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## Egypt's Regional Role

Author: Phebe Marr

### Summary

#### About the Workshop

#### **Background:**

Egypt recognizes the gradual shift in emphasis in the post-Cold War world from geopolitics to geoeconomics. Egypt needs to restructure its economy and its defense posture if it is to play any substantial geostrategic role. Failure to meet this challenge could affect its role as a strong U.S. partner and a moderating force in the region. The workshop examined four aspects of Egypt's future regional role:

- Egypt's regional aspirations and its capacity to achieve them
- Regional trend likely to affect this role and the U.S.-Egyptian partnership
- The military posture Egypt will require in the post-Cold War era and its willingness to adapt to new challenges.
- The nature and future direction of the U.S.-Egyptian relationship.

#### **The New Economic Era and its Perils**

There was widespread consensus that economic reform will determine Egypt's future regional role. The post-Cold War environment has demonstrated the declining utility of large military force structures, one of Egypt's main strategic assets. Egypt needs to achieve economic growth to underpin any regional role. This challenge will gain increased urgency if pressures mount in the U.S. to scale back aid. Aid to Egypt is linked to Israeli aid, and to Egyptian support for the peace process, factors which should favor continued economic support for Egypt. Over the past two decades, U.S. aid has helped Egypt improve its telecommunications system, its transportation, water, and sewage facilities, its power generation, and other industrial infrastructure, preparing the foundation for a private sector take-off. However, without significantly improving labor productivity and skills; expanding markets; and above all creating a climate attractive to entrepreneurs and private investment, Egypt will be in a poor position to compete on international markets or to attract inflows of needed capital.

There was some Egyptian unease over the impending global economic order, epitomized by

NAFTA, EU, ASEAN and other large trading blocs from which they are excluded. In the Middle East, the prospect of an end to the Arab boycott of Israel has some Egyptians worried about their ability to compete with Israel. The concern over potential Israeli economic domination of the region may be contributing to Egyptian caution on fulfilling the economic aspects of the peace process. There is also talk among some Egyptians of developing an Arab economic bloc to compete with Israel.

### **Egypt's Regional Aspirations**

Egypt no longer aspires to lead the Arab world, recognizing that its influence is declining relative to others, but it can exercise influence in several different ways. It can set the agenda for the region, as it did in the peace process. It may act as a model in handling domestic problems, such as Islamic militants. It can also exercise regional influence as a core country, linking various sub-regions or circles.

In the near to mid-term, Egyptians suggested a five fold agenda. First, Egypt needs to complete the old agenda the peace process. Second, it aims to build a moderate consensus in the region, enveloping radical elements, such as Libya, into the mainstream. Third, it will try to upgrade regional capabilities, especially communications and transportation links. Fourth, Egypt will use its cultural products and advantages to promote regional integration. Fifth, its military, which some Americans saw as declining in importance, can be used in multi-national settings to promote regional stability. Some participants found this assessment too ambitious. Egypt's ability to spur regional economic integration will be undermined by its weak economy and its need for structural reform. Its reach in some areas particularly the Gulf is limited by local constraints. It is too early to say whether Egypt can provide a model on how to handle Islamic militants. And its role in the peace process may diminish if the peace process succeeds.

**Regional Constraints on Egypt's Role** Several regional trends are likely to affect Egypt's role. First, the Islamic revival, while recognized as having indigenous roots in various countries, is now developing regional links. Disagreements between Middle Eastern and Western governments on how to deal with these movements is generating unease. Egyptian officials worry that U.S. attempts at dialogue with moderate Islamic groups will encourage militant elements and contribute to political instability.

A second trend has been declining cohesion in the Arab world, with regional organizations, such as the Arab League, unable to provide decisive leadership. Egypt has recently moved in a more assertive way to fill this gap, both in the Maghreb and in the Eastern Arab world. As Egypt attempts to exercise more independence and to generate some inter-Arab cohesion, it may create some tensions in its relations with the United States and Israel. Most conference participants felt the United States should take these differences in stride.

One infrequently analyzed but potentially explosive trend is the emergence of a horizontal divide in Middle Eastern society between Western educated elites and the remainder of the indigenous population. Elites tend to accept integration into a globalized Western culture, as well as some of the values underlying it (human rights, democracy, a market economy). Growing segments of the population, excluded from the benefits of reform, are hostile to integration and reject many of the cultural concomitants of the Western led order. Their rejection has been legitimized by Islamic movements and slogans. Both Egypt and the West face the challenge of how to deal with this phenomenon. Senior U.S. policy makers have close relations with the Egyptian elite, but they must

begin to take the needs and expectations of the rest of the population into account and make efforts to reach them.

### **The Military Dimension of Egypt's Regional Role**

The discussion on Egypt's military, its threat perception, and its capacity to respond to regional challenges, revealed sharply divergent views between Egyptian and Western participants. There was general agreement on one point, however. Egypt's military was needed to help maintain a balance of power favorable to moderate countries and to keep the region stable. Egypt is both willing and able to use its armed forces for peacekeeping missions provided this is accomplished in a multilateral arrangement.

The most significant divergence occurred over Egypt's threat perception. In the Egyptian view, the regional military imbalance between Israel and the Arabs is still a threat. They believe that Israel's dominance in conventional weaponry, in nuclear capacity, and in space research and development, gives it the potential for offensive action, and allows it political leverage. Some Egyptians were concerned about the consequences of a change in the Israeli government that could affect the peace process and the stability of its borders.

There was strong angst over Israel's nuclear program. Eventually, Egyptians would like regional transparency; mutual inspection and verification of the elimination of WMD; a guarantee by an external power (preferably the U.S.) and eventual elimination of nuclear weapons in the region. Egypt's position on Israel's nuclear program has put it in opposition to Israel and the United States on an issue of importance to the United States.

By contrast, Western participants saw a low risk of a future war between Israel and Egypt. They stressed that Israel's military doctrine calls for the use of nuclear weapons only in the case of a threat to its survival. Even if Israel offered to negotiate over its capability, Egypt has no comparable bargaining chips.

While recognizing the need to restructure their armed forces, many though not all Egyptians argued for a large force as a necessity in a region where large numbers are equated with power and national prestige, and where regional competitors (Iran, Iraq, Syria) have large standing armies. The Egyptian army also plays an important role domestically in providing employment for large numbers of Egyptians, and in socializing those from poor and rural areas into civic society.

Several Western participants argued that Egypt needed smaller, high quality, mobile forces, which would be able to cooperate with others to meet the challenges of a new era. Pointing to successful military reform in Asia (Korea, Taiwan), they suggested that Egypt reduce military manpower to free up resources for economic development. If Egypt strove for interoperability of equipment, doctrine, and planning with U.S. and European forces in North Africa and the Gulf, it would improve Egypt's ability to join in regional coalitions with others. No clear resolution of these differences emerged. Egyptians will probably continue to balance military efficiency with political concerns, including the necessity of a hedge against change in the United States and in Israel.

### **The U.S.-Egyptian Relationship**

Although Egypt and the United States have a convergence of interests in many areas (maintaining regional stability, stemming radicalism in North Africa, furthering the peace process, and using the

Egyptian army to support regional peace) three issues have recently generated tensions in U.S.-Egyptian relations.

The first is the peace process. The Alexandria summit between Egypt, Saudi Arabia and Syria (December, 1994) has generated frictions with Israel, which has accused Egypt of attempting to slow the peace process and to bolster Syria's negotiating posture. Egyptians claimed that Israel was trying to reap the fruits of peace in the economic field before making the necessary concessions on the ground. They also saw problems ahead on Israeli withdrawal from the territories, the Jerusalem issue, and securing an Israeli-Syrian treaty.

The second is Egypt's role in North Africa, where it is moving to establish closer relations with the Arab Maghreb Union. Fearing an Islamic victory in Algeria, Egypt is cooperating with North African regimes, including Libya, on security. The Libyan connection, however, has created difficulties with Washington. Third is the issue of Israel's unacknowledged nuclear arsenal. Egypt has announced it will not vote for an indefinite extension of the NPT without some gesture from Israel in the nuclear area. Egypt's position has raised tensions with the United States which needs Arab votes for an indefinite extension of the NPT, up for renewal in April. However, Egypt is seeking indications of Israel's intent to enter serious negotiations with Egypt on WMD before the April vote.

These divergences with the United States were seen as irritants to a relationship which has withstood a number of vicissitudes over the last 15 years and grown steadily in importance. However, if these differences are left untended, the relationship could unravel, with significant regional consequences for the United States. A friendly Egypt remains vital to U.S. interests. Egypt provides critical air access to the Gulf; the Suez Canal is a vital strategic waterway, and Egypt's moderate policies are needed as a balance to emergent radical forces in the region. The relationship needs managerial attention and possibly some built-in institutions, such as high level consultative committees, to assure continuity and on-going dialogue.

There was considerable agreement on the need to focus on the economic side of the U.S.-Egyptian relationship, particularly on ways to encourage foreign investment and technology transfer to Egypt. Westerners pointed to numerous obstacles that still confront U.S. business, including restrictive labor laws that mandate over-employment; inadequate trade regulations and patent laws; poor credit facilities for small and medium sized businesses and cumbersome tax administration. In an era of free trade, the Egyptians stressed the need for access to U.S. and European markets, if they are to compete effectively.

### **Recommendations**

- Continued high level dialogue is essential to iron out emerging differences; institutionalization of this dialogue in a high level joint commission could be productive.
- Future U.S. aid should be used to encourage privatization and export-oriented growth. In addition, the United States should encourage investor-friendly legislation in Egypt and credit facilities to small and medium sized businesses. Cutting U.S. aid to Egypt at the time would have a decidedly negative impact on U.S. regional interests.
- More CBMs are needed between Egyptian and Israeli military sectors to erode the prevailing sense of suspicion and distrust that impedes military restructuring in Egypt and

Israel.

- To underpin the relationship, the United States should encourage more U.S.-Egyptian interaction below the leadership level and outreach to a broader spectrum of the Egyptian populations.

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