the same since Mubarak’s overthrow. Despite the belief shared by Egyptians and Saudis that Egypt and Saudi Arabia have an organic, traditional, historical relationship\textsuperscript{222} and how in the immediate aftermath of Mubarak’s downfall SCAF issued a statement to confirm the persistence of this mutual- historical perception and relationship,\textsuperscript{223} Mubarak’s ouster instigated a crisis in this Egypt-GCC relationship. This crisis is important to note in that it questioned the traditional mutual perception of Egyptians and people from the Gulf that both Egypt and the Gulf are bound within the same security complex.\textsuperscript{224} This issue became crucial in highlighting how security complexes are major drivers in the relationship and interaction between both governments and specifically in the financial channel of interaction. In the Middle East as a whole, the main perception is that the U.S. is the main supplier of arms while Egypt is the main provider of troops, especially for the Gulf. The Egyptian army, being the largest in the region, is crucial to the Gulf countries because of their small armies.\textsuperscript{225}


\textsuperscript{223} The statement is available on the website of the Supreme Council for Armed Forces: http://www.sis.gov.eg/Ar/Templates/Articles/tmpArticles.aspx?ArtID=46350#.U0LC6K3BOTw (accessed March 07, 2016).


countries’ stakes in keeping Egypt as an ally increased even further after 2005, when the U.S. decided to compromise with Iran over Iraq. Even though the Egyptian army is the biggest Sunni army in the region, the Sunni-Shia divide is not an important part of the military’s doctrine in Egypt. In spite of this, recent events in the region have brought the Egyptian security perception even closer to that of Saudi Arabia and its other Sunni Gulf allies. Events, such as the 2004 Iraq invasion, the 2006 war in Lebanon, the war on Gaza in 2008, the current war in Syria, and the increased expansion of Iranian power and influence in the region exacerbated this.\textsuperscript{226} The sectarian shadow that the Syrian revolution cast over the region highlighted Egypt’s relevance in the regional anti-Assad-and-Iran coalition under the leadership of the Gulf States.\textsuperscript{227}

Throughout 2011, according to government officials and the independent media, the Gulf stance towards Egypt was considered “cold”. The minister of finance at the time, Hazem El Beblawi, criticized this stance, accusing the GCC states, except for Qatar, of delaying the financial aid packages they had promised to Egypt; he went on to criticize their reluctance to support Egypt in the negotiations with international and regional donors.\textsuperscript{228} Though according to realities on ground, this coldness may not refer to a lack of interaction. The interaction and relations between Egypt and Saudi Arabia in 2011 was (and still is) mainly based on area-specific military cooperation and exercises rather than a formal alliance signed between Egypt and Saudi Arabia. Although Saudi Arabia did perceive Mubarak’s overthrow to be a threat, a delegation of the Royal Saudi Air Force landed in Egypt for the annual joint exercise under the name of “Faisal,” only

\textsuperscript{227} Ibid.
\textsuperscript{228} Hazem El-Beblawi, \textit{arba’at shohour fi qafas al-hokouma (Four Months in the Cage of Government)}, Cairo, Al-Shorouk, 2012
four months after his fall. This marks an important difference between Saudi aid and U.S. aid and justifies the increased fear that this relationship is short lived. Where U.S. aid to Egypt is ensured annually; that from Saudi Arabia is not.

Trying to justify the U.S.’s recent stance of rolling back on human rights conditions, John Kerry pointed out his fear of the new regional powers in the Gulf and their decision to provide over 20 billion dollars to Egypt after Morsis’ overthrow; he went on to show his fear of a loss of leverage in the relationship by saying “Let me ask you who has leverage? Who are they going to listen to? Where do they think their help is coming from? We need to think about this.” This statement by John Kerry is very significant in that it shows how important a role Gulf aid is playing in dynamics of foreign aid today. The new donors that have emerged to aid Egypt, in this sense, do not only affect the actions by Egypt and the Gulf, but also U.S. decisions thus impacting all bilateral interactions massively.

To reinstate Egypt’s standing as a regional power, El Sisi attempted and moved to establish ties with Russia, regardless of whether he upset the Saudis or Americans.

However, the impact of Gulf aid on Egypt does not only affect actions by the U.S. as a donor, Egypt- as a recipient- is also affected by it. Egypt can’t afford to be too aggressive or to anger the U.S. too much, since doing so angers not just the American Administration but also Egypt’s new saviors: the Gulf states. Saudi Arabia and the other Gulf states depend on U.S. military power to protect the region from the Islamic State and also guarantee their domestic security. The governments of Saudi Arabia and the United Arab Emirates will not sit quietly by if Egypt endangers the mechanisms that

231 Ibid.
ensure Gulf security, and El Sisi cannot afford to excessively provoke them; as El Sisi himself has stated, the security of the Gulf States is an “integral part of Egyptian national security.”

The fact that the Saudi Arabian and the U.S. interests are somewhat tied is somewhat reassuring to the U.S. in the midst of the worrying changed global constellations. For the U.S. Administration, this new financial support by the Gulf to Egypt can be a problem or a prize. As demonstrated in the previous chapter, Egypt is crucial to the U.S. for a number of reasons, including its control of the Suez Canal and its peace agreement with Israel. The problem lies in the reality that Gulf definitions of political progress and interests within Egypt differ from those of the U.S., especially over whether the Brotherhood should be allowed to participate in new elections.232 This, as proven by the previous chapter is not the U.S. largest concern and as recent statements by the U.S. have shown, it is willing to roll back on all its conditions, except for those relating to strategic, political considerations with regards to international relations and not with regards to Egypt’s domestic politics. In this sense, one could consider the Gulf aid not much of a threat to the U.S..

**B Post Arab Spring:**

In 2013, Saudi Arabia, the UAE, and Kuwait pledged over 12 billion dollars in loans and donations, including petroleum products. This improved Egypt’s budget from a deficit in 2012 to a surplus in 2013.233 The Central Bank went on to report increased official transfers, including cash and commodities, which amounted to 4.27 billion dollars in the first quarter of the financial year, from a mere 40 million dollars in the previous year.234

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234 Ibid.
The strategic timing of Saudi Arabia’s support to the Egyptian military in 2013 was crucial, as it coincided with the U.S.’s decision to cancel the “Bright Star” operation with Egypt. Later that year, the U.S. State Department halted “the delivery of certain large-scale military systems and cash assistance to the Egyptian government pending credible progress toward an inclusive, democratically elected civilian government through free and fair elections.” Exactly one month later, international media reported that Saudi Arabia and the UAE were to fund a two billion dollar Egyptian-Russian arms deal.\(^{235}\) Not only was this support crucial, it was also predictable. In February 2011, and in July 2013, the Gulf countries promised first Mubarak and then El Sisi that they would compensate for any suspension of American aid, in reaction to human rights abuses and government crackdowns on demonstrators.\(^{236}\) In 2011, the Saudi King even alerted the White House of the tension their bilateral relations would witness if the Administration did not support Mubarak.\(^{237}\) Morsi’s overthrow witnessed the return to power of not only the military establishment, but also some old political and economic officials from the Mubarak era that were close to the Gulf governments. El Sisi himself had been a military attaché in Saudi Arabia for several years. Hazem El Beblawi, Egypt’s first post-Morsi prime minister, worked for eighteen years in Kuwait before becoming an advisor to the Arab Monetary Fund in Abu Dhabi between 2001 and 2011.\(^{238}\)

In the aftermath of the overthrow of Morsis democratically elected government, the Gulf countries, unlike the U.S., praised the Egyptians and specifically the military apparatus for the move. The Saudi king praised the military’s move and UAE’s minister of state for foreign affairs wrote in a commentary posted on Foreign Policy’s website

\(^{236}\) Thomas Lippman, “Support for El-Sisi: What’s in it for Al-Saud?” Middle East Institute, available at: http://www.mei.edu/content/support-el-sisi-whats-it-al-saud#_ftnref1  
that “the rejection by Egyptians of their Islamist government marks a *positive* turning point — not only for Egypt, but for the entire Middle East.”\(^{239}\) This rush by the Gulf countries to support Egypt reflects regional support for the military in its power struggle against the Muslim Brotherhood. The convenient timing of the Gulf support of Egypt also allowed Egypt to stop fighting for an IMF loan that according to Egyptian officials came with too many conditions. In this sense, it was not surprising that Egypt suspended its negotiations with the IMF in August 2013. The amount of aid Egypt received from the Gulf States was three times the amount of the IMF loan, which had too many undesirable conditions in the first place.

The Gulf donors, not unlike their Western counterparts, namely the U.S. give aid that is mainly motivated by perceptions of their interests in keeping the country stable financially, but also the hope to exercise leverage over the Egyptian government\(^ {240} \).

These large aid packages are a result of the Gulf States’ anxiety over the rise of political Islam and their recognition that the Muslim Brotherhood, as a political entity, could threaten their monarchies.\(^ {241} \) In this sense, we can see how supporting the Egyptian government by a supply of fuel and other basic necessities makes sense to the Gulf governments themselves, regardless of the needs of the Egyptian government.\(^ {242} \)

### C El Sisi’s Egypt

As of early 2015, aid from the Gulf to Egypt decreased substantially\(^ {243} \); the reason for this decrease is because the aid, at its core, was for political and strategic purposes. At


the time the aid was promised, the Gulf States, with the exception of Qatar, provided aid for Egypt to help get rid of the Muslim Brotherhood leadership. However, Saudi Arabia, UAE and Kuwait not giving aid to Egypt during Morsi’s time in office highlights how once their political purposes were fulfilled the aid was stopped, signifying how it was clear from the beginning that aid would have not continued to flow in Cairo.\textsuperscript{244} This decrease in aid is manifested in \textsuperscript{245} “a lack of funds provided to Egypt and unfulfilled promises of support.”\textsuperscript{246}

This decline in aid from the Gulf did not come as a surprise to Cairo, as the UAEs Minister of Foreign Affairs openly declared in late 2013: "The Arab support for Egypt will not last long." Actions by the Egyptian government, like using the Gulf aid to help the government’s expansionary policies and increasing the government’s spending so that the citizens would feel economic improvement occurring,\textsuperscript{247} showed that despite these statements, Egypt was not worried, nor did it act worried that the aid would stop flowing in from one source or the other.

Although after El Sisi took power, everyone expected money to pour in from the Gulf to fund national projects; mainly related to infrastructure, this did not happen. Giant projects, such as the new Suez Canal, did indeed begin but the government had to depend on domestic funding. This is despite the fact that immediately after El Sisi gained power, the Saudi King Abdullah called for an economic conference in which donors will help Egypt "get out of the tunnel of the unknown."\textsuperscript{248}

Although the Egyptian Saudi relationship seemed to be unshakeable in the aftermath of


\textsuperscript{246} For example in March 2015, the UAE promised building 1 million housing units in Egypt as part of a 40 billion dollar project; this has yet to be initiated.


\textsuperscript{248} Ibid.
the overthrow of Mohamed Morsi in 2013, the interaction has been somewhat tense since the beginning of 2015; however, looking at this interaction closely, we can see how grudging necessity, and not shared policies or trust, is apparently driving new ties today. By mid 2015, El Sisi and the Saudi Arabian defense minister Mohamed Bin Salman announced that they were signing the Cairo Declaration that aimed to strengthen cooperation between both countries. It also commits to establishing a joint Arab military force. In a follow up speech, El Sisi highlighted and emphasized how important the Saudi-Egyptian relationship was since both countries were “wings of Arab national security.” Both these actions: the declaration and the speech signal a “renewed confidence in their relationship.” 249 The relationship between Egypt and Saudi Arabia is complex; the aid from Saudi Arabia is not without conditions as many would say. In return for Saudi aid, Egypt is expected to act as a physical force in Saudi-led military escapades and serve as a Sunni bulwark against Iranian influence.

Looking at the interactions between both governments, we can see how for Saudi Arabia, the continued fight against the Brotherhood is one of its priorities. The Egyptian government, however, had been seeking assurances that Saudi Arabia will continue its financial and ideological support for Egypt in its fight against terrorism. However, actions by the Egyptian government are making it more and more apparent that Egypt is not willing to become too constrained by Saudi Arabia and Egypt is uncomfortable playing the role of its “physical force”.

When King Salman came to the Saudi throne in January 2015, Egyptians began showing doubts towards his commitment to his aid promises, especially since the 12.5 billion dollars in financial aid that were pledged to Egypt during the March 2015 Economic Development Conference never really materialized. Rumors also began

spreading that the King’s shifted focus to Iranian commitment meant that he had a softer stance towards the Muslim Brotherhood, or at least they weren’t his top priority.

The Egyptians don’t share the Saudis’ concerns about containing Iran; their main foreign policy objective has been to contain the Muslim Brotherhood and other Islamists groups, which are considered a threat to domestic stability and safety. El Sisi has been battling Islamic insurgency in the Sinai since 2013 and even launched airstrikes against the Islamic State in Libya in February 2015.

The Egyptian government has begun to express its dissatisfaction with the Saudi policies in the region by actions, such as resisting to fully back the Saudi military in Yemen, while at the same time conducting airstrikes in Libya, where Saudi Arabia has showed it prefers a political solution. This led to Saudi Arabia cutting off Egypt’s financial aid in the summer of 2015. Saudi Arabia has also showed increasing flexibility and tolerance towards the Muslim Brotherhood, changing its position depending on context and the country in question. Hamas’s chief, Khaled Meshaal, even visited Saudi Arabia in July in a clear indication that the two sides were seemingly getting closer. This resulted in fear by El Sisi that a resurgent Brotherhood that presents a serious threat to his government may come out of this new “closeness”. With regards to Iran, El Sisi has been taking a more pragmatic approach to the issue, remaining somewhat indifferent. Moreover, Egyptians began displaying their support for a nuclear deal between Iran and the West and went on to show how it would pursue open policies with Tehran once the deal was finalized. For example, Egypt’s Oil Minister, Sherif

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251 Ibid.
Ismail, announced that Egypt has “no objections” to importing crude oil from Iran.²⁵² These clear signs that Egypt does not prioritize the same issues as Saudi Arabia frustrated the Saudi government. Although there are speculations and rumors that Egypt deployed approximately 800 ground troops to Yemen in September ²⁵³, Saudi Arabia was not wholly satisfied. Saudi Arabia had hoped that Egypt would provide the majority of the ground forces in the operation, since Egypt proposed a formation of this joint military force at the Arab League summit in Sharm El-Sheikh in March. The problem with this force lies in the very dynamics of the interaction of the Saudi and Egyptian governments. Egypt hoped that its role in forming and contributing to this joint force would allow it to return to its role as a regional protector and to increase its leverage with Saudi Arabia thus transforming this relationship from one of mere financial dependency to a relationship characterized by mutual benefit. In this, Egypt wanted to take advantage of the situation in Yemen to make Saudi Arabia dependent on its forces for a military intervention. This, problematically for Egypt, appeared not to be the case when Saudi Arabia launched airstrikes two days before the Arab summit and only informed Egypt a few hours before it began.²⁵⁵ From the Egyptian perspective, this lowered the benefits of the relationship and the joint force, as it would end up being a “lesser” partner in a war that it does not even fully support²⁵⁶.

However, recent developments in the region have begun to force Saudi Arabia’s hand with regards to Egypt, regardless of whether or not Egypt angers them; since the Joint

Comprehensive Plan of Action was signed between the P5 and Iran, the Saudi options in the region are becoming increasingly restricted. Even though the Saudi King accepted the U.S.’s assurances regarding the deal, Saudi Arabia is still concerned that the deal allows Iran to improve its socio-economic standing and strengthen its regional position and influence at the expense of that of Saudi Arabia. The Yemeni conflict is also dragging on and Saudi Arabia sees no clear end in sight; this is considered by the Saudis to be a shift in the regional balance towards Iran’s favor, making the Saudis more and more desperate for a victory in Yemen. This jeopardy to Saudi interests and influence in the region created a situation within which the Saudis cannot afford any more rifts with their regional allies, such as Egypt, as this would result in a loss of even more regional influence. Having said this, the more Saudi Arabia is counting on being involved in Yemen, the more it will need Egypt on its side, both politically and militarily. On that note, even though Saudi Arabia felt confident in pursuing its military goals singlehandedly in March 2015, today it needs Egypt’s support.

This shows how these new regional dynamics are in El Sisi’s favor. Given these new advancements, El Sisi will and is maintaining some autonomy in foreign affairs without losing its strongest regional ally. For example, with regards to Yemen, El Sisi will be able to ensure the security of the Bab el Mandab Strait, which is important as it impacts the control of traffic in the Suez Canal. Another example of Egypt’s increased confidence, and realization of leverage in its Saudi interaction, is how in October 2015, Egypt’s Foreign Minister Sameh Shoukry, welcomed the Russian intervention in Syria; this is a position that is in direct opposition to that of the Saudis and Americans. In this context, Saudi Arabia’s struggle to ensure it maintains, as many good relationships in the region will probably make it more accepting of Egypt’s differing policies,

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especially those with regard to Islamist actors in the region.\textsuperscript{259}

El Sisi is not completely hostile towards Saudi Arabia. Today, in many speeches and interviews, El Sisi has been assuring the kingdom that their security is an integral part of that of Egypt. He specifically used the phrase “Masafit Il Sikka” (we are on our way) to describe the speed of the dispatching of Egyptian forces if the Gulf’s security is ever compromised. The reality however was different; in the Gulf countries’ hour of need, and despite the billions of dollars of aid, El Sisi simply let the Gulf down. El Sisi has refused to send any troops to Yemen in the current war on the Houthis, whom the Saudis consider a proxy of the Iranian government, its greatest opponent in the region.\textsuperscript{260}

**D The Future and the Interaction:**

The coming to power of King Salman leaves much of the future unclear. King Salman’s actions have indicated new foreign policies and drastic changes. For example, evidence of King Salman wanting to cooperate with the Muslim Brotherhood in Turkey and Qatar, to counter the Islamic States threat in Iraq and Syria, may posit a problem for its relationships with Egypt. In that, some analysts speculate an attempt by the Saudis to reintegrate the Egyptian Muslim Brotherhood in, order to appease Qatar and Turkey. Recent advancements in Yemen are also troubling the relationship; operation Decisive Storm has caused much animosity between both governments.\textsuperscript{261} Egypt prefers a joint military force under Arab League supervision, while Salman is more interested in


\textsuperscript{261} “Egyptian diplomat to Quds Arabi: Jubeir visit to Cairo to pressure Sisi” (in Arabic), Al-Quds al-Arabi, June 2, 2015 <http://www.alquds.co.uk/?p=350361> (accessed March 26th, 2016) and Moustafa Bassiouni, “On the differences between Egypt and Saudi Arabia,” (in Arabic), As-Safir, June 1, 2015 <http://www.assafir.com/Article/20/422848> (accessed March 26th 2016)
creating adhoc coalitions that are under his control and supervision. Furthermore, Egypt is trying to recover its decreased regional standing, by commanding the newly established joint military force and taking the lead in the Yemen operation that was denied by King Salman. This indicates how the new king of Saudi Arabia, and his new policy inclinations, is problematic for attempting to speculate how aid flows from Saudi Arabia to Egypt will go in future.

Despite Egypt’s apparent increased leverage, or at least confidence, its relevance seems to be decreasing. This was made evident when a picture was published in late 2014 of the U.S. president meeting with America’s Arab Allies that were participants in the strikes against the Islamic State in Syria. These allies did not include Egypt. This stance of Egypt is very different from that of Mubarak in 1991, when he sent 30,000 troops to help the Kuwaitis in their war against Saddam. For Saudi Arabia, much is changing; previously, El Sisi’s redeeming characteristic was that he was an enemy of the Muslim Brotherhood. The past two and a half years have demonstrated that he is little more than that. Today, we see many analysts raising the possibility that Saudi Arabia will stop aid to Egypt because of El Sisi’s reservations over joining the Saudi military intervention in Syria and Yemen. According to experts, however, ending aid to Egypt will result in disastrous ramifications for Saudi Arabia. However, Egypt, as usual, and as shown in the previous chapter, with regards to its relations with the U.S, “has done the minimum to stay on Saudi Arabia's friends list.” Even though in February of this year, El Sisi declared that he would send military forces to defend its Gulf Arab

263 AlBurji, “Egypt and the Storm” (in Arabic), 106 AdDiyyar, April 24, 2015 <http://www.charlesayoub.com/more/881152>
264 Ibid.
266 Ibid.
allies if necessary, this has not materialized. The fact that Egypt has not committed ground troops to the Yemeni campaign, despite the billions of dollars of aid it receives, is another problem in the Egyptian-Saudi relationship. Early this year, Saudi Arabia promised to invest eight billion dollars in Egypt through its public and sovereign funds. It also agreed to provide 1.5 billion dollars to help develop the Sinai area, and granted 200 million dollars in loans for small- and medium-sized enterprises. It has also recently promised Egypt about 20 billion dollars in oil products to be granted over five years.

Egypt’s insistence on a political, and not military solution in Syria, is causing bumps in its relationship with Saudi Arabia, as Saudi Arabia is extremely sensitive to any political position that does not match its vision on regional issues. Evidence of this lies in the announcement by Saudi Arabia last month to halt four billion dollars in aid that was meant for the Lebanese security apparatus, because Lebanon did not match Saudi Arabia’s stance on Hezbollah. However, Egypt’s increased leverage is highlighted in the realization that Egypt is not Lebanon; and although the Saudis readily cut aid to Lebanon, they did not to Egypt.

"Lebanon's regional political weight does not compare to Egypt's. Any jolt in Cairo would be disastrous for Riyadh, whereas in Lebanon avoiding an outburst seems almost impossible because of Hezbollah’s dominance,"

Historically, Egyptian governments have been seen to link their participation in Arab military alliances to receiving financial aid to improve its domestic conditions. This rationale drove Hosni Mubarak to play a major role in the Gulf War. According to the IMF, Egypt, at the time, obtained 100 billion dollars worth of aid from the Gulf, 10 billion of which was provided solely by Saudi Arabia in addition to Saudi Arabia’s.

cancelling of Egypt’s foreign debts.

Saudi Arabia’s biggest ambition is to form a Sunni-Islamic front; the importance of this ambition makes it unlikely that they would cut aid to Egypt.\(^{270}\) Saudi Arabia would not want to “lose influence over 90 million Egyptians, after winning it from the U.S.” Despite this, Egypt's war against terrorists in Sinai made it reluctant to intervene militarily even in Libya, despite the instability there being a "dangerous burden".\(^{271}\) Despite these reassurances that aid will continue, fear surrounding Egypt’s economy persists, especially with the decline in Gulf aid.\(^{272}\)

**E Conclusion:**

Although Gulf donors are not new in the International aid system, what is new is an aid model that is somewhat in line with Gulf thinking and tactics, with regards to regional intervention. Economic reform and democratization are not part of the dialogue as before. This is not only true of Gulf aid, but of all aid Egypt receives today, whether Gulf, American, or Russian. This is due to changing global constellations, the direct interests of the Arab donors, and the indirect consequences of the presence of Arab donors in Egypt that increased its leverage with the U.S., as evidenced in John Kerry’s statement above.\(^{273}\)

The massive amount of aid from the Gulf was also considered to be a message to Obama, namely that of Gulf contestation of its policies in the region. It allowed Egypt to present its new political order to Washington and international organizations as a fait


\(^{271}\) Ibid.

\(^{272}\) Ibid.

accompli. It allowed Egypt to pick and choose its donors and gave it leverage with the U.S.

Aid from the Gulf was crucial for Egypt and for El Sisi at the time it was given in that it helped relieve Egypt from the economic situation that fed into the mobilization against him; that eventually resulted Morsi’s overthrow, thereby making aid, especially that of the Gulf, a great asset to any leader in Egypt today.

The relationship between Egypt and Saudi Arabia has constrained the ability of other states to disrupt their shared security complex; moreover, it increased Egypt’s leverage in its bilateral relationships with other donors-namely the U.S. and improved Egypt’s economy, even if temporarily. In addition to a relationship that is assumed to be built on norms of Arabism and Islam and historical ties, Egypt’s regional and domestic realities lend support to the fact that the military will maintain its strategic relations with Saudi Arabia. Saudi Arabia has also, as of 2014, become the second largest foreign investor in Egypt. Despite all this, the alliance may still be vulnerable, since rivalry over “regional superpower” status is embedded in their relationship. El Sisi continually emphasizes this stance, by, for example sending messages that it will not align its foreign policy with its Gulf sponsors despite its current political and economic fragility and even after the July 3 government change.

In conclusion, since the Arab Spring, we have seen how Gulf donors, namely Saudi Arabia, Qatar, and the UAE have used aid to compete for influence within Egypt’s changing political leadership. They have done this to achieve numerous regional goals and interests, such as their attempt to remove Assad from power in Syria, to counter the


\[275\] Ibid.

growth of the Islamic States’ presence in Iraq, and to influence instability and battles in Libya. Rises in oil and gas wealth in the Gulf, between 2009 and 2014, allowed these countries to expand their financial aid budgets and their military expenditures. However, the situation may change given the dramatic fall in prices of oil towards the end of 2014 and the beginning of 2016. 277 This, however, does not seem likely.278

Much like the U.S., the politics of aid from the Saudis is deeply strategic; political goals override any other goals. 279 The amount of aid pouring into Egypt from the Gulf in recent years exemplifies a new trend in the International aid structure with little strings attached. The Gulf states have been increasingly willing to provide aid, to advise, to replace any lost Western aid, and to promote hegemony as part of their: strategic efforts in the region to limit political space, competition, and tolerance, especially that in favour of the Muslim Brotherhood. President Sisi, in his speech at the Sharm El Sheikh economic summit, called Egypt “the first line of defence” against regional terrorism.280


278 The issue of how the oil crisis will affect Egypt has reached diverging conclusions in the news and the literature. Some economists believe that the oil crisis will indeed adversely affect the Gulf States, thus it will affect the investment projects that they contribute to. Others argue that it is too soon to judge, but that the Gulf States have too large capital surpluses (between $2 and $3 trillion) to be affected by a decline in oil prices. 278 Even if the oil crisis does not cause a problem in Egyptian-Saudi relations, the interaction between both sides of the relationship is what causes tensions.


6 Chapter 6 Conclusion:

Ensuring financial stability has been a difficult challenge for Egypt, as the country’s economy has been teetering on the brink of collapse since 2011. Aid, loans and investment from the Gulf States, especially Saudi Arabia have stepped in to prevent the economy from collapsing. Furthermore, the sources of foreign aid – and the leverage arising from it for donors – have changed significantly. Prior to 2011, the U.S. had been the primary bilateral donor of aid to Egypt. During the tenure of President Mohamed Morsi, Qatar and Turkey emerged as the major donors. Following Morsi’s overthrow, the U.S. halted aid to Egypt for a brief moment in time, but combined pledges from Saudi Arabia, Kuwait and the UAE were worth ten times that of the U.S.. Although the U.S. quickly resumed aid to Egypt, today and unless the Saudi aid stops all together the Gulf States, in particular Saudi Arabia, have effectively replaced the U.S. as Egypt’s main patron. Although many insist that Gulf aid comes with no strings attached, Egypt’s “slight” support of Saudi interests has been marked. Although Egypt's support of Saudi interests has decreased, alongside a decrease in Saudi aid; Egypt today is receiving aid from both Saudi Arabia and the U.S.; without doing much that isn’t in its own interests and without going out of its way to please them.

This dissertation attempted to examine the origins and rationales of the U.S. and Saudi Arabian aid programs to Egypt. Throughout the analysis policy moves of both the U.S. and Saudi Arabia have been appraised, and the reactions of the Egyptian government to these moves have been examined. It has been evident in many instances that Egypt emerged with the lions share from both U.S. and Saudi Arabian aid.
A Conclusion Overview:

Chapter one, laid out the main theoretical arguments, presenting the research questions clearly as well as the methodology and research objectives. Chapter two was composed of a literature review, within which the literature on the issue of aid effectiveness was assessed in detail. Due to the gaps found in the literature, a different method of assessing aid flows, outside of the traditional “one way” methodology was introduced. In this sense the body of the thesis assessed the bilateral interaction between the U.S. and the Egyptian government and that of the Saudi Arabian and Egyptian government. Chapter three gave a historical overview of this interaction. The overview showed how the Egyptian bureaucracy and its complete domination of all aspects of Egyptian life made it difficult to pursue coherent development policies and projects- in the rare instances when they were pressured for; which also affected the sustainability of these projects. Although the relationship between the U.S. and Egypt has at times strained and loosened up again; bilateral tensions, in no period of time since Sadat’s era, have never interfered in any way with strategic cooperation.\(^{281}\) The historical overview also highlighted how different types of aid differed in its implications on the interaction in that the more the percentage of security assistance of total assistance, the more maneuverability the Egyptian government has. Chapter four dealt specifically with contemporary interactions with regards to bilateral aid between the Egyptian governments and the U.S. Administration. An overarching theme that was shown throughout this analysis deals with America’s main national interests with regards to its foreign policy. According to Robert Arts characterization of these policy objectives, the number one priority of the U.S. when dealing with other countries is the “defence of the homeland”, while the fifth most important is the “consolidation of democracy and spread and observance of human rights”. The analysis of U.S.-Egypt bilateral aid

relations proves how Egypt provides a unique case in which both these two interests directly conflict.

The analysis has showed that even when the U.S. Administration attaches conditions to its aid that are related to democracy and human rights, the terms are broad and easily achievable, since any strong insistence, or withdrawal of aid would be in direct conflict with the Egyptian military and its interests, from which it can secure its strategic interests.

Both the U.S.’s rhetoric, and its poorly crafted aid conditionality, which were either disregarded when convenient, or set at a height that could be very easily attained has enabled Egypt to act the way it has and disregard and ignore conditions placed on U.S. aid. The analysis in chapter four shows how seeing foreign aid as a faucet that could be turned on and off when the Egyptian government steps out of line with U.S. policy is fundamentally inaccurate both with regards to how aid operates but also in terms of understanding the uniqueness and complexity of the U.S.-Egypt relationship. There are significant institutional relationships between both governments that are important to sustain for both parties to the relationship. This analysis showed how although the U.S. can do very little to pressure Egypt’s military generals, but the fact remains that there is simply no replacement for the crucial spare parts and equipment that the U.S. provides, not to mention the thickness of military-to-military relations built up over decades.

Chapter five shows how, not unlike those of the U.S., the politics of aid from the Saudi’s is also deeply strategic and political goals override any other goals. According to the literature, the amount of aid pouring into Egypt from Saudi Arabia in recent years exemplifies a new trend in the International aid structure of aid with little strings attached. The Gulf States have been increasingly willing to provide aid, to replace any lost Western aid, advice and hegemony, as part of their strategic efforts in the region to
limit political space and competition and tolerance, especially that in favour of the Muslim Brotherhood. President Sisi, in his speech at the Sharm El Sheikh economic summit, called Egypt “the first line of defence” against regional terrorism. However despite this labelling of Gulf aid as that with “no strings attached”, the chapter has shown how there are indeed strings attached to Saudi aid; and unless Saudis interests are met, there may be a problem in Egypt securing this aid in the future. Saudi Arabian interests in the region, displayed by its foreign aid show how it is concerned with stopping the expansion of political Islam, containing Iran and Shia-ism, maintaining and securing Egypt’s willingness to offer Saudi Arabia protection through its military manpower and reinstating its regional standing and supremacy. Many of these interests have forced the Saudis to have a stake in aiding Egypt like for example the fall of the Muslim Brotherhood in Egypt ended Qatar’s strong influence in the country, which was threatening to Saudi Arabia. In order to preserve these interests Saudi Arabia had to give Egypt aid.

Although the analysis of the interaction between donors and recipients in Egypt’s bilateral aid relationships with Saudi Arabia and the U.S. has been an important indicator of many of the reasons behind actions by both governments and the effectiveness of aid; it has revealed much more.

**B Findings:**
The analysis showed how whether or not conditionality is attached to the aid may not have much impact on whether these conditions are met. Changed global constellations and the case of Egypt showed that the number of donors willing to provide aid to Egypt at a time is an important factor in assessing the effectiveness of the aid and the conditions attached to it-if any. At times when conditioned aid was provided at the same time as unconditioned aid, the donor was somewhat “forced” to remove these conditions to maintain leverage and to secure its interests.
Although Egypt has few material resources to advance its interests across the region, it does have substantial political ones. These include its central position in the heart of the Arab world linking North Africa and the Levant, its control of the Suez Canal, and Cairo’s demographic weight by virtue of its size, population, cultural influence and historical leadership role in the region. Although Egypt’s regional standing may be in question, its greatest geopolitical asset is its position as the middleman in many-if not all of the Middle East’s conflicts. The brand value of Egypt’s mediator role has only been reinforced by the instability in the region since 2011, in particular the surge of terrorism in the name of Islam and the situations in Syria and Yemen.

The case of Egypt has showed that demographics and geography enabled the aid system to look somewhat like an auction, within which the Egyptian government has been able to pick and choose which conditions to abide by-only in as much as they served the incumbents in powers interests- and which aid it can afford to lose. In this auction we have witnessed how the IMF and the World Bank and other multinational donors with “too many strings attached” have lost.

The history of the U.S- Egyptian alliance helps explain why Egypt, while wedded to the U.S. in terms of aid and geo-strategies, is able to resist many of its calls (like for example election observation in the aftermath of Mubarak’s overthrow).

Looking back at the literature on the issue, and the findings of the literature review; we observe how scholars in looking at the impact of aid on the Egyptian government and the effectiveness of aid conditionality, missed much. They did this by oversimplifying the interaction and treating it as a one-way path. The literature has ignored how important the donor and its interests are and who the recipient is. It ignores the different aspects within which aid works: looking at the U.S. and Saudi aid we can see that from
a political perspective aid from the U.S. worked in achieving its objectives, but from a
developmental one it didn’t.
Another aspect that the literature seemed to have missed that has become apparent in
this analysis is the great difference between real conditionality and declared
conditionality. Carefully tracing the actions of both the recipient and donor government
displayed how in almost all cases that deal with the Egyptian government conditionality
is not what is declared.

Today we can see how issues like U.S. leverage are not static; and that it being the
donor does not necessarily mean it has the upper hand in the bilateral relationship. A
few years ago U.S. had much more leverage; today it remains unclear who is supporting
Egypt, but there must be a superpower supporting it, that’s making it stand so still and
defy or at least not submit to its donors.

Assuming that democracy assistance is one of the desired outcomes of aid is
problematic. Even if the U.S. was “whole heartedly” pushing for democracy in Egypt,
(which we proved was not the case), democracy assistance in and of itself is a challenge
when the recipient government of the aid is a strategic ally, as in the case of Egypt. For
the donor government, in this case, there is very narrow room for engagement. Tensions
between the U.S. and Egypt in negotiating development assistance aid were already
exacerbated by the terms of the Camp David peace treaty between Egypt and Israel.
This was because of the different conditions within which the U.S. provided the aid to
both allies in addition to Israel getting more aid than that of Egypt. Israel’s aid consists
of direct cash transfers, whereas Egypt’s must be directed towards specific programs
agreed upon by both Egypt and the U.S. government. Thus, it makes sense that Egypt is
ambivalent towards conditioned aid and reform. As part of the U.S.- Egypt bilateral
agreement, the Egyptian government must approve all development programs. Egyptian incumbents resistance towards the elements of conditions that called for democracy or reform more often than not resulted in the dilution of objectives, diminishing their original intent. In the end, the requirements and “real objectives” of maintaining the bilateral relationship prevailed - to the detriment of reform and development. As a result, the interaction between Egyptian presidents and the U.S. government put the U.S. in an impotent position that has shown to be more geared towards enhancing stability, cohesion, and state efficiency, than changing the status quo.

C Converging Interests:

In a region, full of complexities, violence, instability, extremism, state fragility and power vacuums, alliances and relationships between Egypt and the U.S. are not only strained, but also incoherent, on both sides. Actions by the Egyptian government, coinciding with the U.S. interests in the region, have forced the U.S. government to redefine and narrow down its definition of its national interests from a focus on democracy and human rights to confronting aggression, ensuring flows of energy and countering terrorism. Despite a pledge in 2011 to ‘promote reform across the region, and to support transitions to democracy’, pre-2011 U.S. policies remain intact, the percentage of aid requested for peace and security purposes increased from 73 per cent in 2010 to 76 per cent today, while that for democracy fell from eight per cent to six per cent. Egypt represents a clear example of a situation where the U.S. struggles with the tension between short-term security interests and the desire for democratic reform.

The U.S.’s actions and statements with regards to aid flows have shown that it will always favour and support whoever, on the recipient side, ensures the continued commitment of Egypt to the Camp David Accords, securing Sinai, retaining troops led
by the U.S., maintaining gas exports to Israel, resisting efforts for influence by Iran, isolating Hamas and keeping the Suez Canal open.

The problem here lies in the changing global constellations. The dynamics of international relations in the region are showing how U.S.’s passive sensitivity to Egyptian government’s actions can cause a severe strategic shift in global constellations, especially with Russia entering the equation and offering to cater to Egypt’s military needs and the Gulf catering to Egypt’s economic needs.

Despite the fact that it is obvious that leverage is what Americans sought for with their aid packages, the only sense, in which that has worked, is that aid has helped to deeply entrench authoritarian rule in the country. This aid has helped Egypt’s military build its economic empire with strong patronage networks.

As displayed by this analysis, what the U.S. gains from providing Egypt with aid is definitely not leverage or influence. The Egyptian government's reaction to U.S. pleas, conditions, and calls has not been compliance. Whatever the Egyptians have provided the U.S. with is in their own interests anyway and for their own purposes, and not as a favor to them. The peace with Israel, expatiated Suez Canal passage and piecemeal, window-dressing reforms every once in a while are a small price to pay for the amount of aid Egypt gets. Aid to strategic allies, in this sense, has shown that it can create allies or encourage reform and economic growth; but, it cannot do both at the same time.

The U.S.’s restoration of military assistance to Egypt, in spite of democratic setbacks, was characteristic of the West’s re-embrace of strategically important authoritarian allies. Although the U.S.’s main concern has been furthering its interests and keeping its important allies, other players have had different concerns.
Saudi Arabia is primarily concerned with the impact of regional turmoil and configurations on its own domestic politics. Its actions have been driven by a slight sense of vulnerability and continuity in the region’s geopolitical setup. Perhaps ironically: Saudi Arabia and Egypt have been successful at leveraging regional disorder to perpetuate political stability at home and abroad. The weakening of relations between the U.S. and some of its key allies, such as Saudi Arabia, Turkey, and Israel, has been exploited by other global and regional actors to the benefit of Egypt since competition dynamics pressured the U.S. into changing or loosening its conditions for aid. The loosening of conditions by the U.S. reflects how the prioritisation of security in the Middle East, in U.S. foreign policy, works in El Sisi’s favour. It also signifies how the U.S. realized that suspending aid flows, which would have “brought Cairo to its knees a decade ago”, now merely creates chances for other regional players to fill the U.S.’s void, albeit for their own interests.

In the case of Egypt, as demonstrated above: competition between the U.S, and other foreign aid donors increases duplication and waste, as opposed to increasing prospects for coherent and successful economic and political development and reform. Joining the U.S. fight against the Islamic States has served the Egyptian interests, by pleasing all its main allies and patrons. El Sisi has also taken advantage of the fact that the Islamic State is the top concern among all countries in the region to highlight that “this” Islamist rule would have prevailed in Egypt if the military had not stepped in. Egypt has continually put the Islamic State as part of the broader Islamist spectrum that includes the Muslim Brotherhood.

283 Ibid.
284 Although links between the Islamic State and the Muslim Brotherhood are tenuous, the fact that Ansar Beit El Maqdis in Sinai have pledged their allegiance to the Islamic State backs up Sisi’s narrative.
So, although high level security can be a problem for Egypt, a persistent low level of instability and insecurity, both domestically and in the wider region, has proved to be in El Sisi’s interests; not only does it justify human rights violations, it also ensures the political and financial backing of influential regional and global powers, whether or not El Sisi fulfils their conditions.

Following the 2011 uprisings, Egypt under El Sisi, has slipped back into both authoritarian military rule and the role of regional mediator and stabilizer, two rationales that are intimately linked, especially when it comes to foreign aid.285

Looking at the actions by the Egyptian government, with regards to their donors, we can see a central rationale shared by all Egyptian presidents and that is that of government survival and domestic stability. Today, this goal translates into an anti-Islamist, anti-government-change position that is trying to maintain the status quo in the region and increase Egypt’s regional standing. This is done whilst focusing only on the issues and conditions where Egypt has direct stakes and leverage. Although El Sisi’s confrontational and repressive approach is obvious domestically, abroad he takes a more nuanced stance, geared mainly at avoiding alienating important allies and patrons. While Egypt’s international strategy has been largely “anti-militancy,” El Sisi has had to adjust to satisfying the needs of different regional actors with competing agendas, such as Russia and Saudi Arabia in Syria. This tightrope walk has led Egypt to stay clear of those international crises that do not immediately threaten its domestic stability-like that of Yemen.

The very fact that Egypt is a status quo power in the region enables it to position itself as a bulwark against Islamist extremism in the midst of instability and state breakdown

285 J. Martini, ‘Seduced by a strongman?’, Foreign Affairs, 30 April 2015.
in the region. This position matches the prioritisation of security in the U.S. foreign policy. The rise of the Islamic State has seemingly provided El Sisi with a blank check for domestic crackdowns and repression, which will probably stabilize and assure his power for many years to come. Furthermore, El Sisi’s strengthening ties with Saudi Arabia and Russia (although this remains unclear) have reduced Western leverage over the country, and deprived the U.S. of its “once” exclusive line to Egypt.

**D Implications for the Future of Egypt:**

Egypt’s recent actions, however, may prove to be problematic and may affect its image as a regional stabilizer, and may even, for once, end aid to Egypt once and for all.

Although today Egypt’s main patrons have been insisting that aid will not stop, Egypt might be standing its ground a bit too strongly. Actions, such as Egypt’s sabotage of the UN-led peace process in Libya, and its lack of material participation against the Islamic State in Libya, has strained its relations with the West. Egypt’s hostility towards Hamas has also been tarnishing its reputation as a mediator in the peace process. El Sisi’s maneuvers with regards to Syria, and El Asad’s future and its crackdown on the Muslim Brotherhood as well as its limited engagement in Yemen, have created tensions with Saudi Arabia that Egypt should not be able to afford. According to Dr. Galal Amin, today, the issue remains in a grey area that leaves one with many unanswered questions. What happens in Syria in coming months will explain a lot of his confusion. The confrontation between the U.S. and Russia in Syria will be decisive in dictating what will happen next. With all of Egypt’s ground today, and its actions that seem to be angering its patrons in the East and the West, someone must be aiding Egypt to the extent that it can afford losing both Saudi Arabia and the U.S.. Another possibility is that again El Sisi is calling the U.S. and Saudi Arabian bluffs and threats to withdraw or decrease aid.
Saudi Arabian aid has not been stable from its outskirt. Although Egypt is more dependent on foreign aid today than ever before, Saudi Arabia runs a personalised, mostly arbitrary foreign policy. This makes it problematic to assume that aid from Saudi Arabia is El Sisi’s lifeline, especially since El Sisi has not been compliant to Saudi demands in recent months.

The U.S., Iranian détente and nuclear deal cannot be ignored in this sense, as they may imply stronger relationships between Saudi Arabia and Egypt, even if Egypt isn’t involved in Yemen as much as the U.S. and Saudi Arabia would want it to.

When a country has leverage over Egypt, it is felt in its actions and interactions; today, however, who has leverage is becoming an increasingly muddled question.

In the Middle East, one could argue that the balance of power between the West and the Gulf has shifted toward the latter. This was exacerbated by the increasing threat of terrorism and the instability in the region. The Gulf countries have proved to be the region’s survivors and saviours, at least for now. Given this, Western countries, namely the U.S., have ended up following the same approach as non-democratic countries, since they both want to stabilise the authoritarian status quo in the Middle East for the sake of economic and strategic benefit. The U.S. has done this to the detriment of economic and political reform and to the benefit of El Sisi’s survival. This allows the U.S. to maintain- “some” leverage without upsetting the Egyptian status quo. This is considered a case of ‘low-cost’ engagement.

Of course, it remains unclear just how much leverage aid gives the U.S. in trying to encourage Egyptian domestic developments and reform. The analysis provided by this

research could show how it is not really leverage that is granted by the relationship, but merely “access”. The problem with U.S. leverage is that it is not willing to suspend the aid no matter what. For the U.S., to have leverage, it must be willing to suspend aid to Egypt unless its conditions are met. This has not been the case. If the Egyptian government does not believe that the United States will ever stop the aid, which they don’t, then aid does not actually provide any leverage at all. The Egyptian governments have always been willing to call the U.S.’s bluff.

Another problem is that the U.S. military aid to Egypt is its only source of leverage. Suspending it now, especially with the increasing power and presence of Russia and the Gulf in Egypt, will probably leave them empty handed. The fear of losing aid in the future is also stopping the U.S. from using its limited leverage today.

Even if there were a willingness by the U.S. to suspend aid, it would still provide no leverage, as Egypt could simply get funding from other countries. Actions by Egyptian presidents have shown that they assume the U.S. military aid is an "untouchable compensation" for maintaining the peace with Israel.

The only conditions to this relationship that matter to the U.S. are that Egypt maintains its peace with Israel, and the U.S. military enjoys expedited passage through the Suez Canal and Egyptian airspace. This supports the claim that this aid not so much gives leverage as it gives “access”.

It is also important to note that it is also in U.S. interests that insolvency doesn’t occur. State Breakdown in Egypt would also affect U.S. military standing in the Gulf. The U.S. Navy depends on expedited transit through the Suez Canal. In addition, U.S. Air Force over flights through Egyptian airspace en route to the Gulf could be curtailed if an
Egyptian collapse was to occur. An economic collapse, due to insolvency and the subsequent state breakdown in Egypt, would also threaten Israeli security, since North Sinai is a staging ground for attacks on Israel. If one of those attacks injured or killed a significant number of Israelis, it would force the Israelis to respond, compromising the Egypt-Israel peace treaty, which is a pillar of U.S. policy in the Middle East.288

E Research Questions Findings:

In response to the research questions raised at the begin on the research, the effect of aid on government characteristics and policies can be explained by the interaction between the recipient government and its submission to the demands- if any- of the donor government, and the donor government’s demands and how much leverage it has to force the recipient government to fulfill these demands. In this sense, we have not observed any positive effects of conditionality on the Egyptian government. Even if conditionality has real substance to it, they have more to do with strategic interests and the interaction between the Egyptian government and the donor government determines if this conditionality will actually have an impact or not. The stabilizing effect of aid, and its failure to transform into democratic change, has proven to be not only an effect of the weakness of the leverage of the donors; it is also related to the “lack” of a push for change by these donors. What was found was that it was the donor’s intent that posed real obstacles to political goal achievement and that the ineffectiveness of the aid restrictions in promoting change was due to the “weakness of measures imposed.” But this weakness of measures imposed doesn’t arise in a vacuum and depends largely on the recipient governments strength and leverage. The strength of the recipient government, by virtue of its structural assets, such as the Suez Canal and its geopolitical weight, enable it to control the leverage of donor governments on its tactics and actions.

Neither the donor’s incentives and conditions or the recipients’ government type or leverage is able to explain the impact of aid on government characteristics on its own. Only an intricate analysis of the interaction between the donor and the recipient in these bilateral aid transactions was able to give any insight into aid effectiveness and the importance of leverage with regards to the Egyptian government. The analysis showed how Arab aid, like Western aid, has been used to build strategic alliances.

If anything, studying the interaction between donors and recipients in the international aid system exposes true conditionality from defacto conditionality on the donors’ side of the equation. It explains the gaps and the inconclusive findings that the aid literature has come to today on aid effectiveness. It shows how aid is a very complex topic to look at. The analysis presented by this paper shows how the aid objectives that are revealed, and not necessarily stated by the donor, must be kept in mind when looking at the effectiveness of conditionality or aid in general. This analysis has revealed how both actors in the aid equation bargain to pursue their own self interests. This researches’ focus on political incentives, interests, and preferences of both donor and recipient domestic actors enabled us to explain why the aid effectiveness debate has reached diverse findings. The analysis showed how, in the case of aid to Egypt, both the donor and the recipient governments use foreign aid to serve their own narrow agendas to enable political survival. The recipient government used this aid to redistribute additional rents to strategic sectors, to finance repression or to meet the public’s basic needs. Donors, as revealed, have a problem solving this challenge of aid fungibility— even if they want to.

In this sense, the case study of Egypt, with regards to both aid sources, has shown how aid does not really buy the donor country any leverage; recent actions by the Egyptian military somewhat indicate how no aid could compel the Egyptian military to do
something it doesn’t want to do. The Egyptian military remains to pursue its course and its interests, despite continually angering its major patrons and donors.

F Limitations

It must be noted that despite the many answers this analysis has provided us with, it has raised many questions. The speed of developments in Egypt’s aid relationships, that continues to happen as this research is taking place, make issues ambiguous. The lack of transparency, with regards to aid flows from different donors, especially those from the Gulf, also pose a problem to the analysis. The ancient structure of aid agencies, combined with the intrinsic properties of Egyptian presidents’ actions in the midst of large externalities, changing global constellations and a number of secret alliances, deals and negotiations, and the difficulties in attributing certain actions to outcomes, make the study of this interaction a very challenging endeavour.

Leverage, which is a very important criterion in this analysis, remains hard to measure; despite this difficulty, leverage was measured in the foreign governments ability to affect the recipient governments actions and decisions.

Another limitation remains in the fact that the issue of aid and its impact on the Egyptian government is a very time sensitive matter and depends largely on global configurations. Today, we see much changing on a daily basis with regards to these matters thus adding to the difficulty of this endeavour.

There has also been immense intransperancy in sources of Arab aid and a discrepancy that was revealed by the analysis between stated conditions and actual conditions with regards to both aid sources.
Policy Implications and Future Research

As shown by the analysis and the research, the U.S. and Saudi Arabia both need a solution to their decreasing ability to impact the actions by the Egyptian government. Some scholars suggest that since the Egyptians have dealt with U.S.’s aid to Egypt as an entitlement, it will be hard to practice leverage or force the Egyptian government to comply with conditions. Some scholars suggest that the U.S. should pressure the Saudi government, which is believed to retain greater leverage with the Egyptian military. However, this does not necessarily seem to be the case.

Further research could look at the power of inertia in hindering the U.S.’s ability to make policy changes that have been in place for a long time. Another possible research area could be how many U.S. Congress members bring up the issue of long-term benefits vs. near term costs, with regards to the U.S. bilateral aid relationship with Egypt. It would be useful to analyze this issue further. The impact of allies to the U.S. such as Israel and Saudi Arabia, on the continuing aid to Egypt, could also be assessed in future works on the issue.

Over time, the conditions that came with most U.S. aid gave the impression to the Egyptian government that these pledges were mainly rhetorical. The implications of U.S. aid programs have been that the U.S. has never applied its leverage via financial assistance.

As shown by this analysis, only when donors can credibly threaten to withhold aid, and when aid recipients can credibly threaten to collapse if aid is withdrawn, can aid have productive effects for development. The conclusions that this analysis has come to suggest are that expectations for U.S. aid must remain modest for Egypt; especially today, as U.S. foreign policy seems to be focused on rebuilding failed states in the
Middle East and preventing any others from collapsing and as global constellations are changing.

What the U.S. needs today is reform in the opaque military aid program that constrains its manoeuvrability and leverage with this volatile country, and to figure out how to reposition the U.S. for this new phase of authoritarian resurgence in Egypt. The problem is that with a combination of Egypt’s worth to the U.S., and with global constellations changing, the U.S. has much to lose from any reform in the aid relationship.

This research has revealed the complexities of assessing the effectiveness of aid on government characteristics. It is important to look at a multiplicity of aspects when trying to assess the impact of aid. The donors’ interests, and the “real” conditionality they push for, and how much leverage the donor has-with regards to the recipient-are important points. Global constellations, and other donors supplying the recipient government with aid, are another important point. The recipient governments’ government type, actions, interests, and leverage, with regards to the donor, are also important. In this sense, future researchers can advance our understanding of aid and its importance by applying political economy frameworks that follow organically from the conclusion that strategic considerations of donor countries are important drivers of foreign aid.

In short, even the strongest aid partners and allies rarely ever do the donor country any favours. This is an important reality, given the sometimes-overoptimistic assessment of assistance and cooperation as a down payment on future donor influence.

Future research on the issue and policy makers need to keep in mind that leverage is undermined by the fact that long time recipients consider this aid to be an entitlement. Once this happens, like it has in Egypt, it becomes almost impossible to persuade the
recipient government to accept different types of assistance and cooperation or to condition its provision on certain behaviour.

The policy dilemma of opposing incentives and interests in donor and recipient countries, which often decreases the effectiveness of conditionality, could be overcome if future scholars put more emphasis on the negotiation process in and of itself as a strategic moment of interaction between donor and recipient. This would force scholars to think more explicitly about the timing and the context of such aid negotiations and the policy options recipient and donor governments have against the background of their domestic situation. 289

We have also seen instances in which conditionality contributes to democratization or at least democratic efforts; the analysis has shown that this happened accidentally in interaction with domestic dynamics, like efforts by NGOs, mass protest or elite bargaining. Since the empirical studies with a large number of cases have led to diverse conclusions, with this regard, longitudinal in-depth case studies could enhance the conditionality and aid literature by showing whether and under which circumstances conditionality can be effective and conducive to democratic reform. It would be a major step forward if scholars could show that domestic agents can indeed be empowered by external conditionality commitments. 290

7 Chapter 7: Bibliography:

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