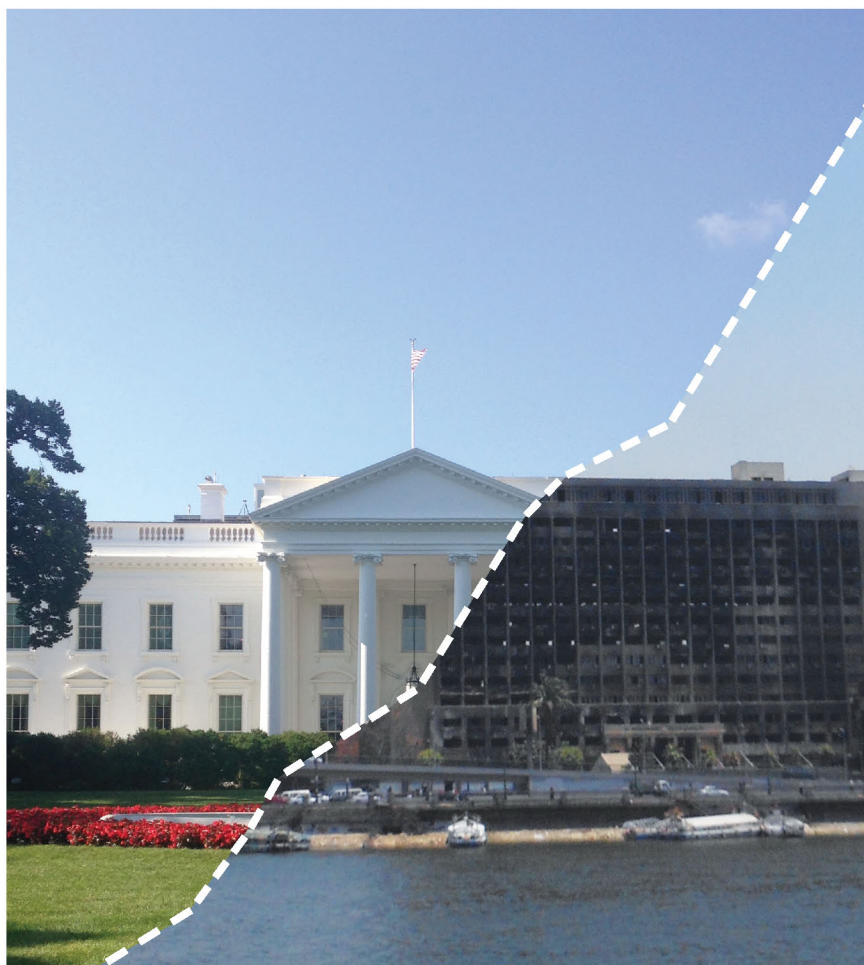


# FLOUNDERING STABILITY

## US FOREIGN POLICY IN EGYPT



**AMIR MAGDY KAMEL**

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## *US Foreign Policy in Egypt*

Amir Magdy Kamel

University of Michigan Press  
Ann Arbor

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*For my family, who have always supported me*



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## Acronyms and Abbreviations

AfDB	African Development Bank
BEA	Bureau of Economic Analysis, US Department of Commerce
BIT	Bilateral Investment Treaty between the US and Egypt
CPI	Consumer Price Index (measure of inflation)
CREST	CIA Records Search Tool, US Central Intelligence Agency
CRS	US Congressional Research Service
DOTS	Direction of Trade Statistics database, IMF
EESA	US Emergency Economic Stabilization Act
FDI	Foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GNI	Gross national income (per capita measure of income distribution)
IMF	International Monetary Fund
MB	Muslim Brotherhood
MEPI	Middle East Partnership Initiative
NDP	National Democratic Party (Egypt)
NPUP	National Progressive Unionist Party (Egypt)
OECD	Organization for Economic Cooperation and Development
SLP	Socialist Labor Party (Egypt)
USAID	US Agency for International Development
WDI	World Development Indicators database, World Bank
WGI	World Governance Indicators database, World Bank



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## ONE

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# The US Idea of Stability

Born and educated in this country, I glory in the name of Briton.

—King George William Frederick, 1760

King George III of Great Britain and Ireland's opening parliamentary address emphasized his personal connection to the country and commitment to the "excellent constitution" that laid out ties between the monarchy and legislature.<sup>1</sup> While the king and parliament held different ideas for governance, both seats of power agreed that Britain's colonies should fall under parliamentary control. This position, along with a lack of representation in parliament and a series of laws constraining North American colonies—including the infamous 1773 Tea Act—provoked revolt, war, and the subsequent Declaration of Independence. The move freed the thirteen colonies from British control, established autonomy over their rights to liberty,<sup>2</sup> and indicated an early commitment to the idea of stability. This commitment was then reflected in the Constitution of the United States of America's pursuit of justice, tranquility, defense, welfare, and freedom.<sup>3</sup> From there, these stability underpinnings were extended to matters of foreign policy and became inseparable from how the US perceives and seeks stability in international relations.

US presidents and policymakers have since sought to influence and spread global stability using foreign economic policy measures. Notable support for and practice of this endeavor was reflected in the two world war US presidents' positions and policy choices. For President

Woodrow Wilson, this came in the form of a post–World War I decision to remove “all economic barriers” when dealing with foreign powers to ensure world peace.<sup>4</sup> Then, Franklin D. Roosevelt explained in a World War II speech to the US Congress how “economic safety for the America of the future is threatened unless a greater economic stability comes to the rest of the world.”<sup>5</sup> Since then, the US has continued to practice and believe in this policy—in a nod to the post-British foundation of the country—and this is evidenced through government documents, speeches, and foreign economic policy data. This particular US stability-through-economics formulated foreign policy is the focus of this book, referred to as the *stability policy* hereafter. This results in an in-depth examination and evaluation of the US stability policy in Egypt between 1981 and 2011. The findings inform my argument that the US failed to ensure stability in this Egyptian case study, despite a persistent pursuit of the stability policy. I evidence this by laying out the how and why the stability policy’s performance was more mixed than the dictates of the stability-through-economics idea.

This idea is linked to Robert Keohane and Joseph Nye’s broader contention that the control and trade of resources impact the influence and power dynamic between two actors.<sup>6</sup> Paul Papayoanou explores this point further by concentrating on the economic interdependence aspect of this relationship.<sup>7</sup> Taking these two frames of reference together, this book focuses on how foreign economic policy measures are used to achieve a specific goal: stability. While American foreign policy literature has developed various ways of conceptualizing this overlap between economics and stability, scholarship has yet to contemplate how various facilitators and barriers (or factors) impact the positive relationship between these two spheres in a specific and targeted manner. I aim to fill this void here by providing an in-depth case study assessment and explanation of the factors that impact the relationship between economics and stability. This is done with a specific focus on the US implementation of the stability policy in Egypt to identify and explain the factors that impact the stability-through-economics idea and spell out how this contributes to the literature on US foreign policy. In so doing, this book is conceptually part of the literature concerned with US influence over global stability<sup>8</sup> and differentiates itself by presenting a contextual qualitative and complementary quantitative analysis of US-Egyptian ties.

In order to achieve the aim, this book focuses on Washington, DC’s links with Cairo under President Mohammed Hosni El Sayed Mubarak’s reign from 1981 to 2011. The granular detail covered in this account cap-

tures several barriers to and facilitators for the success of the stability policy. These include the legacy of Mubarak's predecessor President Mohamed Anwar El Sadat's foreign economic and domestic policies, Egypt's economic liberalization initiatives of the 1990s, US-Egyptian ties following the September 11 attacks, and the 2008–9 Global Recession, as well as a thread of domestic political suppression in Egypt that continued up to the January 25, 2011 Revolution. The US remained resolute in the implementation of the stability policy during this period as Washington, DC sought to maintain regional security, military cooperation, and strengthen liberal democratic ideals. This dedication reflected the roots of the US Constitution that were a purposeful departure from King George III's rule. Despite this US perseverance, signifiers of instability during Mubarak's reign—including Egypt's experience of the 2010–11 Transitional Arab Spring<sup>9</sup>—underlined a stability policy failure in this case.

The January 25 Revolution—as it is referred to by Egyptians—underscored how the stability policy and the US more broadly failed to credit local contempt toward the state of domestic affairs. This was conveyed by the makeup and size of the regime-ending movement that included various societal, religious, and socioeconomic groups and individuals across Egypt. This of course was not an isolated sentiment. Egypt experienced multiple strikes and protests prior to 2011 along with the Mubarak administration's politically suppressive actions. I will demonstrate how the US stability policy enabled this run of play through an examination of the US-Egyptian context. This makes it possible to pinpoint the causes of instability in Egypt and provides an empirical record against which to evaluate the theory behind the stability policy.

This evaluation is carried out through an assessment of the political and economic developments that took place while the US stability policy was implemented in Mubarak's Egypt. A qualitative analysis fleshes out how the stability policy played out in this period and is complemented by a quantitative analysis of US foreign economic policy measures compared to Egypt's economic and political stability indicators. From there, this book determines whether and how this type of foreign policy can positively impact political and economic stability. This is guided by two research questions:

1. How successful was the US stability policy in Egypt between 1981 and 2011? And what were the facilitators for and barriers to this policy?
2. What does this case tell us about the relationship between economics and stability?

Four things are achieved by focusing on these questions. First, this book establishes how the foundation of the US stability policy was extrapolated and implemented in the case of Egypt. This book is structured in a way to ensure that the analysis is carried out from the perspective of the stability policy itself, laying the foundation for targeted policy reflections. Second, it examines the developments that took place in Egypt between 1981 and 2011, and how these manifested themselves in the form of facilitators for and barriers to the stability policy's success. Third, the resultant assessment of the US stability policy explains why the policy performed the way it did, what prevented it from being successful, and ultimately suggests how it can succeed in the future. Finally, this book reflects on what the empirical record reveals about the theory behind stability-through-economics. This results in a novel examination of US foreign policy, with a focus on the Egyptian case and within the context of the relationship between economics and stability.

### Economics and Stability

Scholarship focuses on various aspects of economics and stability to explain the interplay between these two spheres. Such works include assessments of the impact of trade on conflict,<sup>10</sup> the impact of investment on conflict,<sup>11</sup> and how each of these aspects are measured.<sup>12</sup> The specific relationship between economics and stability, however, follows a more focused scholarly path, the starting point of which assumes that a positive correlation exists between the levels of engagement and influence between two actors. This assertion is made by Keohane and Nye who explain how power—defined as one actor's ability to “get others to do something they otherwise would not do”<sup>13</sup>—is able to influence another actor. This book moves from this assertion and concentrates on the economic aspect of this power. In this context, Papayoanou explains that the trajectory of the relationship between economic interdependence and political cooperation varies depending on the types of states involved. Papayoanou articulates how economic relations between democratic allies lead to “pacifying consequences” on the one hand and are less successful in their ability to marshal actor behavior when it comes to adversarial states on the other.<sup>14</sup> It is at this point that this book diverts from and builds on the associated literature. Rather than focusing on the relationship between economic interdependence and power ties between two actors, this study assesses the impact of a specific definition of economics—foreign economic pol-

icy measures—on the concentrated goal of stability in the interconnected political and economic domain. It also captures an aspect that is not included in Papayeanou's thesis, namely the influence that economic ties have on exporting or sharing values between states. Notably, this aspect is a self-identified driver of the US stability policy. Therefore, this book aims to complement existing work by providing a detailed understanding of the relationship between economics and stability in this context through a specific US-Egyptian case study focus.

For the purpose of this study, the foreign economic policy measures that represent the US stability policy include economic agreements, policies, US trade (imports and exports), foreign direct investment (FDI), economic assistance, and military assistance to Egypt. This is for two equally weighted reasons. First, the US explicitly and repeatedly implemented a foreign policy that utilized these economic measures to achieve the stated stability goals in the time frame concerned. Second, this study analyzes the extent to which these foreign economic policy measures impacted stability in Egypt through a qualitative and complementary quantitative analysis.

Moving on to the stability side of the equation, this book examines both economic and political stability to provide a comprehensive analysis of the stability policy's performance in Egypt insofar as it is possible. This makes room to reflect on what this means for the stability-through-economics relationship in general. When it comes to economic stability, competing definitions range from the broad "full and efficient utilization of available human and material resources"<sup>15</sup> to the focus of the International Monetary Fund (IMF) on "avoiding economic and financial crises, large swings in economic activity, high inflation, and excessive volatility in foreign exchange and financial markets."<sup>16</sup> Elsewhere, the 2008 US Emergency Economic Stabilization Act specified that public finance interventions are a means of providing economic stability.<sup>17</sup> Taking these together, and specifically for the complementary quantitative analysis presented in this book, Egypt's economic stability is defined as having the following five characteristics that are congruent with sound economic performance: steady growth, inflation rates, and currency exchange rates, sustainable or falling unemployment, and a balanced level of income distribution. Political stability is based on the absence of revolutions, as well as violent and nonviolent protests in Egypt. For the complementary quantitative analysis parts of this book, I make use of the World Bank's World Governance Index (WGI) database that includes the following indicators of Egyptian political stability: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the

control of corruption. These are chosen to maximize data availability and because the US identifies them as barriers to stability in Egypt.

The rationale in focusing on this economics-driven aspect of US foreign policy (and ties with Egypt) is grounded in the broader scholarly and contemporary nature of international affairs. This is specifically concerned with a trend of converging structures and dependencies that emerged following World War II. At that point, Washington, DC sought to shape the international system in a way that was conducive to US grand strategic interests of a more open status quo that was aligned to liberal democratic ideals.<sup>18</sup> A number of studies uphold this idea, including Richard Cooper's explanation of how economic concerns took "on growing importance in the relations of non-Communist developed [including the US] countries" during the 1970s.<sup>19</sup> Robert Gilpin re-emphasizes this point by determining that increased international interconnections meant politics and economics became inevitably intertwined toward the end of the Cold War.<sup>20</sup> Dale Copeland also denotes that the economic element of international interactions has become more important due to increased trade between the US and other post-Cold War protagonists.<sup>21</sup> The key point in all this is that the rising prominence of economics in international affairs provides an additional rationale for the focus of this book. Concurrently, the US repeatedly articulated the importance of using economic means to achieve stability goals in Egypt under Mubarak (and before that). This therefore makes for a pertinent context in which to assess the stability policy. Further, the lack of literature focusing on the US stability policy toward Egypt adds to the novelty of this book's specific case study. Furthermore, several US administration officials with whom I engaged with for this book welcomed my study's focus and endeavor given the lack of analysis and work on the topic.

This study therefore sets itself apart from the literature through its original focus and mixed-method approach to evaluating US foreign policy through the stability-through-economics dynamic. As a result, it contributes to the debate surrounding the stability-through-economics theory and simultaneously uncovers the specific processes and conditions that affected the US stability policy in Egypt, all the while leading to a set of conceptual, empirical, and policy-targeted reflections.

### Defining the Stability Policy

We the people of the United States, in order to form a more perfect Union, establish Justice, ensure domestic Tranquility, provide for

the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

—US Constitution, Preamble, 1787<sup>22</sup>

The stability policy is linked to the foundation of the United States. Along with the Constitution's preamble and the departure from King George III's Britain and Ireland, the US dedication to stability can also be linked to the notion of American exceptionalism. For Seymour Martin Lipset, this concept identifies the country's unique status in the international system,<sup>23</sup> and its subsequent drive and ability to spread its ideals when dealing with foreign powers. While scholars continue to debate the concept, including its very pertinence,<sup>24</sup> aspects of American exceptionalism are mirrored in the US foreign policy goal of promoting liberal democratic ideals. This is evidenced in what Joshua Muravchik identifies as the US foreign policy of safeguarding a "world safe for democracy" through an "arsenal of democracy" that is driven by World War I and II experiences to ensure the sanctity of democratic ideals.<sup>25</sup> Marc Plattner argues that the US foreign policy aim of defending global democracy existed well before World War I,<sup>26</sup> pointing to a lasting sentiment in Washington, DC. The confidence in this global stability mandate is also reiterated by Zbigniew Brzezinski who maintains that "in the post-Cold War era of more contained warfare, global stability depends on an America that continues to hold to this course."<sup>27</sup> Jacob Hurewitz's work develops this idea further and explains that the US used "economic and technical assistance as a diplomatic weapon" during the Cold War,<sup>28</sup> in an explicit nod to the practice of US stability policy. In a related study, Sara Chapman and Ursula Colby focus on aspects linked to the stability policy within the remit of the executive's performance during the 1990s.<sup>29</sup> Each of these works make it clear how the US foreign policy goal of targeting stability-through-economics has been a mainstay of international relations and provide fertile scholarly ground on which to build and assess the US stability policy in Mubarak's Egypt.

Along with this scholarship, US governments have continued to demonstrate their belief in the stability policy, something that in turn warrants an assessment of the policy's performance. This belief was made evident during a joint press conference with the prime minister of Singapore, Lee Hsien Loong, in 2016, as President Barack Obama noted:

We [the international community] have benefitted from enormous peace and prosperity around the world, an unprecedented period



where the great powers were not engaged in conflict, in part because of growing interdependence. If you think about those parts of the world where we still see conflict, where we still see high levels of violence, they're typically places that are less integrated into the world economy, and there's a reason for that.<sup>30</sup>

Obama's causal link between peace, prosperity, and global economic integration pinpoints this trust in the idea behind the stability policy. As explored later, this was also true for US administrations before Obama on both sides of the partisan line. Further, in his 2018 World Economic Forum Annual Meeting speech, President Donald Trump noted that "America First does not mean America alone . . . [due to the fact that] when the United States grows so does the world."<sup>31</sup> While the impact of Trump's vision (and manner) is yet to be fully revealed at the time of writing—nor is it the focus of this book—the comment nevertheless captures a belief in the link between economics and stability. This prelude signals the connection between American beliefs, rhetoric, and practices, as well as the US government's enactment of the stability-through-economics ideal, regardless of the party in power. In other words, the assumption underpinning the stability policy has deep roots in the US and in US foreign policy terms. This provides an important rationale behind understanding why the policy did not pan out the way it was meant to in the US-Egyptian case study.

Before continuing, it is necessary to acknowledge the importance of the *exporting of democracy* notion often depicted in US foreign policy and explain how it is captured in this book. Alexis de Tocqueville publicized this idea in his work on how understanding the American democracy model would lead to lessons for his home country, France.<sup>32</sup> This focus on the US democratic model being "exported" to others in the international system is captured in other studies,<sup>33</sup> with Geoffrey Wiseman's volume doing so particularly well in the context of US engagement with adversarial states.<sup>34</sup> Simultaneously, a strand of literature examines the mismatch between the US promotion of democracy and stability in the target nation.<sup>35</sup> While this aspect of US foreign policy and the associated literature is identified and dealt with, it is important to emphasize that this book focuses on the relationship between economics and stability in a broader sense when it comes to US foreign policy. As such, the "democracy" element, as it were, is incorporated into the definition and measure of stability in this book. As such, my contribution centers on this US foreign policy scholarly gap and uses the stability-through-economics frame of reference to fill this gap. In so doing, more dedicated and sole-focused studies on the democracy element of US foreign policy are left to others.

## The USA-Egypt Case Study

This book's rationale behind focusing on US ties with Egypt is informed by the developments that took place during the 1981 and 2011 time frame.<sup>36</sup> These case-specific developments highlight the facilitators for and barriers to a successful US stability policy. This is highlighted by the stability policy's inability to prevent political suppression, violent protests, and the transitions that Egypt went through in the run-up to and during the January 25 Revolution. My aim through this book therefore is to provide an account of how these and other developments amounted to facilitators for and barriers to a successful stability policy. This is then extended into a reflection on what this means for the broader relationship between economics and stability.

Of note, the US stability policy was implemented in Egypt prior to the period concerned with this book. Even before Egypt's independence in 1952, Washington, DC explicitly used the stability policy as a way to gain influence in Cairo. Since that time (1952) and up until the year before Mubarak came into power (1980), total US-Egyptian trade in goods reached \$12.04 billion<sup>37</sup> and US foreign economic assistance to Egypt hit an aggregated \$6.40 billion,<sup>38</sup> along with policies, speeches, and rhetoric that explicitly laid out the belief and practice of the stability policy during these twenty-eight years. This snapshot points to the US dedication to the stability policy and is examined in detail in chapter 3, which provides a background to US-Egyptian ties. In the same chapter, the specific contextual forces and trends that influenced the stability policy pre-1981 are identified and then pulled through and into the succeeding chapters that focus on Mubarak's tenure.

The 1981 to 2011 period captures two aspects of contemporary Egyptian history and further highlights the need to examine these key developments, namely the Mubarak administration and the January 25 Revolution. The US continued to implement the stability policy during this period, which translated into the total trade in goods with Egypt reaching \$135.24 billion,<sup>39</sup> FDI reaching a total of \$107.81 billion,<sup>40</sup> foreign economic assistance to Egypt adding up to \$24.66 billion, and foreign military assistance accumulating to a value of \$39.06 billion.<sup>41</sup> Based on the available data, these figures equate to a 1,024% increase in total trade and a 285% increase in foreign economic aid when comparing the 1952–80 period to the 1981–2011 time frame. While it is worth noting that the nature of resources as well as the allocation of aid and trade changed during these two periods, they nevertheless demonstrate a significant increase when pitted against one another. In other words, the US continued to implement the foreign

economic policy measures that are part of the stability policy when interacting with Egypt before Mubarak and while Mubarak was in power.

The Mubarak-era focus of this book also captures a period where the specific implementation of the US stability policy in Egypt remained undeterred. This was despite the fact that a number of Egyptian policies and developments took place that undermined the stability goals detailed in this US foreign policy. This included the continuation of the Sadat administration's policy of clamping down on political opposition and dissent during the first ten years of Mubarak's time in power. In addition, Mubarak's post-1990 attempts to liberalize the Egyptian economy along with a continued strategy of silencing political opposition did not interrupt the US implementation of the stability policy. To make the contradiction that much starker, the 9/11 attacks on the US prompted President George W. Bush to acknowledge and praise Egypt's policies toward and responses to terrorism,<sup>42</sup> which included the silencing of oppositional groups. At the same time, Egyptian prime minister Atef Abeid encouraged the White House to replicate his country's "suppressing dissent" approach to terrorism.<sup>43</sup> What these points demonstrate is how the Mubarak administration's silencing of political opposition was tolerated and even praised by the US, despite the fact that one of the stability policy's aims was to limit that very same suppression in the 1981 to 2011 time frame.

This can be explained by the fact that the US saw Mubarak as an important strategic ally in the quest to ensure regional influence and stability. A 2008 US Department of State document describes how ties with Egypt were "based on shared mutual interest in Middle East peace and stability, revitalizing the Egyptian economy and strengthening trade relations, and promoting regional security," underlining the importance of economic assistance to Egypt in this context.<sup>44</sup> In hindsight, this demonstrated how the US willingness to ignore Mubarak's suppressive tactics and continued implementation of the stability policy led to the biggest challenge to and failure of the policy in 2011.

By including an analysis of the January 25 Revolution, this book contributes a further understanding of how the development impacted the stability policy, as well as US-Egyptian ties in general. The development caused uncertainty and instability in the country, to the detriment of the stability policy's aims. This led to a fall in confidence in the Egyptian market and was somewhat reflected in US economic ties with Egypt. Between 2010 and 2011 trade fell from \$9.18 billion to \$8.29 billion,<sup>45</sup> foreign eco-

conomic assistance fell from \$250 million to \$249.50 million, and foreign military assistance fell from \$1.30 billion to \$1.29 billion,<sup>46</sup> respectively, with FDI showing a modest increase from \$12.60 billion in 2010 to \$15.43 billion in 2011.<sup>47</sup> This marginal fall in economic ties (and rise in the case of FDI) not only demonstrated the US dedication to the stability policy, but also the perseverance with this approach despite the clear lack of policy success. The US secretary of state, John Kerry, expressed this continued belief in this type of foreign policy when he linked US economic support for Egypt to national and regional stability in 2012,<sup>48</sup> while the Egyptian political system was still going through the post-revolution transition process. The US Agency for International Development (USAID) endorsed these sentiments that same year by noting how one of its aims in Egypt was to ensure macroeconomic stability.<sup>49</sup> It is this mismatch between the stability policy and the impact it had on the stated stability goals in Egypt that add to the rationale behind writing this book.

Before moving on to the approach of this book, an important point is worth making about the focus on US-Egyptian ties. By using a case study in this way, the analysis is exposed to a number of concerns surrounding the interpretation of events, reliability of information, and the generalizability of findings. Further, the study of contemporary Egypt has also seen a number of issues that must be spelt out here. These include the fact that Egyptians and Egyptologists have long been subject to disagreements and differing interpretations of events that unfold in the country. By the same token, there are of course multiple instances and experiences of agreement, compromise, consensus, and a united interpretation of events that unfold in Egypt. The January 25 Revolution provides a pertinent example of the former with official, academic, private, and other accounts of the development varying in their stance and perception of what took place in the run-up to, during, and after the fall of Mubarak. While this complexity must be navigated through, it also provides an additional rationale for the mixed-method approach of this book and emphasizes the need to capture as broad a range of perspectives as possible. Having spent time in the US and Egypt engaging with foreign policymakers and experts, I have structured this study in a way that ensures its interpretation of events is grounded in a combination of primary and academic sources, as well as through mixed-method analytical approaches. And, thus, while this book does not claim to provide *the* way in which to study political phenomena, the aim is to provide *a* way of doing so in as an objective a manner as possible.

## The Approach of This Book

This book combines a qualitative contextual analysis of the events that impacted the stability policy with a complementary quantitative analysis of the correlation between economics and stability. Due to the varying focus of the economics and politics disciplines captured in the associated theory and policy, this relationship is inevitably burdened with issues around representation, validity, accuracy, and the potential to extrapolate meaning from analyzing the link between these two domains. These issues emerge as a result of one sphere sitting mostly in a need to measure discipline (economics) and the other being more concerned with the contextual element of human interaction (politics)—along with overlap and variations in between. By combining qualitative and quantitative analytical approaches, this book aims to overcome some of the shortcomings of the two disciplines and combine their respective strengths and benefits.

The qualitative analysis draws on a number of interviews and research activities with respective government officials, representatives, and experts concerned with the US and Egyptian governments. It also includes an analysis of government material, official policy documents, and speeches by former and sitting American and Egyptian diplomats and statesmen. The official documents were accessed in the US Central Intelligence Agency Records Search Tool archives as well as the official archives, both of which are located in the US National Archives and Records Administration. In addition, I also accessed documents published by the Congressional Research Service (CRS) in the US Library of Congress, the US Department of Commerce's Bureau of Economic Analysis (BEA), the IMF, and World Bank archives, all in Washington, DC. Official US presidential economic reports to Congress located in the Institute of Economics and Statistics at Oxford University, and the London School of Economics and Political Science periodicals, in Oxford and London, respectively also informed this project. I draw on the words of US foreign policy actors and documents to ensure the analysis is carried out from the perspective of the stability policy itself. Further, an analysis of these documents is combined with other sources to explain what happened during the case study's time frame and determine the US and Egyptian positions on various developments during Mubarak's tenure. These other sources include scholarly books, journal articles, think tank and nongovernment organization reports, and news sources in both English and Arabic.

To complement this contextual qualitative analysis, a quantitative statistical analysis draws on material extracted from the official US Census

Bureau, the US Department of Commerce's International Trade Administration and BEA, CRS reports, the IMF's Direction of Trade Statistics, the World Bank's World Development Indicators and World Governance Index databases, as well as the World Trade Organization's database. These were accessed either in their respective Washington, DC facilities or through their online repositories. These data are analyzed using the Spearman's rank correlation coefficient to examine the relationship between economics and stability. Specifically, this is accomplished by examining the correlation between four US foreign economic policy measures (trade, FDI, economic assistance, and military assistance) against the economic and political indicators of Egypt's stability. For Egypt's economic stability, the following five indicators are used in the analysis: gross domestic product (GDP) for growth, the consumer price index (CPI) for inflation, the exchange rate for currency volatility, unemployment levels, and gross national income (GNI) per capita for income distribution. Egypt's political stability is measured using the World Governance Index's six indicators: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption. The correlation analysis between the US foreign economic policy measures and Egypt's economic and political stability indicators provides a quantifiable assessment of the stability-through-economics relationship. The assumption, and thus the hypothesis, is that US foreign economic policy measures can positively impact Egypt's political and economic stability. This translates to the following specific hypothesis in this case: an increase in the foreign economic policy measures led to an increase in stability, that is, they had a positive correlation when it came to US-Egyptian ties between 1981 and 2011.

This results in the development and testing of an original methodology that can be replicated in other bilateral contexts and to measure the relationship between other variables. While outside the focus of this book, this provides the groundwork for future studies to reflect on the concepts associated with the stability-through-economics relationship. Furthermore, my argument centers on the fact that it is important to capture the US-Egyptian context when examining the relationship between economics and stability. This is informed by the point that the correlation assessment carried out in this book does not represent a *cause-and-effect* judgment,<sup>50</sup> that is, that economics led to stability. Indeed, the statistical exercise represents the *tendencies* of the data samples, that is, the US foreign economic policy measures tended to increase alongside economic and political stability in Egypt between 1981 and 2011. Therefore, this analysis provides the degree

to which the two measures (of economics and stability) are correlated, and not the causation that is being assessed and measured. This is in line with previous studies concerned with correlation analysis, with its deficiencies likewise highlighted in previous work and explained in chapter 2. It is for this reason that the qualitative and quantitative assessments are carried out alongside each other in this book.

In general terms, the qualitative approach provides a contextual analysis of the US stability policy in Egypt between 1981 and 2011 but is unable to numerically determine to what degree of certainty, as it were, the policy was successful. On the other hand, the quantitative approach does just that; it provides a numerical representation and percentage degrees of certainty as to how well the stability policy performed in the case study, based on a set of assumptions. These assumptions, while backed up by scholarship and the theory concerned, are nevertheless assumptions. This is where the qualitative analysis provides the context in order to compensate for these assumptions or the margin of error, if you will, as much as possible. The overarching aim of combining these qualitative and quantitative methods, therefore, is to fill in the gaps and account for the deficiencies that each tool inevitably comes with.

## Book Structure

In order to assess this specific US foreign policy through the relationship between economics and stability in Egypt between 1981 and 2011, six chapters follow on from here. Chapter 2 details the framework that informs the argument that the stability policy failed in this case study. This begins with a detailed analysis of the relationship between economics and stability and identifies the contribution that this book makes when it comes to the conceptual argument. This chapter then positions itself in the US foreign policy literature before focusing on the stability policy's remit in Egypt. The emphasis then turns to the qualitative and quantitative methods used to carry out the examination of the US stability policy in Egypt. Chapter 2 then concludes with a section explicitly outlining the contribution that this book makes to the scholarly field.

Chapter 3 follows with a historical background to the period concerned with this case study. This focuses on the evolution of the US stability policy following World War II, how the stability policy was implemented and performed during the tenures of Mubarak's two predecessors, Gamal Abdel Nasser (officially from 1956 to 1970) and Sadat (from 1970 to 1981),



as well as a brief coverage of Mohammed Naguib's time in office between the 1952 Revolution and Nasser's presidency. In so doing, this chapter identifies and draws out the factors and drivers that were formulated and developed pre-1981, extended post-1980, and impacted the stability policy in this book's case study. This is accomplished by providing a brief analysis of Egypt's political and economic history from its 1952 independence up until 1980. The succeeding chapters then link back to the developments that took place pre-1981 that had an impact on the 1981 to 2011 period. This practice further highlights the resounding point that the particular context in which US-Egyptian ties played out impacted the relationship between economics and stability in this case.

Chapter 4 includes an assessment of Mubarak's first decade in power from 1981 to 1990. This chapter examines how Mubarak's decision to continue some of Sadat's economic and domestic initiatives impacted the US stability policy. This notably included a continued clampdown on voices of dissent in Egypt, pointing to liberal democratic goals being undermined despite the steadfast US commitment to the stability policy in this period. This period also marks the time from Mubarak's inauguration and up to the Gulf War. The 1981–90 era saw Mubarak continue his predecessor's economic policies, which then shifted following Cairo's involvement in the Gulf War. Indeed, this involvement was predicated on a shift in Egypt's improved economic relationship with the US, thus creating a natural end point to the chapter. This also captures how and why the stability policy failed despite these changing Egyptian economic policy conditions and consistent domestic political suppression practices. Chapter 4 also includes a quantitative analysis of the US stability policy and its impact on Egypt's economic stability between 1981 and 1990. This is based on the available data and is intended to complement the detailed qualitative analysis.

Chapter 5 then focuses on the period between 1991 and 2010 where Mubarak sought to further liberalize the Egyptian economy. This took place in the post-Gulf War context where US-Egyptian economic ties were strengthened, and resulted in a significant impact on Egypt's growth, made possible by the continued implementation of the US stability policy. The September 11, 2001 attacks are covered in this chapter in the context of how the devastating event resulted in a recognizable shift in the international community's approach to terrorism. This also impacted US-Egyptian ties, with the attacks leading to closer political and economic coordination between the two countries. An increased alignment meant that the US stability policy enabled a further clampdown on political dissent and ultimately contributed to the environment that saw the January



25 Revolution take place in Egypt. It is precisely this more economically liberal Egypt from 1991 to 2010, along with the significant local and global developments, that provides a natural point from which to separate this chapter from its predecessor. An analysis of these developments, which took place along with a consistent implementation of the stability policy, provides an explanation as to how the US foreign policy fared in this time frame. In addition, and in a similar manner to that of the analysis carried out in the preceding chapter, chapter 5 includes a complementary quantitative analysis of the US stability policy and its impact on Egypt's political and economic stability, this time in the 1991 to 2010 time frame.

Chapter 6 focuses on the January 25 Revolution and the role that the US stability policy played in the run-up to this development. The analysis includes the US stance toward the revolution and steps following Mubarak's removal from power on February 11. This time frame allows this study to reflect on the how the US stability policy was implemented and what this says about US-Egyptian ties in general terms. Furthermore, by dedicating a separate chapter to the revolution, this book seeks to further understanding of this regime-ending development—this time within the stability-through-economics context. This chapter also includes an overarching quantitative analysis of the US stability policy between 1981 and 2011 and its impact on Egyptian political and economic stability. The purpose of this section is to provide a broad complementary quantitative analysis of US-Egyptian ties during the entire Mubarak era.

The findings of this book are then borne out in the conclusion which reflects on US foreign policy, the case study, the overarching qualitative and complementary quantitative analysis, the theory-based aspects concerned, and the stability policy in particular. My contribution closes by offering policy suggestions, based on the analysis carried out in the book as a whole, and drawn upon from the qualitative, quantitative, and theory-based aspects of this manuscript. This is situated within an albeit grander aim of continuing my research agenda to help understand how the distribution of resources impacts the status of individuals and actors in the international system. The focus on the US-Egyptian context provides a specific and distinct setting to contribute to this goal.

## An Economics and Stability Framework to Assess US-Egyptian Ties

Concerns around subjectivity and data availability prompt political scientists and economists to devise different methods when forming representative and accurate analyses. This includes examinations of stability-linked case studies that focus on unrest, revolutions, or conflict. From a political scientist standpoint, often such case studies involve verifying accounts of what took place to dilute their subjectiveness, while economists nominally seek to piece together accounts using available and often incomplete datasets. In order to address these main concerns, this chapter establishes a context or subject-matter framework to overcome issues surrounding representation, validity, accuracy, and the potential to extrapolate meaning from analyzing the relationship between economics and stability. I reemphasize the point here that it is important to take into account the subjective nature of politics in Egypt (and beyond). While this book endeavors to overcome subjectivity concerns by combining an analysis of primary, secondary, and tertiary sources in a mixed-method manner, this book's account and outcome will always be tied to the flaws of examining developments that are subject to disagreement and still *active*, as it were. Ultimately, however, this is an incidental aim of this book. I am not aiming to provide an undisputed account of US-Egyptian ties under Mubarak, nor am I claiming to be free from faults emanating from a lack of information, data, or scope. What I am aiming for, however, is a scholarly contribution on US ties with Mubarak's Egypt through the stability-through-economics context

and using a mixed-methods approach. The intention therefore is to spark future research into the subject matter.

Returning to the specific concerns of examining the relationship between economics and stability, these chiefly emanate from marrying a largely “need to measure” discipline (economics) with a generally “context specific” discipline (politics), as well as using a case study to take up the task. To overcome these issues, this book carries out a qualitative and complementary quantitative analysis of US foreign policy in Egypt between 1981 and 2011, through a framework of assessing the link between economics and stability. This is set up by detailing the literature concerned with the stability-through-economics theory, US foreign policy, the US stability policy in Egypt, as well as the qualitative and complementary quantitative methods adopted in this book. The resultant framework used for this study is thus geared at testing the hypothesis that the US foreign economic policy had a positive impact on Egypt’s economic and political stability under the Mubarak administration.

As noted in chapter 1, the theory behind using economic measures to influence stability is rooted in Keohane and Nye’s work on power. Specifically, this is concerned with the idea that an actor exercises power by using the tools at its disposal to coerce or induce another actor to behave in a certain way.<sup>1</sup> This theory is further specified by Papayoanou who examines the use of economic tools to achieve this power, and determines that such coercive or inductive goals are possible when two democratic states interact with one another.<sup>2</sup> Furthermore, Papayoanou advances the literature concerned with the impact of economics on power by determining that the very drivers of economic forces in the domestic realm necessarily impact the decisions made by actors when it comes to foreign relations.<sup>3</sup> Herein lies the gap in the literature that I seek to fill with this book. This centers on the lack of work that accounts for a particular type of economic power—that is, the stability policy in this book—and its impact on political and economic stability. Further, existing scholarship is confined to ties between Western or allied nations, or both, and does not delve into the stability-through-economics relationship with a specific focus on whether the stability goals were achieved. In a departure from these points, I examine how and whether the intent of forging and maintaining stability (as determined by US foreign policy) was in fact made possible through the use of economic means when dealing with ties between a Western and non-Western state. Consequently, this book aims to advance existing work on the relationship between economics and stability by providing a novel perspective and unique approach to the subject matter.

At this point it is important to identify the main counterargument to the stability-through-economics theory. This competing perspective denotes that increased (inductive) economic ties have an adverse effect on stability, and therefore coercive methods must be adopted in order for stability goals to be realized. Specifically, Kenneth Waltz<sup>4</sup> and Stephen Walt<sup>5</sup> determine that a balance of power between two states is restored through coercive intervention by one or both sides of an interaction. The underlying principle is that the coercer has a greater share of the power balance than the coercee. Or, in other words, the coercer has the power to pursue initiatives, policies, or actions in a way that results in more gains than losses (in terms of interests or otherwise), while the coercee does not. In the US-Egyptian case study, however, developments took place that demonstrated how the stability policy was not aligned to these assumptions. This competing argument is examined in detail below along with an explanation as to why it is not the focus of this book.

When it comes to the applicability of the stability-through-economics theory, US foreign policy itself provides a qualified case in which to examine the positive relationship between these two spheres. Further, the stance of each US president since World War II, and the US policies concerned with the relationship between economics and stability, all resonate in this view. Therefore, this book makes the link between the US Constitution's mandate of stability,<sup>6</sup> US foreign policy, and the use of economic means to achieve the stability policy goal. To do this, I draw on government documents and interviews to identify the US position on the relationship between economics and stability, and what US government tools were used to influence this same relationship when interacting with Egypt. I purposefully structured the book in this way to ensure that the analysis is carried out from the perspective of the stability policy itself, which in turn makes it possible to offer a policy-specific evaluation and subsequent reflection on how it might improve.

Turning to the case study itself, the US policy toward Egypt between 1981 and 2011 chimed seamlessly with the stability-through-economics theory. This is evidenced by how the US deployed economic measures when interacting with Egypt under the Mubarak presidency, and indeed before he came to power. The staff director of the US Senate Foreign Relations Committee during the Sadat and Mubarak administrations, Graeme Bannerman, confirmed this point during an interview in May 2017. Having specifically dealt with the US-Egyptian economic aid program, Bannerman explained how the transition from Sadat to Mubarak did not alter Washington, DC's thinking on US-Egyptian ties or indeed its broader pol-

icy terms.<sup>7</sup> This points toward a US belief in the way it conducted international relations, regardless of who held the highest office in Egypt. In turn, this meant that the US was dedicated to the stability policy when it dealt with Egypt, a trend that continued throughout Mubarak's reign.

With regards to overcoming some of the issues that come with the general study of politics and economics, this book deploys both qualitative and quantitative analyses in order to provide as comprehensive an account of the stability policy in Egypt as possible. Additionally, by focusing on national and international developments and determinants of the stability policy in the US-Egyptian case study, this book also overcomes the concerns about the trend of scholarship that ignores the link between these two levels of analysis.<sup>8</sup> Further, and in response to the argument concerned with establishing causality versus correlation,<sup>9</sup> the quantitative analysis carried out for this book is used to complement the qualitative assessment, which captures the contextual elements that drive the relationship between economic and stability. The combination of these two types of analysis is therefore collated to determine how successful the stability policy was in Mubarak's Egypt.

The qualitative analysis incorporates interviews and research activities with government officials, representatives, and experts concerned with the US and Egyptian governments. This also includes an examination of government material, official policy documents, and speeches by American and Egyptian diplomats and policymakers. In addition, the qualitative analytical elements of this book consult academic, think tank, and media accounts of the US-Egyptian case study. From here, the developments that took place between 1981 and 2011, along with the US and Egyptian positions with respect to each other, are identified, analyzed, and evaluated in the context of the relationship between economics and stability.

The quantitative aspect of this book identifies and measures the relationship between economics and stability, so as to provide a complementary analysis of the US stability policy in Egypt between 1981 and 2011. This is accomplished by examining four economic variables that act as a representation of the US foreign economic policy measures implemented in the case study, namely trade, FDI, economic assistance, and military assistance. The stability aspect of the stability-through-economics thesis, that is, Egypt's stability, is examined from both an economic and political perspective. Egypt's economic stability is represented by the following five variables, as determined by the International Monetary Fund's Direction of Trade Statistics, the Congressional Research Service, and the US Departments of Commerce's Bureau of Economic Analysis: growth (GDP), infla-

tion (CPI), currency volatility (exchange rate), unemployment, and income distribution (GNI per capita). Egypt's political stability is examined using the World Bank World Governance Index database's six variables, namely voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption. Notably, these World Governance Index measures of political stability are analogous to the US foreign policy literature's notions of democracy identified earlier. From here, this book uses these variables to analyze the correlation between US foreign economic policy measures and Egypt's economic and political stability. Specially, this is accomplished by determining the correlation between the four economic variables, the five economic stability variables, and the six political stability variables. As noted earlier, this quantitative test is unable (and indeed not meant) to determine the causal nature of this relationship, but rather focuses on the trend between economics and stability. The combination of this quantitative analysis with the qualitative element is what makes headway in identifying the causal aspect of the stability-through-economics idea that drives the stability policy. This also makes it possible to mitigate against the inaccuracy of variables that quantify the stability side of the relationship, which is subjective by its very nature (as is the economics side, albeit to a lesser extent).

As a result of the design and scope, this book offers a robust, theory-grounded, empirically informed, and mixed-methods validated set of results and reflections. My concluding thoughts articulate the contributions this book makes to the theory-based literature and empirical record on the study of economics and stability, as well as the study of US foreign policy and ties with Egypt, respectively. Further, this book also offers a set of policy-oriented suggestions, with a goal of overcoming the US stability policy shortfalls in the future.

### Stability-through-Economics

This book's theory and policy-oriented contributions are concerned with the relationship between economics and stability. In this realm, scholarly work sits largely in the for and against camps of the argument that US foreign economic policy measures can have a positive impact on Egypt's stability. Thus, this book's general scholarly contribution links to work concerned with international relations and the connection between the economic (control and trade of resources) and political elements (the power and thus influence to make an actor act in a certain manner),<sup>10</sup> as

well as other scholarship that is in line with this sentiment.<sup>11</sup> This is a fundamental principle concerned with the theory, policy, and account offered in this book, that is, the use of foreign economic policy measures to achieve political and economic stability goals. It is also worth noting that Keohane and Nye's work takes into account the role that nonstate actors have on the economics-power relationship. Specifically, they emphasize the importance of domestic pressures and politics when concerned with a state's foreign policy formulation,<sup>12</sup> something that is also accounted for and addressed in this book. With respect to the US-Egyptian case study, this includes the impact of the economic liberalization policies of the 1990s, Egypt's reaction to the Global War on Terror policy, political opposition (including that of the Muslim Brotherhood), as well as the run-up to the January 25 Revolution. In so doing, I examine the impact of these developments on 1981–2011 US-Egyptian ties within the economics and stability context. In addition, and as noted earlier, Keohane and Nye's work focusses on "Western" states, with dedicated space for an examination of US ties with Australia and Canada.<sup>13</sup> The focus of this book on US ties with Egypt therefore sheds light on the generalizability of the stability-through-economics notion in the context of a "Western" and "non-Western" relationship.

Narrowing this down further, this book targets the more explicitly focused theory and literature concerned with the relationship between economics and power. In this realm, Papayoanou leads the way. Papayoanou's *Power Ties* denotes that the economic relationship between democratic allies in particular are likely to lead to pacifying outcomes, with the result reversed when concerned with relationships between adversarial states.<sup>14</sup> In addition, Papayoanou makes the point that internal/domestic political forces have the ability to override economic concerns, and cites "Germany's pseudodemocratic political structure . . . [and how it overrode] economic interests who were more pacific internationalist . . . because the German political system gave rise to a logroll of protectionist and military interests" in the lead up to World War I.<sup>15</sup> Akin to Keohane and Nye's remit, Papayoanou captures ties between Western actors, and the role that actors outside of the state played in the economics-power relationship (i.e., the 1880s–1905 Franco-Russian alliance, both world wars, as well as the US and NATO Cold War strategies). Papayoanou's focus on the relationship between competing or adversarial states also leaves a gap that this book aims to fill. Indeed, the fact that the US and Egypt were not enemies in the 1981 to 2011 case study, that is, they were not at war with one another, adds a further layer to this book's contribution in that it examines the stability-through-economics theory in the context of two amicable states.

Papayouanou's work also emphasizes the connection between economics and higher-level strategic decisions. In a related article on the matter, Papayouanou provides a comprehensive explanation that notes how "economic ties generate societal based economic concerns that affect the capacities state leaders of status quo powers have to mobilize economic resources and political support to oppose perceived threats,"<sup>16</sup> thereby making an explicit link between society, leaders, and the allocation of resources. In line with this notion, this book captures domestic and international forces concerned with US-Egyptian ties in the 1981 to 2011 case study. Furthermore, Papayouanou's contention that "economic interdependence has played a central role in balance of power politics. . . . Rather than being simply a matter of low politics, economic relations are an integral part of high politics,"<sup>17</sup> is also aligned to the focus and findings of this book. Specifically, this is demonstrated in the succeeding chapters through an examination of just how politicized the relationship between economics and politics was in US-Egyptian ties between 1981 and 2011—in other words, the extent to which economic and political interests overlapped and overrode one another in the case study.

That being said, and in a departure from Papayouanou's work, this book also analyzes whether economic ties can serve as a medium in which policy goals can be achieved between two actors. Put another way, the assumption behind this policy denotes that the longer actor A (the US) economically interacts with actor B (Egypt), the more likely actor A's goals (stability) can be instilled or achieved in actor B. This notion fits firmly in the broader economic theory concerned with the positives of liberal state (or other actor) interactions.<sup>18</sup> Further, this assumption is precisely what drives and is self-identified as one of the reasons behind the implementation of the US stability policy.

A further tranche of literature agrees with the stability-through-economics notion, albeit by focusing on different aspects. This includes the scholarship on the relationship between conflict (that is, an element of the stability side of the stability-through-economics theory) and economic interdependence (an element of the economics side). In this body of work, a multitude of approaches and assumptions have been deployed and made to examine this relationship. For Erik Gartzke, Quan Li, and Charles Boehmer, the focus on trade and direct investment as measures of economic interdependence determines that "increasing economic interdependence (globalization) implies the prospect of a more pacific global system."<sup>19</sup> Notably, Richard Cooper examines the relationship between economic interdependence and conflict to determine that an asymmetric



distribution of the gains between two interacting states “always favor[s] the larger countries.”<sup>20</sup> Norrin Ripsman and Jean-Marc Blanchard, on the other hand, denote that the relationship is determined by the importance of strategic factors that may be in play, agreeing that it could have positive impacts under certain circumstances.<sup>21</sup> Each of these examples (as well as others detailed below) convey the point that the positive relationship between various aspects of economics and stability has been thought of and written about in overlapping scholarly circles.

In the opposing corner of the theoretical debate, the more nationalist or realist assumption-based approach resides. Here, Hans J. Morgenthau explains how state intervention is the only way to achieve peace<sup>22</sup> and even goes as far as contending that trade is a source of conflict.<sup>23</sup> Building on this notion, Waltz,<sup>24</sup> Walt,<sup>25</sup> as well as others<sup>26</sup> operate under similar assumptions that include the coercive sanctions-oriented approach to international relations. It is important to qualify and emphasize here precisely why the approach detailed by the Morgenthau et al.-inspired school of thought is not pursued in this book. This is linked to and informed by the case study itself. Importantly, the US stability policy explicitly identifies the use of economic measures as tools to achieve stability goals—both in general and in the case of Egypt. Therefore, in order to engage with and inform this US foreign policy, this book operates under the very same stability-through-economics assumptions that drive the stability policy, thereby allowing for an evaluation of the policy from its own policymaker perspective. The result and aim are thus to contribute to an understanding of why the policy failed in the Egyptian case, provide suggestions as to how the same mistakes can be avoided in the future, and reflect on what this means for the relationship between economics and stability.

Returning to the strand of literature that focuses on economic interdependence and conflict, a number of scholars determine that there is no correlation between the two variables.<sup>27</sup> In addition, Copeland’s focus on trade expectation theory reveals how high levels of economic interdependence are peace-inducing, that is, in line with the stability through economics theory, or war-inducing, that is, in line with the Morgenthau et al.’s school of thought identified above, “depending on the expectations of future trade.”<sup>28</sup> Linked to this are different approaches that are adopted to test specific issues concerned with economics and stability. In this realm, Brett Benson and Emerson Niou use a game-theory-based model to look at the relationship between trade and conflict in the context of Chinese ties with Taiwan, and determine that economic interdependence and political conflict are not mutually exclusive.<sup>29</sup> Mark Crescenzi adopts a further alternate

modeling technique to determine that the correlation between economic interdependence and conflict relationship can be “pacific, conflictual, or nonexistent . . . [and depends on a state’s ability] to alter or forgo their economic ties . . . [as well as] the issues at stake in their political discourse and the ever-present context of relative power.”<sup>30</sup> This literature concerning the relationship between economic interdependence and conflict is reviewed in detail by a number of scholars on the matter in a general<sup>31</sup> and empirically focused manner.<sup>32</sup>

Turning now to the stability element of this study, existing work defines this variable in a number of ways. These definitions include the amount of time leaders remain in power and the limited competition between these same leaders and the political institutions with which they are connected to.<sup>33</sup> The IMF’s own measured definition includes “avoiding economic and financial crises, large swings in economic activity, high inflation, and excessive volatility in foreign exchange and financial markets. Instability can increase uncertainty, discourage investment, impede economic growth, and hurt living standards.”<sup>34</sup> Each of these aspects are captured in this study’s definition of stability, which includes the health of the Egyptian economy, that is, growth, inflation, currency volatility, unemployment, and income distribution, as well as the absence of significant political dissent, which includes violence, poor governance, accountability, rule of law, corruption, and, of course, revolutions.

Finally, it is important to reemphasize that this study’s focus and contribution is concerned with the relationship between economics and stability, the US stability policy, and its application to the Egyptian case study. Importantly, this is the aim of this book, as opposed to examining the issue from a specific theory or model oriented approach. Consequently, by assessing the US stability policy toward Egypt between 1981 and 2011, this book sheds light not only on how this relationship unfolded during Mubarak’s tenure but also on how the developments that took place in this period affected this particular US foreign policy, and reflects on what this means for the relationship between economics and stability.

## US Foreign Policy Making

The idea that stability indicators can be influenced through economic means is tied to the foundation of the US as well US foreign policy formulation and practice. Even the US Constitution’s target of promoting domestic tranquility, welfare, and liberty<sup>35</sup> can be linked to the notion of

stability.<sup>36</sup> Scholars have pointed out how US presidents have resonated with this view, and in particular since World War I, World War II,<sup>37</sup> and during the Cold War.<sup>38</sup> Geoffrey Wiseman frames this in the form of a US foreign policy “engaging” with adversarial states (as opposed to the alternative of “isolating” said states) to achieve political goals.<sup>39</sup> The focus of this book, however, is to evaluate US foreign policy in the context of the relationship between economics and stability, using the Egyptian case study to so. Consequently, the US foreign policy aspect of this book centers on the policy itself, as opposed the literature surrounding it. That is not to say that US foreign policy literature is ignored. On the contrary, this literature is identified, weaved into, and engaged with throughout this book, as and when it is relevant and appropriate.

Before delving into each post–World War II president’s foreign policy stance to emphasize the US belief in the stability policy, it is important to add the caveat that there are other bodies of literature that examine aspects related to this book’s focus. These bodies of work capture the mismatch between the US promotion of democracy and how this impacts stability in foreign states,<sup>40</sup> including how this plays out with specific reference to US ties with Egypt.<sup>41</sup> Other work focuses on the endurance of US hegemonic power and what this means for the world (including stability),<sup>42</sup> the resistance (in Egypt and beyond) to the unilateral nature of US foreign policy,<sup>43</sup> how US foreign policy enabled the Mubarak regime,<sup>44</sup> and how this is reflected in policymaking. In this context, Department of State sanctions expert Richard Nephew explained to me—with reference to the Obama administration’s pressure on the Iranian nuclear program—how the US must be seen to act responsibly, at its word, when it comes to sanctions (and otherwise). This allows Washington, DC to maintain primacy and pressure in international affairs in the future and in turn highlights the US propensity to demonstrate its power on the world stage.<sup>45</sup> Additional related scholarship focuses on how other concepts like imperialism play into contemporary foreign policy on a broader level.<sup>46</sup> However, as this book is concerned with the US use of economic measures to influence stability, these particular themes and strands of literature lie outside of the remit of the main thrust of this study. That is not to say they are ignored. Indeed, the US promotion of democracy has been a policy goal in Egypt and the role of US hegemony and ideas (including imperialism) impact how Washington, DC engages in international relations. Therefore, these themes are identified and weaved into the analysis as and when it is appropriate to do so in this book.

Turning to the executive office, the various US presidents’ perspectives

have resonated with belief in the stability policy, particularly since World War II. Having led the country through the end of the second global conflict, President Harry Truman made the explicit connection between trade (US exports) and domestic employment, production, and price volatility in 1948.<sup>47</sup> Five years later, Truman made the link between “free nations” and “economic strength,”<sup>48</sup> highlighting the belief in the correlation between economics and stability. In the broader geostrategic sphere, Truman reaffirmed this belief when discussing how the 1951 Mutual Security Act aimed “to help carry out plans for the defense of the North Atlantic Area, while at the same time maintaining the economic stability of the area.”<sup>49</sup> Truman’s belief in the connection between international stability and US foreign economic policy measures was then reflected by the succeeding presidents of the US in foreign policymaking and practice.

For President Dwight D. Eisenhower, this dedication was reinforced by deepening global economic interdependence,<sup>50</sup> and thus represented a facilitating stance for the stability policy. President John F. Kennedy’s liberal international trade agenda was emphasized in the context of the goal that “we must attain a balance in our international transactions which permits us to meet heavy obligations abroad for security and development of the free world,”<sup>51</sup> once more demonstrating a commitment to stability on a global level. Following JFK’s untimely death, concerns over his successor, President Lyndon B. Johnson, adopting a more conservative stance were proven wrong in this context, as the thirty-sixth president made the explicit link between US trade and order in the world economy.<sup>52</sup> Then, in an overt acknowledgment of the connection between national and international economic pressures, President Richard M. Nixon pushed for these issues to be captured in US foreign and domestic policy endeavors.<sup>53</sup> These standpoints demonstrated a clear dedication to the stability-through-economics sentiment in US foreign policy from Truman to Nixon. This came in a period of relative global peace and stability (with the exception of the Vietnam War and the 1971 Nixon Shock). Interestingly, further global crises did not diminish this US belief in the stability-through-economics notion.

An example of this came when the Arab-Israeli War of 1973 prompted the Arab nation members of the Organization of the Petroleum Exporting Countries (OPEC) to limit production levels and instigate the oil crisis of that same year. President Gerald R. Ford Jr., however, aimed to scale back and reverse the negative global economic trend by promoting the need to pursue a liberal trade agenda,<sup>54</sup> that is, a staple of the stability policy. This sentiment was further corroborated by President James E. Carter Jr. during the 1979 Oil Crisis (sparked following the 1979 Iranian Revolution’s

protests curtailing Iran's oil production and exports, leading to oil jumping from \$51.89 in real terms per barrel in January 1979 to a high of \$116.37 per barrel in April 1980),<sup>55</sup> who emphasized that "economic cooperation between nations is especially important."<sup>56</sup>

Following Carter and in the context of the early 1980s high US trade deficit levels, President Ronald W. Reagan reaffirmed his commitment to liberal trade policies,<sup>57</sup> again demonstrating the dedication to the stability-through-economics ethos. Then, following the Cold War, Presidents George H. W. Bush and William J. Clinton continued this perspective. For Bush this came with an emphasis on opposing conservative trade policies,<sup>58</sup> and for Clinton this economic stance was reinforced through his support for and the successes of the same liberal agenda-driven North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT).<sup>59</sup> In the context of a perceived growing rivalry with China, Clinton also continued this liberal economic line of thought by pushing for Beijing's admission to the GATT succeeding WTO, a move that he identified as a contributor to US and global economic growth.<sup>60</sup>

Post-Clinton, President George W. Bush made the link between using economic means to end violence in Egypt and in the broader Middle East. Bush's press secretary, Ari Fleischer, stated that US-Egyptian ties were being carried out "to end the violence and to bring peace to the region . . . [with US economic capabilities on hand to] assist Egypt."<sup>61</sup> This then continued under President Obama who made the commitment to liberal economic ties with global partners, as he believed this increased economic interdependence was a precursor to stability.<sup>62</sup>

This idea-driven policy posture is linked to seminal work and practice on the need to ensure stability. This is reflected in prominent economist Robert Barro's work that explains how market participants invest in economically stable environments,<sup>63</sup> which are maintained by a government's ability to ensure currency stability—something that in turn enhances the stability of political institutions.<sup>64</sup> The European Central Bank also targets this goal in the Eurozone, as it determines that inflation and price stability are integral to economic stability.<sup>65</sup> Elsewhere, the IMF provides assistance to countries when it comes to "fiscal, monetary, and exchange rate policies; the regulation and supervision of financial systems; statistics; and legal frameworks."<sup>66</sup> There is of course a precedent for this in other contexts. An example came when the Yeltsin administration pegged the Russian ruble to the US dollar in 1995. While this led to currency instability for the Russians, with the ruble falling by 70% against the US dollar,<sup>67</sup> it nevertheless pointed to the belief in the idea that a stability-through-economics target

is of benefit to policymakers. Taken together, these examples point to an identifiable use of the stability policy in various contexts.

Returning to the consistent economic policy stances of previous presidents, each US administration's posture (and similarly enduring policy-maker stances) demonstrate the dedication to the stability policy in general US foreign policy terms. The specific example of US ties with Egypt between 1981 and 2011 was no different in this regard.

### The Stability Policy in Egypt

In order to comprehensively test the US foreign policy held assumption that the stability-through-economics hypothesis proved true in Mubarak's Egypt, it is necessary to articulate how the stability policy manifested itself when it came to US-Egyptian ties. In doing so, this section provides the précis to chapter 3's in-depth analysis of US-Egyptian ties, specific to the stability policy, before the 1981 to 2011 time frame focus of this book, and all within the context of the relationship between economics and stability.

In a mirror of the post-World War II US presidents' perspectives, the belief in the US stability policy in Egypt has been explicitly identified by a number of scholars—albeit using different terminology to do so. John Alterman notes how the US policy toward Egypt aimed to alleviate rural poverty, in order to entice the Middle Eastern state away from Communist systems or concepts in the 1950s.<sup>68</sup> This policy and the broader context of the Cold War is significant here, as it reflects the notion of US-Egyptian ties operating in an era depicted as the US and USSR vying for regional influence, something that the former identified as a precursor to stability. Hurewitz notes how the US use of economic means in this period meant that Washington, DC “was the first to develop economic and technical assistance as a diplomatic weapon in the Cold War,” which contrasted to the USSR's approach of being more selective with whom it economically engaged with.<sup>69</sup> Practically speaking, the US opted for a strategy that came with more stipulations when concerned with the provision of military equipment, that is, attaching liberal and democratic norms, in comparison to the USSR's looser politically conditioned policy. This of course meant that the US was operating under the assumptions concerned with the stability policy when it came to international relations in general and Egypt in particular, in that Cairo was a target for influence between the sparring Cold War sides.

This policy was further reinforced as the Cold War continued and was

the precursor to the 1986 US-Egypt bilateral investment treaty (which was modified in 1992).<sup>70</sup> Additionally, the US Department of State explained how economic assistance to Egypt between 1975 and 2002 was focused on “aid,” which then converted to “trade” post-2002, with both approaches grounding their intent in “shared mutual interest in Middle East peace and stability, revitalizing the Egyptian economy and strengthening trade relations, and promoting regional security.”<sup>71</sup> In 2012, the State Department also made an explicit reference to ensuring “macroeconomic stability” in Egypt through US economic means.<sup>72</sup> Each of these aspects are analogous to the stability policy, and are represented and detailed in the analysis carried out in this book.

Additionally, the literature defining stability also includes elements such as the lifetime of leaders in power, institutions, and political competition.<sup>73</sup> When it comes to economic stability considerations, the IMF specifically identifies staving off crises, high peaks and troughs in economic activity including in foreign exchange and financial markets, and high inflation rates as the main characteristics of stability, and identifies policymakers as those who are bound to increase “productivity, employment, and sustainable growth.”<sup>74</sup> As a result, this book identifies the following variables to assess US foreign economic policy measures deployed: trade, FDI, economic assistance, and military assistance, as each of these aspects correspond to the economics element of the economics-through-stability hypothesis. Subsequently, and as noted in chapter 1, Egypt’s stability is assessed by determining whether the Middle Eastern state is economically and politically stable, that is, on an improving economic trajectory and free from/limited/decreasing corruption, protests, and revolutions.

For the qualitative segment of this book, this relationship is determined through examining research, official documents, policies, and policymaker standpoints. This is then complemented by the quantitative analysis carried out in this study to establish the correlation between the US stability policy measures<sup>75</sup> and Egypt’s economic<sup>76</sup> and political stability.<sup>77</sup> Each of the variables are used to examine this particular US foreign policy and Egypt’s economic and political stability, corresponding to the literature and US policy stances identified above and in the main body of this book.

It is worth highlighting that some of the data used in the quantitative analysis sections of this book are unavailable at the time of writing. Specifically, Egypt’s unemployment data from 1985 to 1988, inclusive, which represent one of the economic stability indicators, are missing. This is due to the fact that it is not reported to the organizations responsible for collecting employment data, that is the World Bank and International Labor



Organization. I uncovered this after contacting and discussing the issue with the respective representatives from both these organizations. In order to overcome this gap, the data are estimated for these four years using a line of best fit. While this means that the margin of error is expanded somewhat, the intention and result is nevertheless an ability to identify and examine the broader trend and trajectory of the correlation between the US stability policy and Egyptian stability. In conjunction with this point, it is also necessary to make an important caveat. The nature of the Mubarak regime meant that the official data and statistics, whether it be from national, international, or private institutions, are not always considered to be comprehensive. Therefore, the quantitative element of this book must be viewed in this light. This is something that M. Cherif Bassiouni points to as a result of the Mubarak administration's political manipulation of data.<sup>78</sup> That being said, the quantitative analysis carried out in this book conforms to conventionally accepted reasonability standards in terms of the margin of error. Thus, this politicization of the data is minimized with respect to the overall intent of this book and taken with, not instead of, the qualitative analytical findings of this book.

Moving to the political stability indicators, that is, voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption, gaps in the data lie in the years between 1981 and 1995 and in 1997, 1999, and 2001. This is due to the fact that the organization responsible for recording this data, the World Bank, did not do so for these years. Again, I learned of this after contacting and discussing the issue with World Bank representatives. In reaction to these data gaps, the quantitative analysis only captures the 1996 to 2011 time frame in this book. Further, in line with the gaps in the economic stability data identified above, the 1997, 1999, and 2001 data are determined using a line of best fit once more. All of these data are presented in tables A1, A2, and A3 in the appendix.

The fact that gaps in the data exist in the time frame concerned with this book emphasizes the use and importance of deploying both qualitative and quantitative methods in order to provide as comprehensive a picture as possible of US-Egyptian ties between 1981 and 2011. By doing this, this book is able to provide as robust an analysis of the US stability policy in Egypt as possible, which in turn provides a comprehensively backed set of conclusions and policy suggestions that capture a mixed-method approach and a range of perspectives.

Before specifying how the mixed-method analysis is implemented in this book, it is important to articulate an additional element that forms the



scope of this study. As noted, my aim is to examine this relationship from the US stability policy perspective. As such, I have organized the methodology and analysis in a way that reflects a state-based policy perspective. This entails an examination of US and Egyptian policies and developments that took place during Mubarak's tenure to capture the states' perspectives and actions. The focus therefore is on the foreign policy of governing actors that may have no influence over the private actors who engage in trade, investment, and broader markets concerned with the exchange of goods and services. While there is value in expanding the definition of stability to include other nonstate contexts, this lies outside the remit of my aim. Importantly, my focus on state-based actions encapsulates the environment in which other private sector actors and forces facilitated or diverted the stability policy. While this means that these private sector actors are not dealt with in detail, they are implicitly captured in the analysis. After all, it was the stability policy that permitted private US businesses to buy and sell goods to their Egyptian counterparts. Furthermore, I do not intend to explicitly detail the link between state-based policies and the drivers of private sector actors that may lie outside the remit of state influence. Rather, the focus is on how the state-based policies had an impact on the specific stability policy goals. This also means that the analysis is focused on the stability policy, from the perspective of the policy itself.

### The Qualitative Analysis

In order to contextualize the developments and argument concerned with this study, fill in the quantitative data gaps, and draw out the causal relationship between economics and stability, this book presents a qualitative analysis of US-Egyptian ties between 1981 and 2011. This also ensures that I capture a range of perspectives in this examination of the stability-through-economics theory. Subsequently, this study is able to do what David McNabb describes as “creating understanding, for subjective interpretation, and for critical analysis.”<sup>79</sup> Indeed, through the use of a qualitative analytical method, this book is able to not only identify the perspectives of the two state actors concerned (the US and Egypt), but also then critically analyze the thoughts, opinions, and subsequent impact that primary sourced material has on the argument being put forward in this book. The qualitative analysis carried out in this book draws on four elements: (1) interviews, (2) research activities, including conference papers and discussions with US and Egyptian government representatives and experts,

(3) an analysis of primary source material from government sources, international organizations, and think tanks, and (4) an engagement with the literature on the US and Egypt.

At this stage, it is important to make a few necessary statements and clarifications concerning the qualitative analyses and activities. The interviews and research activities were carried out in accordance with the ethical standards required by the author's affiliated institution,<sup>80</sup> ensuring the protection of the researcher and participants. Furthermore, the interviews were conducted for the large part in person by the author, in Washington, DC and New York City. Additionally, some of the information attained was also transmitted over email to the author from the respective interviewees; this is indicated throughout the book. While conventional for this type of study in political science, I confirm that the questions drawn up prior to the interviews taking place were exploratory and open-ended in nature in order to provide enough prompting for the participants to flesh out their respective opinions. The aim of all this being to capture the viewpoints and opinions of the policymakers, stakeholders, government representatives, and experts on the matter to inform a comprehensive analysis and study. In the interest of protecting some of the interviewees, a number of them remain unidentified in this manuscript. Those who are identified have been with their explicit permission.

The research activities included discussions with experts, academics, and colleagues at Georgetown University's Center for Contemporary Arab Studies, located in the School of Foreign Service in Washington, DC, and at Columbia University's School of International and Public Affairs. I was also able to benefit from presenting and receiving feedback on some preliminary aspects of this book's findings at the 2017 International Studies Association West annual conference in Pasadena, and at a symposium at Nottingham Trent University's Department of Politics and International Relations in late 2017. The purpose of these activities was to provide an additional avenue to engage with the participants on the subject matter and of course to receive invaluable feedback that informed my thoughts and this book.

The third tranche of the qualitative methodological element of this study is made up of an analysis of primary source material from official government, international institution, and international organization archives and databases, as identified in chapter 1. The aim here is to include as much primary source material as possible to inform the study, to represent the stability policy perspective, and provide a tailored analysis of this US foreign policy.

Each of these three qualitative aspects are in line with what Thomas Lee determines as being “inductive, theory-generating, subjective and non-positivistic.”<sup>81</sup> Indeed, the aim of this qualitative analytical element is to ensure that the theory informed hypothesis of this book, that is, that foreign economic policy measures can positively impact political and economic stability, is tested and evaluated in the most appropriate manner. Furthermore, this study is organized in this way to ensure that the mixed-method analysis of the stability policy adopted here emphasizes the need to capture different methodological and contextual perspectives. My aim is to trigger further reflection on the concepts and themes associated with the terms “economics” and “stability” more broadly. This approach is made possible through the complementary quantitative element of this study that seeks to bolster the analysis, and subsequently inform the theory focused conclusions and policy-oriented reflections that this book offers.

### The Complementary Quantitative Analysis

In contrast to the aims of the qualitative analytical elements described above, the quantitative analysis carried out for this study aims to satisfy what Lee determines as being “deductive, theory-testing, objective, and positivist.”<sup>82</sup> In order to test the stability-through-economics theory, this study presents the results of a statistical correlation analysis of the fifteen variables identified in chapter 1. These are made up of the US foreign economic policy measures (trade, FDI, economic assistance, and military assistance), Egypt’s economic stability indicators (GDP, CPI, exchange rate, unemployment, and GNI per capita), and Egypt’s political stability indicators (voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption).

From here, this study determines the correlation between the four US foreign economic policy measures and the eleven indicators of Egypt’s political and economic stability, using a Spearman’s rank correlation analysis. The hypothesis and policy goal being tested therefore is that the US foreign economic policy measures had a positive impact on Egyptian stability. While the link between the US stability policy and the political stability indicators are clear, that is, that the four US foreign economic policy measures have a positive impact on the World Bank’s Egyptian political stability indicators, the economic stability indicators are less clear cut. The remainder of this section is therefore geared at clarifying why the eco-

conomic stability indicators were chosen, and indeed why this particular statistical test was selected.

Historically speaking, economists have devised a number of ways to measure the “health” and thus the stability of an economy. Perhaps the most famous is economic output or the GDP growth rate, even though this indicator has received much criticism surrounding the representativeness of the variable itself with William Norhaus and James Tobin credited for raising these questions in a meaningful manner.<sup>83</sup> Along with GDP, inflation (measured using CPI), exchange rate volatility, unemployment, and income distribution (measured using GNI) have been touted as representative indicators of economic health, among others.<sup>84</sup> As this book presents an evaluation of the impact that the US stability policy had on Egypt’s stability, the quantitative analysis examines the correlation between the four US foreign economic policy measures and GDP, CPI, and unemployment percentage changes. When it comes to the exchange rate and income distribution (GNI), their values are calculated using their respective standard deviations under a normal distribution assumption to capture the idea that they remain around the mean, that is, they are stable. These standard deviation values are then used in the correlation analysis against the four US foreign economic policy measures. From here it is possible to determine how “unstable” the exchange rate and GNI were when analyzed against the US foreign economic policy measures.

In order to assess the nature, strength, and relationship concerned with the variables determined by the US stability policy in Egypt, the Spearman rank correlation coefficient (also referred to as bivariate correlation) is calculated for each test and is represented by Formula [1] in the appendix. As is the case for this type of statistical analysis, the test is carried out to evaluate whether the following hypotheses hold:

- The stability policy hypothesis or  $H_s$ : the  $x$  value varies in a positive direction alongside the  $y$  value, that is, there is a positive correlation between  $x$  (the US stability policy measures) and  $y$  (Egypt’s stability indicators).
- The alternative hypothesis or  $H_a$ : the  $x$  value varies in a negative direction alongside the  $y$  value, that is, there is a negative correlation between the US stability policy measures and Egypt’s stability indicators.
- The null hypothesis or  $H_0$ : the  $x$  value does not vary alongside the  $y$  value, that is, there is no correlation between the US stability policy measures and Egypt’s stability indicators.

Both  $H_a$  and  $H_0$  therefore support this book's findings-induced argument that the stability policy failed to achieve its self-identified stability goals. The correlation analysis carried out in Egypt under Mubarak calculates the extent to which this is true.

A further condition of the test that must be qualified is the *P value*, which determines the significance of the test. Specifically, this determines the likelihood of the correlation coefficient being as "extreme or more extreme than that which is actually obtained," that is, whether the results are outliers.<sup>85</sup> Additionally, as this study assumes that the average (or means) of the datasets, that is, the four US foreign economic policy measures and the eleven Egyptian political and economic stability indicators, are not identical, a two-tailed *P value* is sought,<sup>86</sup> as represented in Formula [2] in the appendix. As this type of test underestimates the *P value*, it makes the significance of the results more precise. In other words, the argument is stronger when the results find  $H_a$  and  $H_0$  to be true.

Moving to the next characteristic of this type of test, the findings are set at a 95% confidence interval (CI) level or a 99% CI level when it is statistically significant to do so, that is, how strong the correlation is (in a statistically confident manner) between the four US foreign economic policy measures and the eleven Egyptian political and economic stability indicators. Further, the Spearman's rank correlation analysis assumes that the results are two-tailed, that is, no assumption is made on whether the correlation between the four US foreign economic policy measures and the eleven Egyptian political and economic stability indicators is positive or negative. This enables the analysis to be carried out without assumption-based restrictions in this context, and independently identifies whether the variables are indeed positively or negatively correlated, and the extent to which this is the case. Consequently, in order to determine whether each of the  $H_0$  is rejected, the two-tailed value (*p*) must be smaller than 0.05. One final point worth noting is that the *p* value is not bootstrapped, that is, it is not assumed that the sample is an outlier, as this is typically done where the sample size exceeds 1,000 in number, something that is not applicable for this study given the size of the dataset and the availability of the data more broadly. That being said, while not all the results show 95% (for CI and *p*) or 99% (for CI), they point to limited or no correlation trajectories that are bolstered when taken together with the qualitative analysis. The reflections on the quantitative results are thus made with this caveat.

At this point it is useful to justify the rationale behind adopting this specific statistical analysis. The correlation coefficient is able to quantify the degree to which the variables concerned correlate with one another.<sup>87</sup> In this

instance, the four US foreign economic policy measures are pitted against the eleven Egyptian political and economic stability indicators. Therefore, this type of analysis makes it possible to identify the extent to which these economics and stability variables are correlated to one another. It is important to repeat that a correlation analysis does not provide a *cause-and-effect* judgment, but rather the *tendencies* of the sample provided, that is, that US foreign economic policy indicators tended to increase the political and economic stability of Egypt in the time frame concerned. Therefore, it is solely the degree to which the two variables are correlated and not the causation that is being assessed and measured in such a quantitative analysis.<sup>88</sup> In a penultimate point, this book evaluates whether the US stability policy had a positive impact on Egypt's stability over time, that is, what is termed a linear relationship. The Spearman's rank correlation analysis tests for such a linear correlation, again pointing to its suitability for this book's cause.

Finally, it is important to note that this analysis does not attempt to include predictive elements to assess the US stability policy in Egypt between 1981 and 2011. Indeed, this is one of the reasons why a regression analysis is not carried out in this study. These statistical tests are carried out using IBM's SPSS software. The test results and graphs are presented as and when the respective correlation relationships and time frames are dealt with throughout this book.

### Scholarly Contribution

As noted in chapter 1, this book aims to contribute to the literature concerned with the relationship between economics and stability, through the use of the US stability policy in the 1981 to 2011 Egypt case study. As a consequence, this study also aims to not only inform the understanding of US-Egyptian ties and the policy implications of this contribution but to do so in as comprehensive a manner as possible. Hence, the implementation of a mixed qualitative and quantitative methods approach. Further, by couching the argument and analysis in a theory informed set of conditions or framework, this book provides reflections on a theory-based level, with specific reference to the case study at hand. As a result, this book aims to address the gap in the literature that does not capture or address these factors concerned with the relationship between economics and stability. Further, it is important to reemphasize the contention laid out above that the literature on the relationship between economics and stability overlooks the notion of values and norms (stability) being "exported" or "shared"

through economic means (the stability policy), something that the US stability policy itself explicitly determines to be the rationale behind its formulation and implementation. In addition, existing work also concentrates on ties between Western and adversarial states. Neither conditions nor labels are true when concerned with the US and Egypt—pointing to the additional layers of originality woven into this book.

Finally, the policy-oriented reflections and suggestions presented in this book are arrived at following a robust, vigilant, and comprehensive approach, given the information, access to key stakeholders, and data available when it comes to the US stability policy in Egypt between 1981 and 2011. Once more, I am not making the point that this is the only way to examine this topic, but a way of doing so.

## THREE

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# Tracing the Trajectory of the Stability Policy

The recovery and growth of the US following World War II meant Washington, DC was in an enticing position to forge ties with the international community, including those with Cairo. This global stature provided the US with the political capital and economic measures to implement the stability policy in a dedicated manner. The 1952 Egyptian Revolution did not alter this pattern. Indeed, this post–World War II era conveyed how the stability policy remained a lasting feature in ties between the US and the newly dubbed Arab Republic of Egypt. In order to provide a more focused account of this context, this chapter traces the foundations of the stability policy and how it specifically related to ties with Egypt prior to Mubarak’s 1981 to 2011 reign. This lays out the background of the stability policy in the context of US-Egyptian ties under Mubarak and the empirical foundations on which to evaluate the stability-through-economics theory. In direct relation to the focus of this book, this chapter introduces the factors that had an impact on the stability policy before Mubarak’s tenure. These same factors are then pulled through into the succeeding chapters of this book to demonstrate just how heavily the US-Egyptian case study context determined the relationship between economics and stability.

Prior to 1981, a number of developments took place in Egypt, the US, between the two countries, and in broader international affairs that further justified Washington, DC’s belief in and practice of the stability policy. These included the global role of the US after World War II,



the Cold War, as well as the 1952 Revolution, the 1967 and 1973 Arab-Israeli conflicts,<sup>1</sup> Egypt's first three Naguib, Nasser, and Sadat presidencies, and the US success in brokering the 1979 Egypt-Israel Peace Agreement. Each of these developments set the foundation for the Mubarak era and captured significant US interests in Egypt (and the broader region). These interests included US attempts to discourage a Muslim Brotherhood-aligned government under Naguib and Nasser's connections with the former USSR, as well as the drive to alter Sadat's stance toward the Arab-Israeli conflict. In this time frame, aspects of the stability policy were implemented to further these US interests, particularly when it came to ties with Nasser and Sadat. This in turn, had a notable impact on US-Egyptian ties and provided a further endorsement of the stability policy following the normalization of the Egyptian-Israeli relationship. It was the success of the Sadat-Menachem Begin peace agreement that laid the conditions for the US aid program and US-Egyptian ties more generally under the Mubarak administration (and at the time of writing). This agreement is an explicit manifestation of the US belief in the stability policy and provides the context for reflecting on the relationship between economics and stability. This is explained by the US Senate Foreign Relations Committee staff director who was the Egyptian aid program lead during the Camp David negotiations:

Much of the deep thinking in Washington, DC about the future and meaning of US-Egyptian relations occurred in the September 1978 to March 1979 period. The Sadat to Mubarak transition did not change the American perspective or policy . . . much effort was put into initiating that new [Mubarak] relationship.<sup>2</sup>

The point here reflects the importance in addressing this shift in US policy toward Egypt, as well as those that occurred since the 1952 Revolution in order to provide a comprehensive depiction of the roots and drivers of the stability policy. This is achieved by addressing these aspects and developments in this chapter, thereby showing how the US Constitution's dedication to domestic tranquility, welfare, and liberty,<sup>3</sup> as well as the foundation of the US itself,<sup>4</sup> are linked to the US stability policy exercised by Washington, DC when it came to Cairo between 1981 and 2011. In so doing, this chapter provides the contextual background to examine the relationship between economics and stability in the rest of this book.

## The Stability Policy After World War II

As noted earlier, traces of the stability policy can be linked to the foundation of the US. Indeed, it was the whims of the British Empire<sup>5</sup> that prompted the American states' drive for the autonomous liberty emblazoned in the Constitution.<sup>6</sup> This drive for liberty included a commitment to stability that was extended into matters of foreign policy. At this point it is useful to spend a few words addressing the more contemporary focus of this book. While it would be interesting and useful to trace the trajectory of US foreign policy since the Declaration of Independence in the context of the relationship between economics and stability, this book focuses on the more contemporary post–World War II time frame. This is for two main reasons. First, this book aims to evaluate the contemporary effectiveness of the stability policy. Therefore, this focus is maintained by identifying the roots of the policy, and then evaluating its performance in the US–Egyptian case study. Second, US ties with Egypt during the Mubarak-era case study itself capture a number of factors (barrier and facilitators) that impacted the performance of the stability policy. These same developments are still in play at the time of writing this book, and so this account offers reflections and suggestions based on factors that can still be addressed or supported from a policy perspective. As a consequence, I leave a more detailed historical evaluation of the US stability policy for others to pursue.

Resuming from the post–World War II time frame, the fallout from the global conflict bolstered the US commitment to the stability policy even further. Then the Cold War context demonstrated how US primacy played out in the conflict and competition with the USSR that were not restricted to “hot war” settings. While US primacy is not the specific focus of this book, the notion has gathered plenty of scholarly attention.<sup>7</sup> Further, this context is important as it set the tone for US involvement in international affairs after World War II. Indeed, as the US recovered from the global conflict and rose to a world superpower status, Egypt saw an end to its ruling monarchical system following the 1952 Revolution. One year later, the birth of the presidential Arab Republic of Egypt came while the US proactively sought to preserve its interests, globally and in Cairo. These interests were characterized as maintaining influence in Egypt (and by extension the region) in order to offset the Cold War–spurred Soviet presence in the Middle East and to mitigate against Israeli, regional, and energy security concerns.<sup>8</sup> The way in which the US sought to maintain and further these interests demonstrated a belief in the stability policy.

This belief was revealed at the immediate onset of the Cold War. John Alterman explains how the US policy toward Egypt aimed to alleviate rural poverty so as to induce Egyptian sentiment away from the communist ideals that were being touted at the time.<sup>9</sup> This approach is important for the stability policy for two reasons. First, this economic-development-centered policy is a specific example of how the US sought to mitigate against potential causes of national instability, that is, in alleviating poverty, the pressures of economic and, by extension, political inequality can be eased. Second, the US notion of providing an alternative to the Soviets through this economic-stability-targeted policy was consequently geared at achieving influence in Egypt. In conjunction with Alterman's account, the Truman administration's 1949 Point 4 Program, which applied when it came to US-Egyptian ties, was "designed to take American experience and know-how directly to the peoples of underdeveloped countries . . . to improve conditions of health, to increase output of minerals and industrial goods."<sup>10</sup> This link between American "know-how" and improving "conditions" was an explicit demonstration of how the US was dedicated to the stability policy in Egypt at the time.

This policy was then developed three years later when the US Department of State explained how the Point 4 Program for Egypt was insufficient when it came to dealing with "the magnitude of the social and economic problems" in the country.<sup>11</sup> The State Department went a step further and identified that this deficiency was as a result of the Naguib government's less-than-welcoming attitude toward the Point 4 Program. This is an important State Department finding that is aligned to the core argument of this book, which specifies how the domestic environment provided barriers to the success of the stability policy. That being said, the same State Department memorandum explained that the Egyptian government's aim to resume the program "specifically designed to deal with some of Egypt's major social and economic problems" was positive in terms of achieving the stability policy-targeted goals.<sup>12</sup> This was further backed by the US Embassy in Egypt, which suggested increasing the economic aid program to Egypt by \$10 million, "waive eligibility conditions if necessary," and determined that the allocation of funds was to officially be labeled under Section 503 of the Mutual Security Act of 1951. From there, the Point 4 Program with Egypt was then shuffled into the jurisdiction of the International Development Act that sought to improve global economic conditions.<sup>13</sup> The State Department went on further to explain that the Section 503-labeled transaction set a precedent and so "it is assumed that negotiations along these lines may be continued."<sup>14</sup> In a further show

of support for such an approach, the US ambassador to Egypt, Jefferson Caffery, noted that the program would not only “give the same emergency financial support to the Egypt balance of payments deficit, but will associate us with a continuing program of more effective benefit to Egypt.”<sup>15</sup> Each of these points demonstrated how the US was confident in using economic measures as a means to benefit Egypt, even when instances were identified where the policy was “insufficient.”

These sentiments were expressed along with concerns over stability in postrevolutionary Egypt; as the State Department explained, “the one thing that is now holding us back from taking this very significant step forward in Egypt is the lack of authority to sign the necessary agreements.”<sup>16</sup> The aim, therefore, was to implement the stability policy measures to provide a level of certainty that would eliminate concerns over “the lack of authority,” something that was made clear through President Eisenhower’s support for the economic aid program:

In making this determination, I find that (1) the strategic location of Egypt makes it of direct importance to the defense of the Near East area, (2) the assistance to be furnished is of critical importance to the defense of the free nations, and (3) the immediately increased ability of Egypt to defend itself is important to the preservation of the peace and security of the Near East area, and to the security of the US.<sup>17</sup>

In addition to these three points, Eisenhower went on to specify the training of Egyptian armed forces in US military installations as part of the program, thereby demonstrating how Egyptian stability and security were of interest to the US in Naguib’s Egypt. At the same time, a number of developments began to impact Egypt’s ties with the international community. One of the most significant concerns was Egypt’s ties with a strategic US ally—the United Kingdom. This became clear in the year following Eisenhower’s 1953 statement in support of the economic aid program, in a memorandum between the US Assistant Secretary of State for Near Eastern, South Asian, and African Affairs Henry A. Byroade and US Secretary of State John F. Dulles. The memorandum set out the topics to be discussed during Prime Minister Winston Churchill’s upcoming visit to the US:

We [the US] are making arrangements to initiate negotiations for military and economic assistance agreements with Egypt. . . . The

draft [agreement] is predicated on the assumption that military assistance will be provided not only to maintain internal security and legitimate self-defense, but also to assist Egypt to discharge obligations under the terms of a Base settlement. Language relating, in general terms, United States military assistance to Egypt's obligations will be inserted in the draft following receipt of Caffery's [the former US diplomat] recommendations on this point. Twenty-one million dollars of MDAP funds are available for Egypt.<sup>18</sup>

These careful deliberations, phrasing, and discourse behind the formal US-Egyptian agreement demonstrated the emphasis placed on ensuring that any UK concerns were accounted for. This came in the context of the US upholding a UK request to block a \$100 million economic and military aid grant sought by the revolution-leading Egyptian Free Officers in August 1954.<sup>19</sup> At the time, the UK (as well as France) was aiming to secure its own interests in Egypt and particularly its stake and control of the Suez Canal. The State Department, however, explained how Dulles initialed his approval to the memorandum's suggestions<sup>20</sup> and sent a package worth \$40 million in US economic aid to Egypt in November 1954, signaling a turnaround just three months after the initial UK transaction-blocking request.<sup>21</sup> The evidence therefore pointed to how the US valued influence in Egypt over adhering to the UK's demands, and used economic aid to achieve this influence.

It was at this point that officials in Washington, DC continued to draw an explicit line linking Egypt's external and internal policies.<sup>22</sup> The US continued to implement the stability policy through its economic aid program in order to achieve what it considered the dual aim of internal and external stability. Burns notes that while some US officials may not have been convinced by the mantra of achieving political goals through economic modernization, they nevertheless saw the benefits of using the tool as a "political barter"—the precise term used by the State Department's Herbert Hoover Jr. at the time.<sup>23</sup> This pointed to how the US stability-through-economics oriented policy began to take shape and withstand both internal and external resistance when it came to the relationship with Egypt during the early 1950s. Initially, this came in the form of growing cleavages between the two Egyptian Free Officer leaders: Naguib and Nasser. With different views on how to rule the country, each leader sought to gain widespread recognition, with the first president, Naguib, finding support from members of the Muslim Brotherhood.<sup>24</sup> Nasser, however, was able to command enough political support to outmaneuver Naguib<sup>25</sup> and

subsequently crack down on the Muslim Brotherhood.<sup>26</sup> In theory, this fell in line with US interests of stabilizing the country, despite Nasser's ideological tendency to lean toward the USSR.

Before discussing Nasser's time in power, it is important to emphasize something here. The post-World War II political backdrop provided an important setting for how the relationship between economics and stability played out in this period. This points to one of the core arguments of this book: the environment in which the stability policy is implemented has a significant impact on how the relationship between economics and stability fare in a given context. The stability-through-economics notion was therefore undermined by the environment in which it operated, and so a detailed explanation of this environment is necessary to understand why this was the case. The remainder of this chapter does this before evaluating how Mubarak's Egypt fared under the stability policy.

### Was the Stability Policy Faltering under Nasser?

The stability policy saw various levels of development and success during Nasser's 1956 to 1970 tenure as Egypt's second president. In other words, Nasser's decisions—synonymous with the environment in which the stability policy was implemented—shaped how the relationship between economics and stability played out in Egypt. This Cold War period saw Nasser appease both sides of the “war” in his attempt to promote and maintain Egypt as a leading Arab nation.<sup>27</sup> From the US perspective, the intent was to influence Egypt through the economic measures of the stability policy and simultaneously attempt to prevent the USSR from gaining a foothold in Egyptian affairs.

This was reflected in a broader context when the US chairman of the Council on Foreign Economic Policy, Clarence Randall, discussed the issue with foreign-based American officials in 1956, noting that “there was considerable agreement that continuance of economic aid to the developing countries would further the economic and political interests of the US.”<sup>28</sup> This came at a time when the US sought to offset the USSR's global influence, or, in other words, to provide a more attractive alternative to its communist Cold War rival. Randall also noted how the use of the economic aid element of the stability policy was geared at increasing the standard of living in developing countries, which in turn “would promote stable governments and check the trend to statism,” before denoting in the same report that the US “should use to a greater extent multilateral chan-

nels or mechanisms for the rendering of economic assistance.”<sup>29</sup> While Randall did acknowledge the notion that government-to-government aid came with connotations of obligation and thus potential rejection, he went on to conclude that unilateral US aid should continue unimpeded nonetheless.<sup>30</sup> This reference to making full use of the other “channels or mechanisms,” despite some of the shortcomings and connotations of this approach, pointed to the US dedication to the stability policy.

This dedication manifested itself in other policies and programs in this time frame. This included the US drive in the 1960s through the “Food for Peace” program under Public Law 480.<sup>31</sup> The program provided loans to the Nasser government in order to import surplus wheat.<sup>32</sup> Amy Hawthorne identifies how the majority of the \$1 billion worth of US economic assistance to Egypt came through this program between 1947 and 1967, with the hope that this practice of the stability policy would improve Egyptian-Israeli relations. The twenty-year implementation of the program (and this element of the stability policy) was, however, identified as being ineffective in this endeavor. This came to be the case despite attempts to pressure Nasser to alter his stance toward Israel through a series of “freezing and then thawing” of the program’s funds. The eventual scrapping of the program came as a result of the Arab-Israeli War of 1967 (the Six-Day War) and Egypt’s broader stance toward the Arab-Israeli conflict.<sup>33</sup> The 1967 conflict demonstrated how the use of economic means (the Food for Peace program) failed to achieve stability in Egypt, at a cost to the US taxpayer of \$1 billion worth of economic aid. From a conceptual perspective, the stop-start nature of the program meant that the stability-through-economics notion was not being practiced in absolute terms. The outcome therefore was not following a pure stability-through-economics path as the theory intended. The evidence thus points to a failure of this manifestation of the stability policy and how the logistical implementation aspect of the policy impacts the relationship between economics and stability. This is something that reverberates in the subsequent US-Egyptian ties covered in this book.

In this same pre-Mubarak period, a State Department report on the international relations of the US made a direct link between foreign assistance programs and foreign policy objectives.<sup>34</sup> The report detailed how these reflections came following years of trial and error, including efforts in

countries along the Iron Curtain from Korea to the Middle East, where we had initially responded to threats of Communist expansion. We have to our credit notable successes such as Taiwan, Greece,



Iran and Israel where rapid economic growth and increasing political stability have been achieved, permitting the phasing out of US economic assistance. On the other hand, our experience in Korea and Turkey has been much less pleasant, despite similarly large aid inputs. Since these countries have not yet been able to achieve rapid growth and increased self-sufficiency, we have had to continue very substantial aid programs because we cannot accept the military and political consequences of economic failure. In a third group of countries an interplay of US and international political considerations, host country intransigence and the absence of any immediate external Communist threat have resulted in curtailment or termination of aid, though the desirability of this course can at least be questioned. Countries in this group include Indonesia, Burma, and Iraq.<sup>35</sup>

The same report concluded that in order for the US to continue “its material and moral stake in the stability and order of the underdeveloped world,” then it must also continue to bolster its foreign economic assistance oriented policy.<sup>36</sup> In line with this, Marvin Weinbaum notes how the Kennedy administration expanded its commitment to global development and explains how this policy was limited when it came to Egypt owing to the ideological gap between Nasser and Kennedy. This was reflected in Nasser’s criticism of the political strings attached to the Food for Peace program, winning him support at home, while maintaining economic links with the US.<sup>37</sup> This was an important point for Nasser, one that he emphasized in a 1964 parliamentary speech by explaining that despite a disagreement on elements of US foreign policy, “there have never been direct problems between us and the USA . . . [as] we try in all ways to have ‘ilaqat saleema [unblemished relations] with the USA.”<sup>38</sup> This sentiment of rejecting foreign influence in Egyptian affairs continued during the Nasser presidency (and beyond), as it too became a factor that weighed on the stability policy and thus disrupted the stability-through-economics notion proving successful, as will be explored later.

Returning to Nasser’s time in power, the specific aim of influencing Egyptian affairs was explicitly detailed following the Arab-Israeli War of 1967. The US Agency for International Development (USAID) explained that same year how Washington, DC’s policy focused on “moderat[ing] the behavior of the Egyptian government” to ensure that US interests in the country were protected.<sup>39</sup> The State Department also explained that foreign aid had “always been treated more as an arm of general foreign policy toward the Third World than as an aspect of foreign economic policy” dur-



ing the same period.<sup>40</sup> Nasser's stance toward Israel was so at odds with the White House at this point, however, that US-Egyptian ties suffered along with the termination of the Food for Peace program.

Elsewhere, Egypt's capability commitments to the 1962–70 conflict in Northern Yemen added to the souring of ties with the US,<sup>41</sup> despite the Food for Peace program transferring \$390 million worth of funds to Egypt over three years up until 1965.<sup>42</sup> The consequential 1967 cut to economic ties with Egypt pointed to a shift in how the US sought to use the stability policy. Policymakers attempted to use the stick of suspending current aid levels, while threatening to suspend future aid in a move to prevent Egypt from engaging in the conflict. Jesse Ferris notes how this tactic failed in the short term,<sup>43</sup> and five years later US-Egyptian ties resumed when their “strategic partnership” was reformatized to form “a symbol of close security ties . . . with regular annual appropriations from Congress, and a large mission in Cairo for USAID to oversee projects.”<sup>44</sup> Each of these points demonstrated that despite evidence pointing to the contrary, the US continued to believe in the stability-through-economics theory driven policy when it came to ties with Egypt.

In addition, Cairo received “uninterrupted Soviet aid” between 1958 and 1973, as well as support under various other US aid programs to Egypt—with the exception of the 1965 to 1974 interruption.<sup>45</sup> Further, US economic assistance to Egypt hit a cumulative \$799.60 million during Nasser's time in office.<sup>46</sup> In terms of total trade, the corresponding figure hit \$2.31 billion, with US exports making up the largest share of this figure at \$1.94 billion.<sup>47</sup> This demonstrated the value that Washington, DC put on economic ties with Cairo. Once more, each of these developments demonstrated how, despite Nasser's less US-oriented ideological stance, Washington, DC still sought to use economic means to influence Egypt. That being said, the suspension of the aid program indicated how negative an impact violent conflicts had on the policy. This was something that changed following Sadat's election.

### Sadat's Conducive Stability Policy Stance

Sadat's 1970 to 1981 time in power led to a shift away from the Soviets. This stance was rewarded in monetary terms as the influx of Western aid grew to reach \$5.3 billion in the second half of the 1970s, with the US making up 78.3% of this figure. Saad Eddin Ibrahim attributes this Western shift and concurrent increase in aid to “a direct function of regional

and global geopolitics as well as of the Egyptian leadership's ideological orientation."<sup>48</sup> This once more demonstrated the impact that the environment had on the stability policy, or, in other words, how Sadat's ideological disposition provided a more conducive environment for the stability-through-economics led policy.

Sadat's position was further complemented by the Ford administration's \$250 million economic support package, delivered to deter Egyptian-Soviet alignment. In addition, Sadat's ideological stance led to a significant effort to liberalize the Egyptian economy under the openness or *Infitah* policy. This policy aimed to remove the Nasser-imposed foreign investment restrictions and simultaneously stoke military and infrastructure development in the wake of growing deficits that were amassed before the Arab-Israeli War of 1973.<sup>49</sup> This was made possible through the 1971 Law 65 that legislated against the nationalization of firms unless it was done in the public interest,<sup>50</sup> as well as tax and fee waivers for foreign companies under the subsequent 1977 Law 32.<sup>51</sup> The US Congress was also intent on curbing Egypt's hostile stance toward Israel through political and economic means following the 1973 conflict. Burns explains that this was due in part to the impact that the pro-Israel lobby had on Washington, DC in the run-up to the eventual Egypt-Israel Peace Agreement.<sup>52</sup> This time, these efforts to limit economic ties with Egypt were met with more resistance as presidential candidate James E. Carter noted in 1975:

There is no doubt that our people are wary of any new foreign involvements, but we realize that many such involvements will be necessary. . . . We can now turn our attention more effectively toward matters like the world economy, freedom of the seas, environmental quality, food, population, peace, conservation of irreplaceable commodities, and the reduction of world armaments. The intensity of our interrelated problems is rapidly increasing, and better mechanisms for consultation must be established and utilized before these problems become more dangerous. Interdependence among nations is an unavoidable and increasing factor in our individual lives.<sup>53</sup>

Carter's Democratic Party ticket came with a push toward increased international engagement, something that was a precursor to an increase in economic ties with Egypt. Donald Brown explains that there were two forces behind this US economic aid program in Egypt at this point: the country's role in achieving a regional peace (directly linked to Egyptian stability), and the liberal-leaning *Infitah* policy.<sup>54</sup> This stance provided one

of the foundations for the Camp David Accords and the 1979 Egypt-Israel Peace Agreement that remained in place during Mubarak's tenure (and still at the time of writing). In the run-up to the treaty, the US continued to implement aspects of the stability policy in order to ensure Egyptian stability. An example of this came in 1977 when the Egyptian Bread Riots saw the US take the decision "immediately to shift \$190 million in already committed capital development funds to commodities that would enter the economy quickly," to help the Sadat administration ease inflationary pressures.<sup>55</sup> This pointed to Washington, DC's dedication to the stability policy as it saw a domestically stable Egypt as more able to engage in the peace negotiations. Further, the US Congress increased Egyptian aid by \$300 million over three years and implemented education related programs for eligible Egyptians following the signing of the 1979 Treaty. This came at a time when Egypt was cast aside by fellow Arab governments who disagreed with Sadat's amicable stance toward Israel. These developments followed "the decline and later cut-off in Arab financial assistance, [and then] Egypt's liquidity crisis had eased by 1977 as oil, Suez Canal, and other revenues rose handsomely."<sup>56</sup> This created a situation where the US continued to support Egyptian stability through the stability policy.

In 1977 the US GAO published a report that recognized the need to increase economic ties with Egypt. The GAO justified the increased aid program on "the basis of a political symbol of even-handed economic support for stability in the Middle East than on the capacity of Egypt to absorb and use the available assistance effectively."<sup>57</sup> The fact that this US agency viewed aid as more political than economic in nature points to the belief in and practice of the stability policy. In addition, this justification unearths how the political rationale behind the policy also had a significant impact on the relationship between economics and stability in this case. Thus, demonstrating how the underlying political intent of the stability policy implementer impacted the relationship between economics and stability points to the need to capture the US rationale and the Egyptian environment when explaining how the stability-through-economics notion performed in this case.

Returning to Egypt's domestic affairs, Sadat was dealing with high levels of public debt and so sought to use the Infitah policy as a way to liberalize the economy, spur growth, and alleviate some of this economic pressure. Marie-Christine Aulas explains how \$17 billion worth of the foreign economic assistance was transferred to Egypt to help develop the country between 1973 and 1978 under the new Infitah way of doing things. While this assistance was aimed at developing Egypt's economy, Sadat opted to

concentrate the funds paying down the public debt instead.<sup>58</sup> This did little to help the country develop its own production base, as demonstrated by the fact that 60% of Egypt's food imports came from outside of the country at a value of \$4.4 billion per annum by the year 1981.<sup>59</sup> The Sadat administration's domestic economic policies provided yet another example of the impact the Egyptian environment had on the stability policy. And so, no matter how much US economic aid made its way to Egypt, Sadat's economic policy preferences still determined how the funds were distributed. This provides a further example of how Sadat's domestic policies impacted the relationship between economic and stability.

For the US, the rationale behind the Egyptian aid program and broader ties with the international community came not long after the conflict in Vietnam. It was within this context that the 1974 Foreign Assistance Act was implemented to help develop the poorest elements of a recipient country's society. When it came to Egypt, "Congress insisted that a substantial portion—roughly half of the \$750 million—go for projects that could be justified on developmental grounds," despite the security concerns following the Arab-Israeli War of 1973.<sup>60</sup> This US dedication to economic development was also identified as one of the nine points depicted in the 1978 State Department proposal for US-Egyptian ties.<sup>61</sup> Further, a report exclusively concerned with the Egyptian-Israeli negotiations at the time denoted that "US diplomacy toward this issue focused on keeping the faltering autonomy negotiations on track, securing the continued goodwill and stability of Egypt."<sup>62</sup> This once more demonstrated how Egypt's stability was integral to US geostrategic interests. In line with this, Brown explains how the US used trade and development financing to achieve three goals in Egypt: stability (to avoid political unrest), productivity (to ensure economic opportunities and growth), and equity (to ensure equal and sustainable growth).<sup>63</sup> It was therefore clear that the US sought to use economic measures to support a more stable Egypt that would in turn serve Washington, DC's regional interests.

The fact that 1979 Egypt-Israel Peace Agreement was in line with these US interests also meant that ties with Egypt improved post-1979. The US agreed to provide the Egyptians (and Israelis) with loans and grants to buy weapons following the agreement.<sup>64</sup> Sadat's disposition toward working with the US also represented a major factor in improving ties with Washington, DC in the lead up to the 1978 Camp David Accords and the treaty a year later. The Carter administration's notable role in brokering the Egypt-Israel Peace Agreement demonstrated this and led to Washington, DC bolstering economic ties with Cairo. This is revealed in Cart-

er's personal letters to President Sadat<sup>65</sup> and Prime Minister Menachem Begin<sup>66</sup> during the negotiations, which included the need for improved economic ties as a precursor to peace.<sup>67</sup> The 1979 Treaty also included an American foreign aid package to Cairo worth \$2.59 billion that year, which amounted to the highest value of aid ever delivered to Egypt up until that point. Sadat's warmer ties with Washington, DC also translated into a more than tenfold increase in US foreign economic assistance when compared to that during the time of Nasser. This figure reached a total of \$7.01 billion during Sadat's 1971 to 1980 tenure,<sup>68</sup> and total US-Egyptian trade hit \$9.31 billion in the same time frame.<sup>69</sup> This upward trajectory continued into the Mubarak era as the stability policy continued to be implemented in a more US-aligned Egypt.

### The Stability Policy Legacy

The rationale behind the stability policy was embedded in Washington, DC's foreign policymaking before and after World War II. This dedication was reflected in US-Egyptian ties since the 1952 Revolution and the country's subsequent independence, as well as being substantiated more recently by various US actors and agencies. An example of this came in a 2008 State Department Background Note that highlighted the importance of economic assistance to Egypt in the context of a "shared mutual interest in Middle East peace and stability, revitalizing the Egyptian economy and strengthening trade relations, and promoting regional security."<sup>70</sup> The Background Note goes on to further emphasize the importance of the 1979 Egypt-Israel Peace Agreement and the subsequent \$1.3 billion annual military aid and the accumulated \$25 billion in USAID economic and development aid to Egypt between 1975 and 2002. This was further extended in 2012 when the State Department identified macroeconomic stability as one of USAID's aims when it came to the Egyptian program.<sup>71</sup> Beyond that, in 2015, Secretary of State John Kerry made the point that the US was dedicated to continuing its support for Egyptian stability, living standards, citizen participation, and inclusivity, all in the context of the Arab state's importance to the region.<sup>72</sup> These points not only demonstrate continued commitment to the stability policy, but also the fact that the historical precedent set by the policy before 1981 continued the trend of the relationship between the two states after 1981. The explicit inclusion of economic and political stability in the State Department and Kerry state-

ments also provide an additional rationale for examining Egyptian stability in both of these spheres.

In numerical terms, this pre-1981 dedication to the stability policy was reflected in a total US-Egyptian trade figure that is valued at \$12.04 billion from the time of Egypt's independence in 1952 up until 1980.<sup>73</sup> The context is important to highlight here as the 1979 Egypt-Israel Peace Agreement played a significant role in driving US-Egyptian ties, including the stability policy, as economic and political engagement deepened after 1979. The US Cold War interest in stymieing Soviet influence in Egypt also played a part in Washington, DC's policymaking calculus. This came in the form of the US intention to provide a more attractive liberal democratic alternative to the USSR, thereby ensuring Egyptian stability and shoring up Washington, DC's dependent international and regional interests. This context laid the grounds for the stability policy in the 1981 to 2011 period covered by this book. In turn, this provides the scene for evaluating the stability policy's effectiveness during Mubarak's presidency, following the end of the Cold War, the economic boom of the early 1990s and the US forgiveness of Egyptian military debt, the 9/11 attacks in the US, and the suppression of political opposition in Egypt up until the 25 January Revolution. Each of these aspects are examined in the succeeding chapters of this book. But, first, a clarification as to what the pre-1981 developments mean for the stability-through-economics relationship.

### The Link to the Stability-through-Economics Theory

It is clear that there were a number of elements that impacted how the relationship between economics and stability played out in the context of US-Egyptian ties before 1981. These came in the form of an array of developments that took place following the end of World War II and up to 1980, some of which continued to resonate during Mubarak's reign. These are pulled through and into the succeeding chapters to provide a detailed evaluation as to what prevented or facilitated the stability policy between 1981 and 2011.

Reflecting on the pre-Mubarak era, the 1952 Revolution, Naguib's transition, and the eventual Nasser administration's inclination toward the USSR led to a politicization of the stability policy. This came at a time when the US was intent on preventing Soviet influence in the country—and globally. The revolution and the Soviet threat provided the rationale behind the

economic development aspect of the stability policy. It was through this mechanism that Washington, DC did its best to improve Egypt's domestic economic conditions. These goals were set against attempts to deter sentiments of economic and linked political instability, and to entice Cairo away from the communist alternative promoted by the Soviets. This White House strategy did show an element of being sensitive to the environment in which the policy was being implemented. Randall's report during his time as the US Council of Foreign Economic Policy chairman recognized that this action fed into a perception of the US "meddling" in domestic Egyptian affairs, resulting in a sense of resentment.<sup>74</sup> Two things can be taken away from these developments when it comes to the relationship between economics and stability. First, the internal and external environment must be taken into account when considering whether a policy can achieve stability-through-economics. Second, the politicization of this relationship also has an impact on how it plays out in a given context. Inevitably, therefore, both of these aspects must be accounted for in the formulation of the stability policy if it is to be successful.

Looking back at the pre-1981 time frame, this was not the case. As evidenced by the fact that the US failed to improve Egyptian-Israeli ties through the Food for Peace Program and proved to be impotent in preventing the Arab-Israeli War of 1967. The way in which the Food for Peace Program was implemented was also problematic in the drive for stability-through-economics in this period. The stop-start trajectory of the program—geared at pressuring and enticing Nasser at various points—meant that the theory behind the stability-through-economics relationship was not implemented in an absolute or "pure" manner. The failure of the program in achieving its goals, along with the way in which it was implemented, therefore provides a poor track record of the stability policy—a record that did not, however, prevent the US remaining dedicated to this foreign policy approach.

Then, Sadat's preference to channel US foreign assistance into alleviating public debt also posed a barrier to the stability policy. Washington, DC explicitly earmarked the funds to develop Egypt, something that the US identified as a precursor to stability.<sup>75</sup> The fact that Sadat used the funds for other—debt relief—causes brings into question whether the stability-through-economics driven policy is in fact possible when it comes to sovereign domestic preferences. This development therefore also demonstrates how the power of the domestic executive must also be taken into account when assessing the relationship between economics and stability.

These examples provide a brief insight into the elements that deter-

mined the relationship between economics and stability in the run-up to the 1981 to 2011 US-Egyptian case study. What seems extraordinary from the outset is the fact that this almost blind US dedication to the stability policy remained in place, despite its track record pointing to a minimal need to revise or repeal elements of the policy. That being said, the extent to which this continued might be the even more extraordinary piece of this puzzle.



## Mubarak's First Decade and Sadat's Continued Influence

Sadat was assassinated on October 6, 1981 following a spate of food price-induced protests and a crackdown on political opposition (and on the Muslim Brotherhood in particular). Eight days later, Hosni Mubarak, Sadat's vice-president and former military comrade, was sworn into office to start his three-decade rule. Mubarak—who had risen through the ranks to become an Air Force commander—shared many of Sadat's views on how to run the country when it came to both domestic and foreign affairs. Additionally, the former commander was popular among his cohort and so his climb to the highest office was met with minimal resistance within Egypt's political structures. This unfolded through a constitution-directed process whereby the lower house of Egypt's parliament put forward a nominee for confirmation through a public referendum.<sup>1</sup> But for a few protests, Mubarak won the ballot by securing an overwhelming 98.5% of the vote, with an 81.1% registered voter turnout.<sup>2</sup> Subsequently, the Mubarak administration continued to follow Sadat's friendly stance toward and engagement with the US, while simultaneously continuing to implement some of the preceding administration's domestic policies. In turn, this meant that the relationship between economics and stability in Egypt continued to follow a familiar pattern as the country transitioned from the Sadat to Mubarak presidencies.

At the time when Mubarak became the fourth president of Egypt, the country experienced a period of political stability—in the sense that oppo-

sition was absent or suppressed by state security forces. This was made possible by the infamous State of Emergency Law, which had been implemented intermittently since the country's 1952 independence, then effectively on a continuous basis from Sadat's assassination<sup>3</sup> up until and including the January 25 Revolution. The Mubarak administration made sure of this by renewing the decree every three years from 1981 onwards, citing the law's necessary mandate to mitigate against terrorist and violence-based threats.<sup>4</sup> The emergency legislation enabled political censorship, limited political opposition and the role of the judiciary, and reserved the right to arrest and charge persons who were suspected of committing political crimes or spreading oppositional political propaganda without the government's consent. This meant Mubarak was able to maintain a grip on power and continue the Sadat strategy of suppressing political opposition.<sup>5</sup>

Broadly speaking, Mubarak's reign is characterized as being a continuation of Sadat's economic *Infitah* policy (to a certain degree), limiting political opposition, and sustaining US support—which stood strong against the backdrop of the Washington, DC facilitated peace agreement with Israel. This US support came in the form of economic aid that totaled \$10.85 billion and military assistance to the tune of \$11.77 billion during Mubarak's first ten years in power.<sup>6</sup> This was in addition to US FDI in Egypt reaching \$14.96 billion<sup>7</sup> and a trade in goods value of \$27.37 billion<sup>8</sup> between 1981 and 1990. This period also saw a significant shift in the health and status of the Egyptian economy along with these high levels of economic interaction with the US. This came in the form of rising public debt levels that reached \$7 billion by 1991, which were forgiven by the US that same year.<sup>9</sup> This debt forgiveness came with a precondition of Egypt joining the Gulf War against Iraq<sup>10</sup> and signaled a future of stronger US-Egyptian ties. This particular shift demonstrated how the US used tools at the disposal of the stability policy (debt forgiveness), as well as Washington, DC's belief in the link between the economic and the political realm. While debt forgiveness is not a specific focus of this book, this example nevertheless presents further evidence of how the US used economic tools to impact stability—regional in nature in this instance.

Before delving into Mubarak's first decade in power, it is necessary to stress the importance of incremental developments that took place in this period and indeed thereafter. The suppression of political opposition under the State of Emergency Law, the continuation of the *Infitah* policy, the sustained US support in the Egypt-Israel Peace Agreement and Gulf War context, all impacted the relationship between economics and stability during these first ten years of Mubarak's rule. These developments, as well

the US-Egyptian alignment over the Gulf War, provide a neat point from which to separate this chapter from the next.

To reiterate, this chapter focuses on the first ten years of Mubarak's time in power and evaluates how the stability policy was implemented during this period. An examination of the developments that took place between 1981 and 1990 provide evidence as to why the policy failed to influence stability in the country. These developments include the transition from a Sadat-led to a Mubarak-led Egypt, how some of Sadat's economic and political priorities continued under Mubarak, and the ongoing US support during this period, each of which contributed to the stability policy's failure. As a consequence, this chapter demonstrates how the relationship between economics and stability fared in this time frame. This is accomplished by analyzing primary source material, attained from interviews, research activities, and official documents. Further, this chapter includes the first of the quantitative analytical elements of this study. This captures the correlation between the economics and stability variables concerned with the US stability policy in Egypt between 1981 and 1990. The data used to carry out this analysis are in tables A1, A2, and A3 in the appendix. This chapter ends with a prelude to the conclusion of this book by integrating the qualitative and quantitative findings into the context of the broader literature concerned with economics and stability. These reflections, based on an analysis and explanation as to how and why the stability policy failed in Egypt during Mubarak's first decade in power, are further explored over the succeeding chapters.

### Changing of the Guard—but Not the Policy

Mubarak's approach to domestic and foreign affairs is usefully understood within the context of what the fourth president of Egypt inherited from Sadat. Mubarak came from the same mold as his predecessor—a military man who was popular in the same circles. The fact that Sadat appointed Mubarak as vice-president also points to the likelihood of policy continuation, at least to a certain extent. The roots of this policy continuation can be seen in Sadat's 1974 Working Paper that underlined the core principles of his domestic and foreign policies. The paper pointed to the Arab-Israeli War of 1973<sup>11</sup> as a turning point for the country, and indeed for the region “to affect and influence world policy.”<sup>12</sup> These grandiose, world affecting plans are worth noting here, as they indicate how the leader viewed Egypt's eminence. In turn, this points to the mentality of conducting business in a

manner that served these Sadat-identified interests. In the context of the stability policy, this translates to accruing the economic gains espoused in the stability policy, while limiting attempts to influence domestic affairs.

This was demonstrated by Sadat's pursuit of the notion that Egypt was at the "heart of the Arab nation [as a concept]," and therefore bore the responsibility to lead the endeavor to impact what he called "world policy," with a particular focus on economic cooperation.<sup>13</sup> Sadat detailed how the liberal nature of the Egyptian economy was of paramount importance in this context,<sup>14</sup> and the opportunities provided by the world economy were the means by which this was to be made possible. This is captured in the Working Paper where Sadat explains:

We are fully aware that the burden of progress and construction falls principally on the shoulders of the Egyptian people. Whatever local resources we can mobilise, we still have a great need for foreign resources. The conditions of today's world make it possible for us to obtain these resources in a way to strengthen our economy and speed up development. Hence the call for an outward-looking economic policy, a call based on an assessment of the Egyptian economy's requirements on the one hand, and the available opportunities for foreign financing on the other.<sup>15</sup>

Along with this call to harness economic strength, Sadat explicitly linked the Infitah policy to political autonomy later on in the paper by denoting how the need for "the outward looking policy . . . [amid] versatile and varied international economic relations . . . [enables] the freedom of our political movement."<sup>16</sup> Once again, these words indicate how Sadat viewed his country's position in the international political system, and subsequently adopted an approach that sought to maximize economic gains from international relations while maintaining the sentiment of political autonomy indicated above. Further, Sadat's emphasis on the importance of economic cooperation alongside the political autonomy mantra infiltrated the Mubarak administration's policies, in part by choice and in part by consequence.

In addition, a further Sadat-era characteristic that also made its way into Mubarak's tenure was that of corruption, and in particular the precedence given to Egyptian elites. The Sadat administration had become increasingly renowned for policies that benefitted elites in Egypt's society.<sup>17</sup> This was something that did not go unnoticed by Egypt's allies, including the US. It was clear that Washington, DC simultaneously pushed Egypt to

refrain from such preferential policies and implement corruption-busting reforms, while maintaining economic ties with Cairo. The most resounding evidence on this front came in the guise of the US policies and strategies toward the 1979 Egypt-Israel Peace Agreement, as well as the economic and military aid provided to Egypt during the final few years of Sadat's tenure. Each of these developments took place within the US stability policy context and ultimately demonstrated the precedence that broader strategic and security goals had over Egypt's domestic issues.

It is worth pointing out that the succeeding Mubarak administration acknowledged the impression and reputation of the Sadat administration's corruption levels. Mubarak himself explicitly noted in a speech one month after taking office "not to commit myself to what I cannot implement, hide the truth from the people, or be lenient with corruption and disorder."<sup>18</sup> This sentiment is worth considering in the context of political point scoring. Indeed, such rhetoric would ostensibly be expected from a newly elected leader, with an eye on garnering public support. Further, the newly elected leader took office at a time when Egypt was striving for continued economic development and prosperity that came in the promise and guise of the inherited Infitah policy. Mubarak's intent therefore was to maintain support from those who may have felt disenfranchised. That being said, Mubarak did not restrict his references to corruption and disorder to just words, at least in the first instance. An example of this came when Mubarak ordered the trial of Sadat's bus-driver-turned-millionaire brother Esmat, who along with his three sons were found guilty, jailed, and fined for corruption. Further still, in an effort to maintain public trust, the Mubarak administration took it upon itself to pursue Sadat's elite cadre of allies, referred to as the *Mungatibun*.<sup>19</sup> These actions were all in an attempt to maintain public support in a period that was feeling raw from economic hardship.

A sense of the public attitude toward this hardship came in the form of the two-day violent protests, known as the 1977 Bread Riots, which took place following the cutting of subsidies for flour, cooking oil, and other staples, in order to alleviate the public debt. These cuts followed the IMF and World Bank's requests to do so, in return for financial assistance. The riots led to a heavy-handed reaction where 80 protestors were killed, over 800 injured, and some 1,000 imprisoned. Further still, the event forced Sadat's hand to restore the subsidies to satisfy the demands of the protesters and limit further unrest.<sup>20</sup> It was therefore a priority for Mubarak to avoid such public unrest, and so his administration tried to gain as much public support as possible. This, however, proved to be a difficult task, given Egypt's ailing economic health.

In 1981, that is, in Mubarak's first year in office, Egypt had the highest level of public debt in the Middle East and Africa, amounting to 25% of GDP and swelling to 35% five years later.<sup>21</sup> Arthur Goldschmidt captured the sentiment and environment at the time where he noted that Sadat "bequeathed to Mubarak a country at peace with Israel, but not with its Arab neighbors, and certainly not with itself."<sup>22</sup> The reference to "peace with itself" here refers to the domestic situation in Egypt at the time in the economic sense (as indicated above) and in the political sense (discussed below). However, despite elaborate intentions to eliminate corruption, income inequality, and poor economic conditions in Egypt, many of Sadat's stances, which seemed to represent the antithesis of these aims, filtered into the Mubarak administration. For Raymond Hinnebusch, this is explained by how Mubarak ensured most of Sadat's policies remained in place post-1981, specifically the *Infitah* policy, policies that favored the elites of society, and economic dependence on the US.<sup>23</sup> This resulted in an environment ripe for the US to implement the stability policy, while simultaneously allowing for Egypt to resist any attempts at influencing domestic affairs. Further, this scenario demonstrated how the relationship between economics and stability was impacted by a number of external and internal political pressures.

One of these hereditary practices came in the guise of the *Wafd* Party, which was made up of nationalist and business elites who were able to successfully ensure that their interests were catered to. This came in the form of permission for the *Wafd* Party to resume political activities in 1983, having had a hot-cold relationship with Sadat.<sup>24</sup> That being said, Mubarak's pre-1983 moves to clamp down on the *Wafd* Party were viewed positively by his supporters who saw his efforts to dilute their influence as a vindication of him as a strong leader.<sup>25</sup> These and similar events pointed to Mubarak's reform-facing moves being confined to rhetoric.

Further, not all of Sadat's policies were negatively viewed when it came to a drive for corruption mitigation measures. On the one hand, Sadat's legacy included the introduction of parliamentary elections—the first of their kind in the country,<sup>26</sup> and something that Mubarak continued to honor. On the other hand, Mubarak's policies toward political opposition were better characterized as being strategically beneficial to the regime. This was something that was not too dissimilar to Sadat's way of governing. In essence, this came in the form of a pragmatic tendency to encourage political opposition parties, elections, critiques of the corrupt nature of the inherited Sadat system, while simultaneously ensuring that the Mubarak administration protected its power base and control of power.

Examples of this came when Mubarak initially criticized the Infitah policy in order to appeal to both the policy and Sadat's critics in Egypt, but importantly stopped short of reversing the policy altogether. Mubarak also exercised a limited level of political openness by freeing 1,300 political prisoners including the Muslim Brotherhood's supreme guide, Omar El-Tilmisani, in an attempt to forge public support and legitimacy in the early 1980s.<sup>27</sup> The success on this front was limited, however, not only by the system that Mubarak took over but also by his pragmatic approach of ensuring that he maintained a grip on power. This sense of pragmatism is down to what Anthony McDermott epitomizes as the way that Mubarak suppressed so-called Muslim fundamentalists and militias in Egypt but failed to tackle corruption among the Egyptian elite.<sup>28</sup> Indeed, this evidence points to Mubarak's resultant approach to political opposition as mirroring that of the Sadat administration. Furthermore, these developments point to how the continued pragmatic domestic policies altered the environment in which the US stability policy was implemented. Consequently, it is these precise domestic actions that then determined the trajectory of the relationship between economics and stability in this case. Given this, there is a need to capture these elements when understanding the stability-through-economics notion, and in this instance the prominent role that suppressing political opposition played in this process.

### Continuing Sadat's Clampdown on Voices of Dissent

Examples of Mubarak's extension of the Sadat-era trend of clamping down on opposing sentiment in Egypt came in the form of silencing political actors by ordering the foreclosure of critical publishing houses and banning religion-based political groups. This took place while the US stability policy continued to be implemented and was justified as a tool that would improve political conditions in Egypt—including the spread of liberal democratic norms in the country. Consequently, this meant that the clampdown on voices of dissent provided an environment where the stability policy failed to achieve its stated goal and offered a further example of how domestic policies determined the trajectory of the relationship between economics and stability.

Famously, the inspiration for Mubarak's suppression of critical voices in Egypt built on his predecessor's sentiment—often referred to in the statement that there should be “no religion in politics, no politics in religion.”<sup>29</sup> This mantra was in line with the Sadat administration's attempts



to separate religion from politics and garnish the benefits of engaging with the global economy characterized in the Infitah policy, as well as clamping down on religious opposition parties. However, Thomas Lippman notes how this process is less clear than Sadat's tagline implies, as official links between the Egyptian state and religious institutions existed under both administrations with some individuals at the head of these institutions registered as state employees.<sup>30</sup> That being said, Sadat's "no religion in politics, no politics in religion" served as a neat way of clamping down on targeted so-called religious-based opposition, a trend that Mubarak continued. In addition, both Sadat and Mubarak shared a pragmatic tendency to allow religious oppositional actors to enter the political fray at specified times that were aligned with presidential interests of maintaining power in Egypt.

An example of this came in the form of a closely aligned Sadat-Mubarak approach to domestic affairs. Initially, Sadat encouraged Egypt's agriculture minister, Ibrahim Sobhi, to allow the Socialist Labor Party (SLP) to voice their opposition to the ongoing Egyptian-Israeli peace negotiations in 1978. The SLP continued along this critical tack and eventually began rebuking political decisions that lay outside of the Sadat-determined peace negotiations remit. As a consequence, the party became outlawed and their leaders arrested in 1981. Then, in 1982, Mubarak allowed the SLP to resume its activities and subsequently stand in the 1984 elections. Then, following a 1987 SLP alliance with the Muslim Brotherhood (MB)—forged in an attempt to garnish "religious legitimacy"—the SLP was disbanded and prosecuted by the government once again.<sup>31</sup>

The Wafd Party won a lawsuit in 1983 that enabled them to stand in the country's elections the following year. During the elections, the Wafd Party forged an alliance with the MB to take 58 seats, or 15% of the total available in parliament.<sup>32</sup> Importantly, it was during this 1984 election that the political landscape in Egypt continued to reveal itself as replicating the preceding Sadat approach of clamping down on dissenting voices. US ties with Egypt were also mirrored when comparing the time in which Sadat and Mubarak were in office, with the stability policy continuing to be implemented, despite the fact that political suppression pointed to a failure to achieve the stability-oriented policy goals.

Analysts and commentators denote that Mubarak's 1984 decision to "allow" the elections to take place was down to the fact that he lacked the power to reverse Sadat's popular reforms, combined with the goal of maintaining stability while implementing tight economic conditions.<sup>33</sup> Further, the 1984 elections led to right wing and MB actors increasing their power and influence in Egypt as left-leaning parties fell in popularity and sup-



port, leading to an ideological split among the elite<sup>34</sup>—something that further contributed to the lack of stability in the country. That being said, it was clear that the MB alliance with the SLP, and the National Progressive Unionist Party's calls "for the restoration of socialism . . . and an end to the Infitah and bourgeois factions associated with it,"<sup>35</sup> denoted that political forces began to gather against the Egyptian regime. This came in a period of ailing Egyptian economic health as unemployment averaged 6.5% of the labor force and inflation averaged almost 17% between 1981 and 1990.<sup>36</sup> Further, the fact that the National Progressive Unionist Party and other grassroots parties (including the SLP) represented a large portion of the labor force meant that they were aligned to the MB, whilst simultaneously being unable to influence the Mubarak administration's decision-making.<sup>37</sup> Mindful of this growing political threat, Mubarak sought to dampen these growing voices of discontent.

The apparent growing influence of religious groups in Egypt, particularly the MB, did not sit well with the Mubarak administration and his National Democratic Party. As a consequence, Mubarak continued to use the State of Emergency Law to "regularly and brutally" suppress any form of opposing and dissenting voices.<sup>38</sup> The clampdown, however, combined with a National Democratic Party dominated parliament meant that the MB continued to find oppositional sentiment from which to garner support. Furthermore, the history and foundations of the MB lent itself to be a natural conduit in which oppositional voices could manifest themselves. A brief explanation of the MB's background is important here, as its own trajectory points to its specific role in the context of the relationship between economics and stability in this time frame.

The organization was initially founded as a charity. In 1928, its founder, Hassan El Banna, declared that it espoused Islamic values. It resorted to violent tactics under British occupational forces after their views were not incorporated into the Egyptian political system. This record also reflects the notion of a deep-seeded intent on resisting foreign interference in domestic affairs. Egyptian King Ahmed Fuad I clamped down on the MB (with British backing) in the wake of a number of violent and fatal attacks against the government.<sup>39</sup> Then, Nasser's initial tactic of accommodating the group was halted following the MB's attempt at his assassination on October 26, 1954. It was at this point that Naguib sought to coordinate with the MB to maintain his grip on Egypt's first presidency. For the US (and the British), however, this was problematic. The rise of the MB, which had demonstrated a propensity to take inspiration from one of its leaders, Sayyid Qutb, in the promotion of the use of violence against the state,<sup>40</sup>

was seen as a threat to US and British interests according to the American ambassador to Egypt, Jefferson Caffery.<sup>41</sup> This in turn fed into the MB pattern of being suppressed in the form of arrests and executions.<sup>42</sup> Years later, the Sadat administration's tactic of allowing the MB to carry out social and religious activities in order to counterbalance the left-leaning actors meant that the group was once again allowed to operate. The MB was locked out of policymaking decisions, however.

The MB's opposition to the Infitah policy, citing how the opening up of Egypt would go against Islamic values and only benefit elites in Egyptian society, fell on deaf administration ears. This opposition also led to a period of brutal clampdowns against the MB in an attempt to eliminate not just the radical offshoots but also the radical violence-supporting critics within the organization. Then, Mubarak took a different tack and aimed to work with the MB to target these same radical actors, leading to an increased MB influence in Egyptian society. This came in the form of successful MB operations in societal duties and agencies. The result was a society-based service that provided an alternative to the ailing Mubarak administration's public services that struggled to provide for the Egyptian people. The crisis in public service provision was further exacerbated by IMF and World Bank calls to further cut public subsidies by the end of the 1980s and early 1990s, in return for economic support. Consequently, the MB took it upon itself to provide certain education, health, and financial aid requirements in the country. This naturally fed into the Mubarak regime's unease as these "religion in politics" developments began to take shape. In response, Mubarak's administration resumed its tactic of clamping down on the group once more.<sup>43</sup> Each of these developments demonstrate not only how the Mubarak administration opted for a pragmatic approach to dealing with domestic political opposition but also the fact that these same domestic practices had an impact on stability in the country and thus determined how the relationship between economics and stability played out at this time.

Further, each of these developments led to an environment where dissenting voices and political opposition were marginalized to ensure that the Mubarak administration maintained its grip on power in Egypt. These developments, during the first ten years of Mubarak's reign, demonstrate how the Egyptian president was able to continue the tactic—instigated by Sadat—of accruing the economic benefits of the US stability policy while maintaining national political autonomy over domestic affairs. The result was a continued failure of the US stability policy, as the US support for the Mubarak administration allowed Cairo to continue to exert its suppressive

tactics within its own borders. US actions therefore can be seen as being complicit in Mubarak's heavy-handed approach to the opposition. This in turn resulted in an Egypt that was far from the fledgling politically democratic country that the stability policy envisioned.

### US Support and the Opposition

The US stood by its economic commitments to and support for Egypt even as the Mubarak administration continued to suppress political opposition. From Cairo's perspective the need for continued US support was necessary to help improve the Egyptian economy. This was particularly pressing given that Egypt had become isolated from the Arab world following the peace agreement with Israel. Indeed, Egypt's Arab League membership was suspended in 1979 following the agreement, as the other members conveyed their dismay at the first Arab state's official recognition of the Israeli state. This move was reversed in 1989, however, when, Iraq, Jordan, and Yemen pressured their fellow Arab League members to reinstate Egypt. This pressure proved successful as even the harshest objector (Syria) gave way to allow Cairo to resume its role in the organization.<sup>44</sup> This, along with Mubarak's aim of maintaining the US economic aid program that came with the peace agreement, ensured that barriers to the US stability policy measures flowing into Egypt were minimal or removed completely. Simultaneously, Mubarak's continued moves to suppress political opposition and refute external influence over domestic affairs meant the stability policy's aim of influencing Egypt's economic and political stability failed to gain traction in the domestic realm.

In foreign affairs terms, however, the picture was notably different. This pointed to how the White House sought to prioritize external or regional stability goals under Mubarak. An example of this comes in James Phillips's claim that the some \$19 billion foreign aid provided to Egypt by Washington, DC from 1974 to 1985 had "produced substantial strategic and foreign policy dividends."<sup>45</sup> Phillips identifies these dividends as breaking ties with Moscow, limiting the USSR and anti-Western influence in the region, signing the 1979 Egypt-Israel Peace Agreement, and acting as a moderator and stabilizer in the region.<sup>46</sup> This was compounded by the steady and increasing nature of US-Egypt economic ties, amounting to \$27.37 billion in total US-Egyptian trade,<sup>47</sup> \$14.96 billion in US FDI to Egypt,<sup>48</sup> \$10.85 billion in economic assistance, and \$11.77 billion in military assistance<sup>49</sup> in the ten years between 1981 and 1990. These resultant US-Egyptian economic ties

demonstrated the continued belief in and practice of the stability policy, despite a lack of progress on the domestic stability goals in Egypt, in light of the suppression of political opposition. This once again demonstrated how Egypt was able to balance aims of maintaining domestic political autonomy while accruing the economic gains associated with deepening economic ties with the US, and indeed the broader international community, through increased economic activity. From the US perspective, ties with Mubarak during his first ten years in power pointed to a tactic of ignoring domestic stability concerns at the expense of broader geostrategic interests. Indeed, President Reagan identified the Arab-Israeli conflict and regional stability as the most important issues tying both countries together, and supported this with improving economic relations between the US and Egypt throughout the 1980s.<sup>50</sup> The problem, however, would come when the resultant internally suppressed Egyptians had an impact on the external policies of the country. A sentiment that was best personified by the January 25 Revolution that ended Mubarak's regime.

Prior to this point, Egypt's deepened ties with the US also came in the diplomatic, political, and military realms. Examples include multiple reciprocated state and official visits between Egypt and the US in the 1980s. For instance, in February 1985, Egypt's foreign minister, Ismat Abd El Majid, visited the US and was followed in turn by the US secretary of state George P. Shultz's official visit to Egypt. Then, Mubarak himself made two state visits to Washington, DC in March and September 1985, with the aim of convincing the US to be more involved in reaching a solution on broader Arab-Israeli peace concerns.<sup>51</sup>

Mubarak's visits were also made in an attempt to ensure that the US provided support for Egypt's actions in the region. An almost immediate example of this came during September 1985 following Mubarak's visit to Washington, DC, when Mubarak issued a public warning to his neighboring Libyan leader, Muammar El Gaddafi, against carrying out an armed invasion of Tunisia. In response, Washington, DC and Cairo coordinated to carry out the 1986 joint US-Egyptian deterrence maneuvers off the Libyan coast.<sup>52</sup> These developments demonstrated how a combination of diplomatic, political, and military US support was provided to Egypt during Mubarak's first few years as president. The fact that this was echoed in the economic realm through the increased trade, FDI, economic assistance, and military assistance levels identified above demonstrated the US attempts to implement the stability policy in this time frame. Further, and linking this into the relationship between economics and stability, these developments led to consequentially amicable relations between the US and Egypt. In

turn, this provided an environment that would be conducive—that is, one that saw increased US-Egyptian interaction—to the stability-through-economics goal of the stability policy.

It is also important to note how significant the 1979 Egypt-Israel Peace Agreement was in ensuring that the US provided the requested and associated economic aid to Egypt. The agreement also acted as a precursor for the political support Washington, DC threw behind Cairo. Further, the fact that Mubarak was able to implement his domestic policies, including the suppression of oppositional voices and parties in this context, meant that the Egyptian president did so without impacting the economic aid program. This once again provided the environment for the continued acceptance of the associated economic benefits for Mubarak, while maintaining domestic political autonomy. This in turn failed to alleviate some of the domestic economic concerns.

Egypt was still struggling to balance public debt levels throughout the 1980s. In response, the Mubarak administration sought to cut subsidies on domestic produce. This was a decision that Mubarak took seriously, given how moves by his predecessor were followed by protests and riots. Pushes for domestic economic reforms to alleviate the debt burden came from the IMF, the World Bank, and Egypt's other main creditors in 1986. To help manage the process, a request was mooted for USAID to act in a supervisory role in running the Egyptian economy to ensure repayment of the loans owed. At that point, Egypt owed \$42.6 billion to its international creditors.<sup>53</sup> This demonstrated the US intent on ensuring that Egypt's economy followed a stable trajectory, while simultaneously representing something that had been resisted for so long—foreign intervention in Egypt's domestic affairs. Importantly for the purpose of this book, these developments also conveyed how the domestic economic conditions impacted the relationship between economics and stability. In other words, Egypt's public debt prompted more US engagement in Egyptian stability through economic means, as opposed to the implementation of the stability policy itself resulting in stability goals in Egypt.

Along the same timelines, the US-Egyptian Bilateral Investment Treaty (BIT) was signed, amended, and then renewed during the first six years of Mubarak's time as president. In 1981, the birth of the BIT provided a legal framework for investment between Washington, DC and Cairo. The treaty was amended the following year, following requests to renegotiate some of the provisions detailed in the document, and then renewed once more in 1986<sup>54</sup> following calls to adhere to requests from both American and

Egyptian civil servants. The BIT's four main objectives are important to lay out here, in particular due to their reach into the relationship between economics and stability in this case. These are spelled out as follows in the official BIT text:

- (1) Foreign investors are to be accorded treatment in accordance with international law and are to be treated no less favorably than investors of the host country or no less favorably than investors of third countries, whichever is the most favorable treatment ("national" or "most-favored-nation" treatment) subject to certain specified exemptions;
- (2) International law standards shall apply to the expropriation of investments and to the payment of compensation for expropriation;
- (3) Free transfers shall be afforded to funds associated with an investment into and out of the host country; and
- (4) Procedures are to be established which allow an investor to take a dispute with a Party directly to binding third-party arbitration.<sup>55</sup>

These four objectives were in line with the US Foreign Assistance Act, which, as noted in the BIT itself, is significantly linked to Section 601(b) of the Act:

In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President shall . . . accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, and its equitable investment in, friendly countries and areas participating in programs under this Act.<sup>56</sup>

Taken together, the aims of both legal documents were aligned with the US stability policy of ensuring that the US foreign economic policy measures were implemented in an unimpeded manner in order to achieve their economic and political stability goals. Further, in 1986, the assistant secretary for Near Eastern and South Asian Affairs, Richard W. Murphy, justified the US administration's drive to ensure that the economic aid program had a positive impact on Egypt's political stability by noting:

A strong and stable Egypt is crucial to virtually all of our interests in the Middle East and North Africa. In addition to being a Camp David partner, Egypt is a counterweight to Libyan meddling in the Sudan, Chad and Tunisia. Our security assistance to Egypt promotes readiness and military self-sufficiency necessary for defense against Soviet-armed states in the region.<sup>57</sup>

This was amplified by a USAID official who noted that “if you can replace 50,000 American troops by a \$1 billion annual investment in a ramshackle development program in Egypt, or, in other words, if you can have peace in the Middle East for \$1 billion a year, that is a hell of a bar.”<sup>58</sup> This preference for replacing military capabilities with economic means underlined the US dedication to the use of economics to achieve foreign policy goals, that is, the stability policy. Furthermore, Washington, DC’s 1991 decision to write off the Egyptian public debt owed to the US and provide \$19 billion in emergency economic resistance can further be attributed to following the stability policy.<sup>59</sup> These supportive US positions, despite the Mubarak administration’s ongoing suppression of the political opposition, meant that the stability policy had failed to achieve its goal of ensuring domestic democratic stability standards.

Further, the fact that the stability policy was continually implemented, despite the continued lack of stability in the political (that is, in the form of suppressing the opposition) and economic (public debt) realms, conveyed just how much Washington, DC blindly believed in the policy. Additionally, the developments also demonstrated how the broader US strategic goals of maintaining influence in Egypt took precedence over the stated political and economic stability goals declared by the US in its policy documents and espoused in the stability policy itself. Consequently, these domestic policies, twinned with the alternate strategic interests of the US, meant that the trajectory of the relationship between economics and stability was constrained by these forces. This demonstrates how the environment in which the economics and stability relationship occurred must be taken into account in order to provide an accurate assessment of the link between these two spheres. To complement this analysis, the next section provides a quantitative assessment of the stability-through-economics relationship during the first ten years of Mubarak’s reign. The data complement the above evaluation that the stability-through-economics policy failed to achieve its goals in this setting.



## The First Decade's Worth of Data Are Aligned

The political and economic landscape during Mubarak's first decade in power was conducive to the US stability policy. In the economic realm, Egypt's financial indicators required, sought, and received support from the US through the stability policy in the form of trade, FDI, economic assistance, and military assistance. When it came to the political sphere, the US believed and used the same stability policy support measures to maintain regional security endeavors (including the peace agreement with Israel) and improve conditions on a domestic level, that is, the forgiveness of public debt, which in turn would preempt protests over price hikes. This US stance toward Egypt, which started with Sadat before 1981 and continued with Mubarak after 1981, remained unfettered despite the continued ailing economy, as well as the persistent political opposition that was met with continued bouts of domestic suppression. This sentiment is echoed in a quantitative analysis of the relationship between economics and stability in this ten-year time frame.

To reiterate, this statistical analysis of Mubarak's 1981 to 1990 rule is aimed at complementing the analysis carried out for the large part of this chapter. This section is confined to a correlation analysis of the US foreign economic policymaking measures that represent the stability policy measures against Egypt's economic stability indicators. The statistics from which this analysis is based upon have been extracted from the IMF's Direction of Trade Statistics, the US Department of Commerce's Bureau of Economic Analysis, the World Bank's World Development Indicators, and Congressional Research Service databases. As a reminder, data on Egypt's unemployment as a percentage of the overall labor force are unavailable between 1985 and 1988, inclusive. These data have therefore been calculated using a line of best fit average. All of the data are presented in tables A1, A2, and A3 in the appendix.

This analysis determines the correlation between the four US foreign economic policy measures of the US stability policy, that is, US-Egyptian total trade, US FDI, US economic assistance and US military assistance, and Egypt's economic stability data between 1981 and 1990. The data for Egypt's political stability indicators are unavailable for this time period and are thus not included in this section. The analysis therefore focuses on the correlation between the four US stability policy measures against the following five Egyptian economic stability indicators: national economic growth (measured using GDP), inflation (CPI), currency stability, unemployment, and income distribution (GNI). To use the wording of the Spear-



man's rank correlation analysis test used here, the stability policy is operating under the hypothesis or  $H_s$  that the  $x$  value varies in a positive direction alongside the  $y$  value, that is, there is a positive correlation between  $x$  (the US stability policy measures) and  $y$  (Egypt's economic stability indicators). The Alternative Hypothesis or  $H_a$  is that there is a negative correlation between the US stability policy measures and Egypt's economic stability indicators, and the Null Hypothesis or  $H_o$  is that there is no correlation between the US stability policy measures and Egypt's economic stability indicators. Both  $H_a$  and  $H_o$ , therefore, support this book's argument that the stability policy failed to achieve its self-identified stability goals in this context. By operating under these parameters, it is possible to determine the extent to which or whether the four US stability policy measures were correlated against these five Egyptian economic stability indicators. The results of which are presented in table 1.

The results demonstrate that each of the twenty test results go against the US stability policy's assumption that the foreign economic policy measures have a positive correlation with Egypt's economic stability indicators. Breaking this down, nineteen of the twenty tests determined that there was no correlation between the US stability policy and Egypt's economic stability between 1981 and 1990.<sup>60</sup> In other words, these support the  $H_o$ . The exception to this pattern was the correlation between US-Egyptian total trade and income distribution in Egypt. In this instance, a strong negative correlation was observed between this aspect of the US stability policy and Egypt's economic stability indicator, supporting  $H_a$ . This is demonstrated clearly in figure 1, which includes the trend line for the correlation between these two variables. The trend lines for  $H_o$  are not included owing to the lack of a correlation and to avoid crowding out the graphs in figure 1.

As a consequence of this context, each of these results support the argument put forward by this book, that is, that the US stability policy measures failed to have a positive impact on Egypt's economic stability indicators. The point worth repeating at this stage is that this quantitative analysis reaffirms the findings of the more contextual analysis carried out earlier, and in a different manner. The aim of adopting such a mixed-method approach is to determine and triangulate whether the argument being put forward in this book holds when assessed from different perspectives. The results of this chapter do just that, albeit under certain conditions and given certain assumptions. What is perhaps even more stark is how these quantitative results were mirrored when it came to Mubarak's time as president post-1990, and indeed over the entire time he was in power. Both of these patterns are analyzed as this book continues.

TABLE 1. Correlation between the Stability Policy and Egypt's Economic Stability (1981–1990)

	GDP	Inflation	Currency Stability	Unemployment	Income Distribution
<b>Total Trade</b>					
Spearman's correlation, $r$	0.527	-0.164	0.069	-0.067	-0.746*
*95%, **99% CI	$H_0$	$H_0$	$H_0$	$H_0$	$H_a$
Two-tailed, $p$	0.117	0.651	0.849	0.855	0.018
95% CI					
<b>FDI</b>					
Spearman's correlation, $r$	-0.309	0.515	-0.199	0.224	0.188
*95%, **99% CI	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$
Two-tailed, $p$	0.385	0.128	0.582	0.533	0.608
95% CI					
<b>Economic Assistance</b>					
Spearman's correlation, $r$	-0.091	-0.248	-0.225	-0.564	0.576
*95%, **99% CI	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$
Two-tailed, $p$	0.803	0.489	0.532	0.09	0.088
95% CI					
<b>Military Assistance</b>					
Spearman's correlation, $r$	0	0.48	0.03	0.438	-0.517
*95%, **99% CI	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$
Two-tailed, $p$	1	0.16	0.934	0.206	0.126
95% CI					

**Key:**  $H_a$ :  $r$  value supports the argument with a negative correlation.

$H_0$ :  $r$  value supports the argument with no correlation.

## Mubarak's First Decade: A Symptom of Legacy

It is clear that some of Sadat's attitudes toward engaging with the US were inherited by his successor along with his domestic policies. Perhaps most pertinent, Sadat's "no religion in politics, no politics in religion" mantra, which enabled his administration to clamp down on political opposition, was picked up and continued by Mubarak. This included the treatment of the so-called Islam-led political opposition (such as the MB), the more nationalist leaning (e.g., Wafd Party), and the left-leaning (e.g., National Progressive Unionist Party) groups. Sadat's declared aim of accruing the benefits of becoming more engaged with the international economic system through the Infitah policy and seeking to lead the Arab world when dealing with global concerns, all while maintaining domestic political autonomy, was an approach that was shared by his successor.

This resulted in a 1981 to 1990 landscape and environment where the

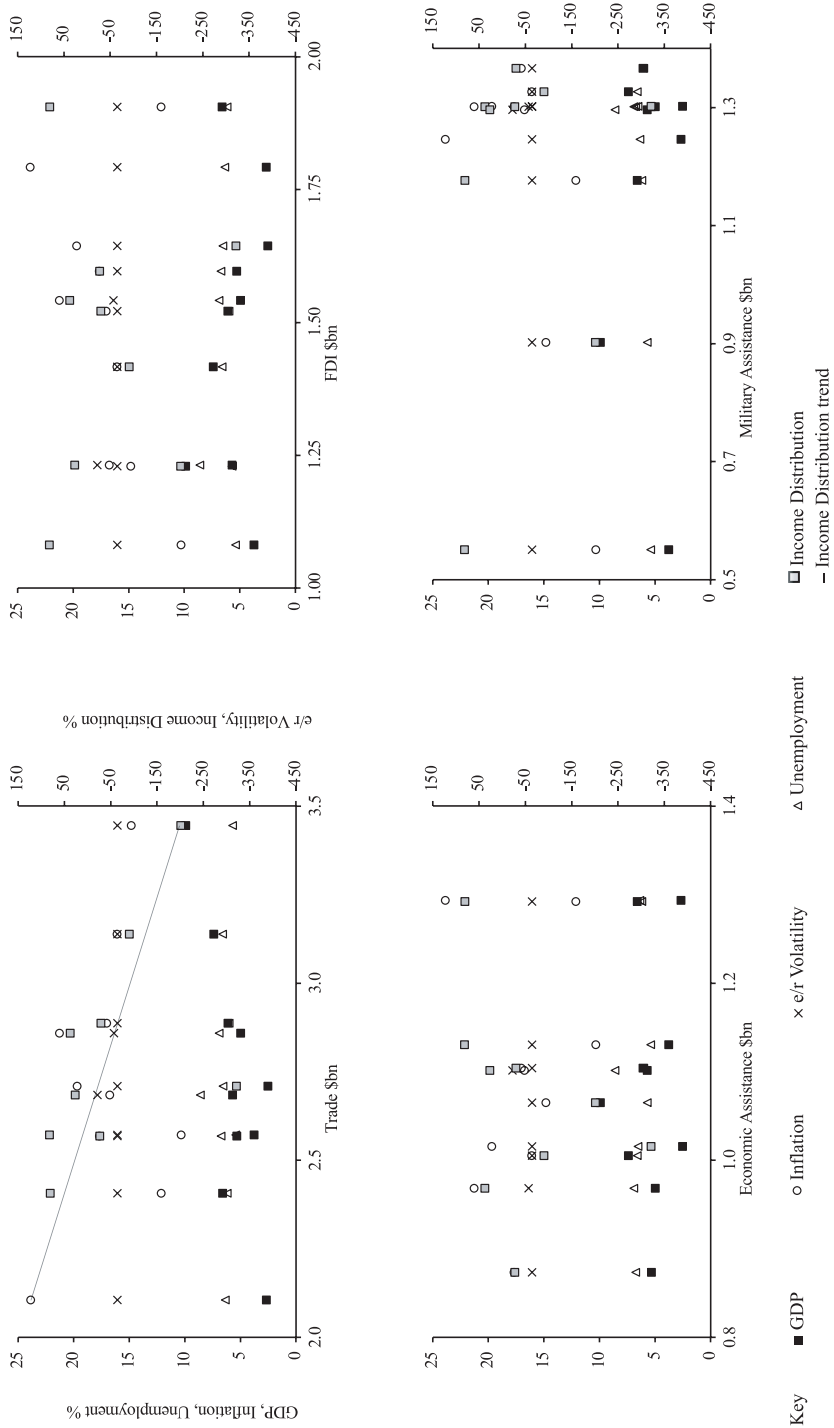


Fig. 1. Correlation between the Stability Policy and Egypt's Economic Stability (1981-1990)

US stability policy failed to positively impact the domestic political and economic stability indicators in Egypt. The developments on the ground did not seem to matter from the US perspective, as the White House's geo-strategic interests were being maintained at the expense of an underperforming economy rife with debt and inflation-inducing protests coupled with the suppression of domestic political opposition. The US prioritized the peace agreement with Israel, influence in Egypt over regional peace aims, and of course keeping the waning USSR influence in the country at bay. The more immediate problems for the US therefore were yet to come, as Mubarak's approach of keeping a lid on domestic discontent, and indeed refuting US calls to usher in domestic reforms (both political and economic), seemingly kicked the proverbial can down the road.

What is also notable is the fact that the US appeared to be cognizant of these developments. This became evident in the period immediately following the one covered in this chapter and promised more favorable conditions for the stability policy's success. Egypt's 1991 decision to join the Gulf War in the form of an armored division—courtesy of US training and equipment—was followed by public debt forgiveness, initially valued at \$14 billion from the US and Arab creditors. This political move also resulted in a closer relationship between the US and Egypt.<sup>61</sup> Then, after a 1991 agreement, the IMF and Paris Club of Creditors forgave half of Egypt's debt (amounting to \$10 billion) and provided \$4 billion in restructuring and grants to help stave off payment of the outstanding balance.<sup>62</sup> While this pointed to an improvement in Egypt's economic health, the problem in the political realm persisted. This was evidenced by the fact that Mubarak's grip on quashing domestic opposition tightening from the 1990s and beyond.

It is clear that the implementation of the US stability policy during Mubarak's first decade in power impacted the relationship between economics and stability. A brief note on the quantitative analysis carried out in this chapter is fitting and worth reflecting on here. Compellingly, all of the twenty tests carried out for this chapter support the notion that the relationship between economics and stability did not play out in a positive manner, as the stability policy explicitly intended. This outcome, albeit determined by the conditions and assumptions under which these tests were carried out, nevertheless points to a blind US belief in stability policy and provokes a reflection on how to improve the success rate of this policy. A more detailed reflection on these statistical results and their implications for policy are laid out in the conclusion of this book.

## Twenty Years of Economic Liberalization and Political Constraint

Mubarak's domestic and foreign policies continued along a familiar trajectory after his first decade in power. From 1991 and up until the year before the January 25 Revolution, the Mubarak administration sought to liberalize the economy by making Egypt more desirable for outside investors while simultaneously stifling and suppressing challenges to his rule. This approach to governance reflected that of the Sadat administration, which had initiated Egypt's economic liberalization agenda under the *Infitah* policy while simultaneously clamping down on political opposition. Taking this a step further, Mubarak was able to sustain this approach by refuting external intervention in domestic—particularly political—affairs and combined this with a pragmatic focus on attracting and strengthening external economic ties. The stability policy was the most generous facilitator in this context as Washington, DC's continued implementation of the policy provided the means with which Mubarak was able to rule Egypt for so long.

This setting was shaped by the lingering effects of the 1990–91 Gulf War. With Iraq on one side and Kuwait on the other, the US played the main instigator role in the Gulf War coalition that stood by the latter's side. Mubarak's decision to join the coalition made strategic and economic sense in the context of his economic liberalization and political constraint approach to governance. Indeed, Cairo's decision to join the war strengthened ties with Washington, DC and provided further incentive for the continued implementation of the stability policy. This

was reflected in the US decision to initially forgive \$14 billion worth of Egyptian debt and follow this up with a number of economic incentives. In turn, this had a positive impact on Egypt's finances and broader economic health. This simultaneously provided Mubarak with the resources to pursue his domestic and foreign interests during the 1990s. The September 11, 2001 attacks on the US then provided a fresh context for US-Egyptian relations and further strengthened the belief in and implementation of the stability policy.

President G. W. Bush's security-focused reaction to 9/11 provided the setting for more alignment with Mubarak, as the Egyptian president's domestic approach to suppressing challengers to the regime fell neatly in line with the Global War on Terror. The consequent environment resulted in even more US resources—particularly economic—making their way to Egypt. The intent and assumption was that these resources would ensure stability, conveying a further belief in the stability-through-economics theory that drove the stability policy. Mubarak was then able to press on with clamping down on protesting sentiment and forces in Egypt post-2001. This resulted in an environment where the US supported the Mubarak administration's domestic policies through the provision of resources. At the other end of the transaction and timeline, this created the setting for the January 25 Revolution ten years later.

It is useful to draw on some figures quantifying these strengthened US-Egyptian ties in this time frame to demonstrate this point. Between 1991 and 2010, US-Egyptian total trade hit an aggregated \$99.59 billion with a \$4.98 billion yearly average.<sup>1</sup> US FDI flows into Egypt amounted to \$77.42 billion in the same period and averaged \$3.87 billion a year.<sup>2</sup> Additionally, US economic assistance to Egypt hit a total sum of \$13.66 billion (with a \$1.73 billion average per annum), and \$25.98 billion in military assistance between 1991 and 2010. Each of these four US foreign economic policy measures followed a growing trajectory in this time frame, with the exception of US military assistance to Egypt, which hovered around an average of \$1.3 billion a year<sup>3</sup>—a US Congress stipulation for the military aid program in Egypt. This further demonstrated the US confidence in implementing the stability policy despite the resultant Egyptian context pointing to a failure of the same policy.

This chapter examines the developments that took place in this twenty-year time span to track how Egypt's national, regional, and global context further contributed to the US implementation of the stability policy. This provides the empirical information that should be captured when considering the relationship between economics and stability. Initially,

the focus is on how the end of the Cold War and the Gulf War set the scene for closer US-Egyptian ties. Moving from here, this chapter assesses how Mubarak's attempts to further implement the Infitah policy—albeit to a moderated degree—impacted the relationship between economics and stability. Notably, this led to a period of Egyptian economic growth, alongside the continued US practice of the stability policy. This was made possible by the continuation of the Reagan (1981–89) and G. H. W. Bush (1989–93) administrations' ties with Mubarak's government. This chapter then examines how the Clinton (1993–2001) administration's more human rights focused policies<sup>4</sup> impacted US-Egyptian ties and indeed the stability policy. Then the chapter takes a closer look at how the combination of the 9/11 attacks and the G. W. Bush (2001–09) administration's time in office led to the further belief and exercising of the stability policy. The overriding point in all this is that this US position led to the implicit validation of Mubarak's suppression of political opposition, which included the MB, as well as the April 6 and Kefaya Movements. This validation continued from 2009 under the Obama administration, and ultimately provided the environment for the January 25 Revolution—which is the focus of the next chapter.

This chapter also includes a quantitative analysis of the four US foreign economic policy or stability policy measures<sup>5</sup> against the five indicators of Egypt's economic stability<sup>6</sup> between 1991 and 2010, in a similar manner to the previous chapter. In addition to this, given the availability of the World Bank's World Governance Indicators (WGI) data concerning six indicators for Egypt's political stability between 1996 and 2010, this chapter also examines the correlation between the four US stability policy measures and the WGI indicators, that is, voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption. The data used to carry out this analysis are presented in tables A1, A2, and A3 in the appendix.

As a result of these qualitative and quantitative analyses, this chapter provides complementary evidence that supports the argument that the US failed to implement a successful stability policy when assessed against Egypt's political and economic stability between 1991 and 2010. By examining the developments that took place in this period, this chapter identifies the barriers to and facilitators of the policy's success, which ultimately paved the way for the January 25 Revolution. As a point of reflection on this evidence, this chapter highlights a need to reconsider the relationship between economics and stability given such a context.

### The Post–Cold War and Gulf War Context

The end of the Cold War and US “win” provided a subtext for a successful stability policy. The breakup of the USSR and waning Soviet sway over Egypt (and elsewhere) provided room for Washington, DC to further bolster its influence in Cairo. The Kremlin’s shrinking stature was an outcome that was in line with the US aim of extending influence in Egypt and the broader Middle East. Simultaneously, the US footprint in Egypt was further expanded through an economic assistance package worth \$2 billion and debt forgiveness, in return for Egypt joining the Gulf War coalition.<sup>7</sup> Taken together, these developments signaled a positive era for US-Egyptian ties and improved conditions for the stability policy.

At this point it is worth identifying how Egypt’s decision to engage in the Gulf War was a positive step toward a successful stability policy. In joining the war, the Mubarak administration was rewarded with a number of economic benefits. The most notable of which came from the Paris Creditors Club or Club de Paris. Seventeen members of the club—which included the US<sup>8</sup> and six observers<sup>9</sup>—held \$21.6 billion of Egyptian debt at the time. In response to Egypt’s commitment to the conflict, the Club de Paris granted Egypt with “ad hoc” debt forgiveness for half of the debt<sup>10</sup> and provided an additional \$4 billion in restructuring debt plans and grants to repay the outstanding half that remained.<sup>11</sup> In exchange, Egypt sent an estimated 45,000 personnel to the Gulf War including a US trained and equipped armored division and support staff.<sup>12</sup> This led to closer political US-Egyptian ties<sup>13</sup> and an environment where the US sought to press on with the stability policy.

This conducive stability policy environment is all the more significant when taken together with just how substantial US economic support for Egypt was at that time. In 1991, the majority of the US Congressional Budget Office’s security-related aid went to Egypt and Israel, despite their populations making up just 1% of the developing world. The gravity of this disproportionate dedication of security-targeted aid to Egypt (and Israel) was reflected in what the Congressional Budget Office’s Michael O’Hanlon reiterated as the strategic importance of Egypt to the US, the Middle Eastern state’s political stability, regional peace, and how deteriorating economic conditions could hamper these objectives.<sup>14</sup> Further, the end of the Cold and Gulf Wars resulted in a scenario where Washington, DC sought to safeguard its economic interests in Egypt and the broader region. This translated to a US aim of ensuring the stability and inflow of



Middle Eastern natural resources.<sup>15</sup> This in effect replicated the previous decade's trend of US aid to Cairo acting as an informal subsidizer of the Egyptian economy.<sup>16</sup> All this took place and amounted to an environment where the US was implementing the stability policy through the use of economic measures to ensure Egypt's political and economic stability.

This context provided an ideal opportunity for Mubarak to push on with his economic liberalization and political suppression policies. Off the back of the debt-halving and the early 1991 IMF and World Bank-mandated economic reforms,<sup>17</sup> the stage was set for an improvement in Egypt's economic stability and performance under the Infitah policy. In reality, however, the Egyptian president pursued a moderated version of the Infitah policy as he moved to shore up the interests of his allies and fellow elites. The liberalization of trade, commodity prices, and interest rates meant business owner wealth grew exponentially in this period. Simultaneously, reforms were implemented to improve public finances that included social welfare and commodity subsidy cuts, a suspension of university graduate employment programs, and shrinking public service budgets, including those related to transport, education, and health. The subsequent deterioration in the quality of these services disenfranchised lower income Egyptians who relied on public programs and subsidies, and the grounds for which political opposition voiced their dismay.<sup>18</sup> In reaction, the Mubarak administration continued its previous practices of blocking, delaying, and eliminating political opposition in the country. All this took place despite the continued US implementation of the stability policy in this period that sought to improve both the economic and political conditions associated with Egypt's poorest citizens. The stability-policy-facilitated economic support for Egypt therefore enabled the Mubarak administration to enact policies that led to deteriorating economic conditions as the 1990s progressed, pointing to the failure of the stability policy after the Cold and Gulf Wars.

By August 1991, the Mubarak administration continued to forge a path where economic reforms were aimed at improving Egypt's economic and financial health. In line with the previously mentioned economic initiatives, the Egyptian government implemented a plan to privatize public organizations in a bid to attract more investment and alleviate public debt levels. By the mid-1990s, the privatization plan had been performing poorly and was reflected in rising public debt and a surplus in public sector staffing levels.<sup>19</sup> The 2003 report by the African Development Bank (AfDB) and Organization for Economic Cooperation and Development (OECD) explained:

Of 314 firms earmarked for privatisation in 1991, only 191 have been privatised: 31 in 1999, 25 in 2000, only 13 in 2001 and six thus far in 2002 (with 19 expected by the government). Thirty-two firms counted as privatised were in fact liquidated, and 30 or so others were sold to workers' co-operatives.<sup>20</sup>

This highlighted the Mubarak administration's resistance to the reforms mandated by the IMF and the World Bank's funding program for the country. Further, this came in a period when Egypt's gross national income (GNI) per capita growth reached an average of 2.66% per year between 1991 and 2000, while the country's GDP on the other hand grew at a yearly average rate of 4.30% in the same time frame,<sup>21</sup> demonstrating how the country's economic gains were not evenly passed down to all Egyptians. Concurrently, this demonstrates the point that the US stability policy was failing to achieve the economic-stability-targeted goals in Egypt during this period. Despite this, and in an attempt to further bolster Egypt's economic health, the US-Egypt Partnership for Economic Growth—also known as the Gore-Mubarak Partnership, after US Vice-President Albert A. Gore Jr.—was launched in 1994. The Partnership explicitly focused on “policies to promote expanded economic growth and job creation in Egypt and to build mutually beneficial economic and commercial ties between the two countries.”<sup>22</sup> The clear intent was very much concerned with improving Egypt's economic conditions and US-Egyptian ties, both aims demonstrating a steadfast belief in the stability policy.

In line with, and indeed as a result of these developments, Mubarak was able to further his tactics of suppressing political opposition. To make matters worse, this was further propagated by the role that the US continued to play in supporting the Egyptian president through the end of the twentieth and into the twenty-first centuries.

### The Caveated 1990s Economic Growth and Political Suppression

During G. H. W. Bush's 1989–93 presidency, ties with the Mubarak administration strengthened along with the US resolve to implement the stability policy in Egypt. As discussed earlier, this resolve was linked to the G. H. W. Bush Gulf War strategy of increasing foreign assistance to Egypt as an incentive to join the conflict's coalition.<sup>23</sup> USAID qualified this strategy by underlining how important Egypt was in fostering regional stability—while noting that this was of strategic interest to the US.<sup>24</sup> These points

were made to acknowledge how the poor performance of the Egyptian economy would have a detrimental impact on Egypt's political and economic stability. Such a scenario would potentially derail Washington, DC's regional peace goals, thereby creating this cycle where the US provided economic assistance to ensure Egyptian stability and regional harmony, which was then bolstered by more economic assistance. The US focus therefore centered on Egypt's ability to break down or remove barriers to stability. In order to do so, the G. H. W. Bush administration "insisted that the Egyptians engage in economic policy reform that would bring about structural adjustment and free market development."<sup>25</sup> This push for continued reforms once again highlighted the US dedication to the stability policy. Indeed, the drive toward a liberal Egyptian economy would lead to an environment where the stability policy could operate unimpeded, from the US stability-through-economics-theory-informed policy perspective. The problem, however, was that the Mubarak administration continued to implement domestic economic policies that benefitted the minority high earners in Egypt. This was reflected in the annual income distribution (GNI) growth level falling from 1.86% in 1990 to just 0.30% in 1991 along with unemployment in the labor force growing from 8.60% to 9.60% in the same period.<sup>26</sup> In reaction, the voices of political opposition grew in Egypt only to be silenced by the Mubarak administration, highlighting how the stability policy was still failing to achieve the desired effect in both the political and economic realms.

Mubarak believed that political opposition posed a threat to his presidency, something that was reflected in the government and public response to the most destructive earthquake in Egypt since the 1800s. At the time of the October 1992 earthquake, a privatization drive and budget cuts meant public services struggled to provide for those affected. The event led to 545 deaths, 6,512 people injured, 9,350 homes destroyed, and a number of damaged homes at a total estimated loss worth \$1.2 billion.<sup>27</sup> The poor status of public services pushed people to seek alternative sources to aid in their recovery. One alternative was the MB, which was seen as a political threat by Mubarak. Following the natural disaster, the MB outpaced state services by providing food, medicine, and financial aid. In reaction, the Mubarak administration made an official announcement delineating that aid providers must be licensed and aid delivered either by government agencies or government-licensed NGOs—two categories that disqualified the MB. This was followed by a policy that banned all religious parties from running in future parliamentary elections. In response, the MB and similar organizations reverted to less overt and often violent activities (cov-

ered later).<sup>28</sup> These developments were noticed by Washington, DC and prompted a number of attempts to make Mubarak change course, once again through the stability policy.

An example of this came in 1993 when USAID endeavored to develop a program that mandated Egypt's parliamentary elections—and indeed the parliament or *Majlis Al-Shaab*—adopt more open and democratic procedures. For Mubarak, however, this threatened his political supremacy. Indeed, the Egyptian president was averse to stepping aside for a successor or even appointing a nonmilitary vice-president “for fear of creating a rival.”<sup>29</sup> To try to alter the situation, Washington, DC threatened to withhold economic aid to Egypt unless Cairo ushered in political reforms. The threat was seen as a US attempt to influence Egypt's domestic affairs. With Mubarak (and other Egyptians who resisted external influence) irritated, the US was called on to temper this strategy for fear of stoking the anti-American sentiment that had been prevalent under Nasser and Sadat.<sup>30</sup> As a consequence, this US push for political reform was censored into not condoning Mubarak's political suppression tactics, as opposed to outright criticism. This of course translated into a failure of the stability policy's aim of improving Egypt's political stability conditions, as Mubarak continued to clamp down on his opposition through a number of domestic actions.

An example of this came in the eleven years between 1993 and 2003 when Mubarak was criticized on one occasion by an opposition party newspaper. In reaction, the Mubarak administration closed down both the newspaper and the political party associated with the outlet.<sup>31</sup> This came at a time when the US ambassador to Egypt, Robert H. Pelletreau, had condemned Cairo's human rights record, resulting in official complaints by the Egyptian authorities in 1993.<sup>32</sup> Economic support to Egypt, however, remained strong under the 1989 to 1993 G. H. W. Bush administration, with US-Egyptian trade hitting \$15.47 billion,<sup>33</sup> FDI reaching \$6.86 billion,<sup>34</sup> economic assistance coming in at \$4.75 billion, and military assistance totaling \$6.50 billion<sup>35</sup> in this period. This not only demonstrated how the US continued to believe in and implement the stability policy but also the diluted nature of Washington, DC's calls for domestic reforms in Egypt.

### Clinton's Shift in Focus Still Maintained the Stability Policy

The Clinton administration followed a similar path to its predecessor when it came to international relations. Dionysis Markakis describes Clinton's ties with the Middle East as focused on three elements: an Arab-Israeli

peace settlement, democracy promotion, and free market expansion.<sup>36</sup> Each of these went hand in hand with the stability policy, although Mubarak still resisted interference in domestic affairs and pointed to a failure to reach the policy goals associated with domestic stability measures.

Initially, Clinton took a strong stance toward promoting democratic ideals in Egypt. This became evident when the White House expressed dismay at Mubarak's suppression and torture of political opposition,<sup>37</sup> marking a relatively more vocal criticism of Cairo when compared to that of the preceding G. H. W. Bush administration. This criticism began to filter down to some aspects of US-Egyptian economic ties. FDI to Egypt fell from \$1.51 billion to \$1.09 billion,<sup>38</sup> economic assistance shrank from \$751.10 million to \$602.80 million, and military assistance fell by \$1 million to \$1.301 billion between 1993 and 1994.<sup>39</sup> On the other hand, total trade between the two countries grew by \$11.20 million over twelve months to reach \$3.44 billion in 1994,<sup>40</sup> as the US went as far as expressing praise for Egypt's economic reform program and moves toward economic liberalization.<sup>41</sup>

The mid-1990s also marked a turning point as to how Washington, DC referred to economic ties with Cairo. At the time, the State Department set up the security assistance program to ensure Egypt was able to bolster and maintain its defense capabilities, cooperate with US forces in a coalition setting, and continue to be a stabilizing force in the region, all while highlighting the strategic significance of Egypt's Suez Canal and airspace for military transit purposes.<sup>42</sup> The priorities seemed to mirror that of the preceding G. H. W. Bush administration, with the exception coming in the way the Clinton administration framed the security-focused narrative.

The US was also aware of the threat posed by so-called Islamic extremism. In addition, the White House was cognizant of the fact that the use of lethal force against political opposition (and the broader population) had a negative impact on tackling this threat in Egypt. As identified by a Clinton administration senior official, social-economic inequalities and deficiencies were politically exploited by these violent groups. The official continued to explain that the majority of US aid to Egypt was targeted at

economic reforms, because it's only through, in our view, and the Egyptians share this, it's only through moving forward on the economic/social agenda that one is able . . . to undercut the ability of these Islamic extremists to undermine the political process, and quite frankly, come to power.<sup>43</sup>

These rephrased and refocused ties were further bolstered by the 1994 Gore-Mubarak Partnership, which aimed to promote stability and prosperity in Egypt through increased economic cooperation (including trade), enhanced economic reforms, and private sector growth.<sup>44</sup> Several US legislative officials who discussed the topic with me explained how this reflected a shift away from a US policy that focused on aid to one that focused on trade. This was reflected in an immediate boost to US-Egyptian trade by \$202.40 million in twelve months to reach \$3.64 billion in 1995,<sup>45</sup> US FDI to Egypt growing from \$1.090 billion in 1994 to \$1.093 billion a year later,<sup>46</sup> economic assistance to Egypt almost doubling from \$0.603 billion in 1994 to \$1.11 billion in 1995, and military assistance growing by \$200,000 in the same period.<sup>47</sup> Gore's subsequent 1996 visit to Egypt further enforced Mubarak's new approach of ensuring that the country's private sector led the way to a liberalized economy.<sup>48</sup> Each of these developments took place while Egypt's domestic policy was still one that repressed opposition.

Between 1990 and 1997, the struggle between Mubarak's security forces and so-called Islam-inspired actors "claimed hundreds of lives, including those of leading politicians, media figures and intellectuals," and resulted in the government's widespread abuse of human rights according to Duncan Clarke.<sup>49</sup> In turn, this meant that US short-run aims of maintaining stability were met—in the sense that a civil war did not occur, the 1979 Egypt-Israel Peace Agreement was still in place, and Egypt did not disturb the broader regional stability—with the long-run aims geared at increased democratic and economic reforms remaining elusive. This was something that Egyptian officials capitalized on, particularly when it came to US support for Israel and the 1979 Egypt-Israel Peace Agreement. For Clarke, this was manifested in the way that "almost from the [US-Egypt aid] program's inception, Egypt viewed the aid as an assured entitlement for having made peace with Israel."<sup>50</sup> Consequently, any attempts to attach additional conditions to these US-Egyptian ties were met with resistance and resulted in a situation where US economic ties with Egypt were unable to promote economic development or reforms. This meant the stability policy was hamstrung in its ability to achieve its aims, given Egypt's domestic environment. It seemed that the threat of withholding aid (and broader economic assistance) to Egypt until these reforms were implemented was an increasingly viable route to follow.

This was explicitly recognized in 1996 by the US secretary of state Warren Christopher in an internal State Department report. One of the key recommendations suggested that the US reduce economic aid to

Egypt in the late 1990s.<sup>51</sup> Meanwhile, the Mubarak administration was suffering from domestic unpopularity, as evidenced by the unrest and fragmentation within Mubarak's National Democratic Party (NDP) in the 1995 and 2000 elections.<sup>52</sup> The stage was set for the US to use the "stick" end of the policy tools at its disposal and even adopt the State Department recommendation. The Clinton administration, however, resisted a shift to this approach to Egypt, indicating its deference to domestic issues in the Middle Eastern state.

This was further demonstrated in the context of the search for Mubarak's successor as concerns over a nondemocratic process in this regard emerged. By 2000, Mubarak's son, Gamal, joined the NDP and was appointed the party's chair of the Policy Secretariat in 2002. This enabled Gamal to develop his policy ideas and invite businessmen to join the secretariat.<sup>53</sup> As a result, a number of prominent Egyptian businessmen began to take up key posts within the NDP and eventually to win seats in the Majlis Al-Shaab in the 2000 (and 2005) elections.<sup>54</sup> At the same time, the distribution of wealth continued to follow a negative trend, as GNI fell from a yearly growth rate of 3.31% in 2000, 1.83% in 2001, and contracting by 0.50% in 2002, despite an average yearly GDP growth rate of 3.76% in the same three years.<sup>55</sup>

The end of the 1990s marked a similar sentiment of continued concerns over Egypt's public debt levels, just as they had done a decade earlier. This was mainly down to the way the economic reforms—mandated by the IMF and targeted by US economic ties with Egypt—were being implemented in a manner that served high earners in Egypt's society, who also happened to surround and support Mubarak.<sup>56</sup> Further, ongoing US economic aid and support for the Mubarak administration, despite these concerns, meant that Cairo was able to continue along a path of unchecked suppression of political opposition at the turn of the century. Resultantly, the stability policy continued to fail in its endeavor to promote political and economic stability in Egypt at this point. Then, the 9/11 attacks shifted US-Egyptian ties once more to a stronger and closer alliance that promised even more favorable conditions for the stability policy.

### 9/11 and US-Egyptian Ties

Between 2001 and 2010, US-Egyptian ties shifted as both the G. W. Bush and Obama administrations pushed on with the stability policy. Broadly speaking, this meant Washington, DC continued to pursue a mixed set of



policy goals in Egypt that focused on antiterrorism and democracy. This came following the 9/11 attacks and further conveyed how Washington, DC attempted to reassert a liberal and democratic philosophy rooted and epitomized in the US Constitution.<sup>57</sup> In reality, however, G. W. Bush's Global War on Terror resulted in a more hardline approach to political discontent. This translated into even more explicit US support for the Mubarak administration to suppress political opposition. With respect to the stability policy, this was not necessarily a negative outcome as antiterrorism aims aligned with political and economic stability goals. However, the tendency of the Bush administration (and indeed with a slightly different emphasis under Obama) to focus on security goals over those that promoted democracy created an environment where the stability policy failed to influence Egyptian stability. This led to a familiar US-Egyptian relationship that balanced two aspects.

On the one hand, the 9/11 attacks led to a closer alignment between the US and Egypt when dealing with potential terrorist perpetrators. This was made clear when G. W. Bush went as far as praising Egypt's heavy-handed response to terrorist actors.<sup>58</sup> For Egypt this was a welcome compliment and marked a period where the Mubarak administration sought to devalue any Egyptian human rights abuse criticisms. An example of this came when Egyptian prime minister Atef Abeid cited the 9/11 attacks as a reason the US and other "Western countries should begin to think of Egypt's own fight against terror as their new model."<sup>59</sup> This, however, was problematic for the stability policy as Egypt's heavy-handed approach to political opposition was met with more criticism.

Concurrently, and linked to this first aspect, the 9/11 attacks did not silence US concerns around how Egypt continued to treat political opposition. Indeed, Cairo's support for Washington, DC in the wake of the attacks was not enough to deter the US Congress from attempting to use the flow of economic aid to Egypt as a means to influence the way it treated political rivals. At the same time, the Egyptian perception that the US was attempting to interfere in its domestic affairs led to a number of unprecedented public demonstrations during this period.<sup>60</sup> In a reaction, and linked to this, the Mubarak administration continued to voice its opposition to the intrusive US foreign policy of attempting to influence the government's domestic conduct. In response, Congress sounded even louder calls to limit the flow of economic aid to Egypt until such suppressive tactics were addressed.<sup>61</sup> These congressional calls did have a limited success. Indeed, US economic assistance to Egypt was kept at an average of \$521.49 million between 2001 and 2010, peaking at \$911 million in 2003 and troughing at



just \$250 million in 2010.<sup>62</sup> Simultaneously, the US applied an additional condition to this economic assistance that called for an accelerated economic and political reform program in Egypt.<sup>63</sup> This was a condition that once more fed into the “intrusive” US foreign policy narrative that sparked protests in the country.

From the US perspective, Egypt was to implement these reforms in recognition of the fact that Cairo was the second most economically assisted country in the world (behind Israel) when it came to receiving US assistance. This point was further verified in February 2002, when the IMF and the World Bank Structural Adjustment Program loans, along with those from USAID and the AfDB, were recognized and committed to help stabilize Egypt with reference to quelling potential economic drivers of post-9/11 violence through a grand financial package worth \$10.3 billion over three years.<sup>64</sup> This not only demonstrated the continued US belief in the stability policy but also the tendency to use economic measures to mitigate against potential causes of instability. These actions were shrouded in the dual US complex of maintaining a strategic relationship with Egypt while trying to prompt economic and political reforms, a complex that continued to demonstrate a US preference for broader strategic goals at the expense of domestic Egyptian political (and to a certain extent, economic) stability targets.

To add further context to this point from a US perspective, Egypt was continuously referred to as “an outpost of stability in a politically turbulent region” after the signing of the 1979 peace agreement with Israel.<sup>65</sup> This became increasingly important in the context of the Global War on Terror, as the Mubarak administration was deemed essential in the drive to stave off so-called Islam-propagated actors from gaining power in Egypt, and of course in support of attempts toward a lasting Arab-Israeli peace. As a consequence—and crucially in the context of the failing stability policy—Mubarak was able to continue with his domestic repressive policies and actions by linking actors like the MB to terrorist activities and causes. This predictably resulted in US (and other foreign) support for the Mubarak regime, which Ahmad Shokr describes as a firm belief in the fact “that keeping Egypt safe from the threat of religious extremism, terrorism and regional strife requires a coercive security state that can suppress any political unrest through force and intimidation.”<sup>66</sup> The strategic importance of Egypt’s peace with Israel was also directly linked to broader regional peace and stability goals following the 9/11 attacks. US support for Egypt’s military and economic performance was aimed at maintaining a stable region that was in line with Washington, DC’s interests.<sup>67</sup>

In sum, it is clear the post-9/11 US strategy of shoring up security in Egypt (and indeed the world) was also linked to pushing through political reforms. From the G. W. Bush administration's perspective, these reforms were required to promote a more inclusive form of governance in Egypt, thereby contributing to political stability, which in turn served US interests. That being said, the US veered away from translating this into a punitive policy toward Egypt, that is, a policy that punished Egypt for not implementing political or economic reforms. This in turn demonstrated the deference toward broader strategic interests over specific democracy-inspired reforms. Consequently, this tendency to ignore the Mubarak administration's repressive domestic practices led analysts to contend that Egypt was less democratic in the twenty-first century than it was when Mubarak first came to power.<sup>68</sup> This further highlighted the US role in supporting Mubarak's clampdown on political opposition and represented a further failure of the stability policy's ability to forge a more politically representative and ultimately stable Egypt given how these developments took place in the run-up to the January 25 Revolution.

### Clamping Down on Protesting Sentiment and the US

The US Global War on Terror focus after the 9/11 attacks did not alter the Mubarak administration's approach to domestic affairs. This was reflected in the fact that the final ten years of Mubarak's regime saw continued suppression of domestic dissent in order to maintain a monopoly over political power in the country. For Washington, DC, calls for Cairo to improve its domestic political landscape through reforms were therefore restricted to a superficial level that did little to reduce suppression tactics. This once more reflected the idea that the US—and the stability policy—sought to maintain broader regional and regime security interests.

An example of this came at the end of 2002 when G. W. Bush introduced the Middle East Partnership Initiative (MEPI). The initiative initially identified four pillars for reform and a slated budget of \$29 million in the first year that rose to \$100 million and then \$149 million in 2003 and 2004, respectively. The four pillars came under governance/democratic, economic, education, and women's empowerment reforms, with the funding for these four pillars equal to 28%, 33%, 26%, and 13% of the budget, respectively.<sup>69</sup> This was nothing particularly novel, but rather a reaffirmation of the stability policy that had manifested itself in the preceding decade through the USAID's programs in Egypt (as well as in Jordan and

the Palestinian territories).<sup>70</sup> The MEPI came along with US Congress and executive office attempts to push the Mubarak administration into reforms, as highlighted by G. W. Bush in 2003:

Many Middle Eastern governments now understand that military dictatorship and theocratic rule are a straight, smooth highway to nowhere. But some governments still cling to the old habits of central control. There are governments that still fear and repress independent thought and creativity, and private enterprise—the human qualities that make for a—strong and successful societies . . . The great and proud nation of Egypt has shown the way toward peace in the Middle East, and now should show the way toward democracy in the Middle East.<sup>71</sup>

This push for political reforms failed to materialize into much beyond rhetoric, as the US president stopped short of devising and implementing the means in which these goals could be achieved,<sup>72</sup> whether through a changing policy stance or more punitive measures. In Egypt, human rights activists who sat on the National Council for Human Rights continued to highlight their concerns as the organization was unable to moderate the Mubarak administration practice of suppressing domestic opposition. According to Steven Cook, Mubarak perceived these human-rights-cited issues as a challenge to his regime's power or indeed an excuse to alleviate the crack down on terrorists in the country.<sup>73</sup> This continued suppression of political opponents did, however, prompt more calls from the US Congress to reconsider aid to Egypt.

A notable example of this came in 2004 when the US Congress attempted to force a harsher US stance toward the Mubarak administration's suppressive domestic tactics. This included proposals for punishing Egypt for these actions. For its part, Capitol Hill recognized how the US financial aid package to Egypt focused on building up the Mubarak administration's military strength, as opposed to the desired wider political and economic reforms. This prompted Representative Thomas Lantos, a Democrat from California, to suggest a diversion of some \$325 million in US funds to Egypt away from military programs and into economic programs.<sup>74</sup> These calls were met with hostility from Cairo. The Mubarak administration described Lantos's reforms as a method by which the US aimed to interfere in the country's domestic affairs and ultimately weaken Egypt.<sup>75</sup> This not only invoked the rejectionist sentiment that had existed in Egypt (and the region) since it gained independence, but also repre-

sented a barrier to the stability policy's success. Further, Mubarak's critiques of Washington, DC's calls were further strengthened by Egypt's role in the broader regional context at the time.

In the wider context, the 2003 invasion of Iraq coincided with a jump in Suez Canal revenues that made their way into Egypt's coffers. The available data show that these revenues averaged \$1.86 billion between 1990 and 2002, peaking at \$1.96 billion in 2002 and bottoming out at \$1.63 billion in 1990. This dramatically changed during the invasion year, which saw a jump in revenues to \$2.61 billion in 2003 that marked the lowest annual value between that point and Mubarak's ouster. This 2003 to 2011 period recorded an average yearly Suez Canal revenue of \$4.25 billion, with a peak of \$5.61 billion in 2007, and \$5.22 billion in 2011.<sup>76</sup> This financial injection—instigated by growing Euro-Sino cargo and US military transport to Iraq that traveled through the canal<sup>77</sup>—made it easier for Mubarak to ignore calls for reform. Indeed, the Mubarak administration failed to successfully implement the Structural Adjustment Program reforms, which resulted in a scenario where business elites continued to reap disproportionate benefits. This was made possible by the oligopolistic nature of wealth in Egypt, with annual GNI per capita growth of between 1% and 2% in 2003 and 2004, despite annual GDP growth coming in at double these figures.<sup>78</sup> This inequality was further compounded by the July 2004 appointment of Prime Minister Ahmed Nazif, who continued to include private business owners in the Egyptian political structure (i.e., on public councils and committees) and pushed through even more privatization plans for the energy, petrochemical, and financial sectors.<sup>79</sup> What this meant, of course, was that the domestic conditions were such that they provided barriers to a stability policy that was able to address and improve Egypt's economic stability indicators.

In the political realm, Nazif's actions in this period contributed to the weakening and silencing of the regime's opposition. This was demonstrated through a continued practice of ignoring calls by left-wing groups and actors to slow the liberalization of Egypt's economy, along with an institutional silencing of labor movements in the country. A notable example of this came when the Mubarak administration only recognized Egyptians who joined their industry-specific unions. These unions were then governed by the Egyptian General Federation of Trade Unions, which was run by Mubarak's allies. Indeed, the government ensured that the federation was run by wealthy businessmen or those who were concerned with private over public sector interests, all of whom were sympathetic to the Mubarak administration's concerns.<sup>80</sup>

It is worth noting at this point that Egypt's privatization efforts were in response to the US (and IMF) pressure to implement economic reforms—the same reforms that had led to a number of strikes during the late 1990s and early 2000s.<sup>81</sup> Indeed, the State Department mantra of shifting US-Egyptian ties “From Aid to Trade” was aimed at pinpointing the economic-reform-focused conditions that came with economic support from Washington, DC. This mantra—which was in line with the MEPI—aimed to move US-Egyptian support away “from infrastructure, health, food supply, and agriculture toward market-based economic development, good governance, and training programs.”<sup>82</sup> This focus was also aligned to the stability policy. Indeed, the USAID's commodity import program at that point aimed to ensure that economic aid to Egyptians focused on importing US goods, which came hand in hand with cooperating with and strengthening military cooperation between the two countries to ensure “regional security and stability.”<sup>83</sup> Despite the aims of these economic and political reforms under these various US agency and international organization initiatives, the Mubarak administration stood firm in blocking external influence in domestic affairs. In other words, the Egyptian government continued to halt or delay the implementation of economic and political reforms.

As a result of this, a wave of public discontent continued to grow toward the Mubarak regime by the mid-2000s, particularly in the run-up to the 2005 general election. This provided an opportunity for Washington, DC to further encourage or even become more forceful in persuading Cairo to change tack and implement reforms. Unfortunately, the US continued to restrict criticisms to statements and rhetoric that did not make their way into official policies toward Egypt. In practice, this meant the US continued to throw its weight behind the Mubarak administration as regional strategic interests continued to take precedence. In turn, this meant Washington, DC continued to implement the stability policy despite clear signs that it was failing to achieve its goals.

### The Stability Policy, Kefaya, and April 6

The failure of the stability policy became particularly evident with the formation and rise of the Enough or Kefaya Movement from the mid-2000s onwards. The movement, officially titled the “Egyptian Movement for Change,” was founded in the year before the 2005 general election with an aim to capture a mantle for change in Egypt. Kefaya identified that their very foundation was prompted by “the first major anti-Mubarak demon-

stration ever” and went on to explain that “the catalyst for the organization’s creation was the impending 2005 presidential elections in Egypt. At stake were issues related to the persistence of authoritarian rule and the inheritance of presidential power.”<sup>84</sup> The focus was therefore very much on the malpractices of the Mubarak administration. Kefaya’s membership was made up of a diverse coalition of individuals from different parts of Egypt’s society, all united under the banner of rebutting the Mubarak regime’s monopoly over power and signs that Gamal might succeed his father. This conveyed the widespread nature of public discontent in the country.

Furthermore, this sense of dissatisfaction led to a number of protests in the run-up to Kefaya’s foundation. Joel Beinin estimated that this pushed some two million workers into action as they “participated in more than 3,300 factory occupations, strikes, demonstrations, or other collective actions . . . [in protest of] low wages, non-payment of bonuses, wage supplements, and social benefits, and private investors’ failure to uphold their contractual obligations” to the workforce between 1998 and 2010. This included the thousands of Misr Textile company strikers in 2006, a municipal real estate tax collection sit-in in 2007, and mass demonstration in the form of the 2008 El-Mahalla El-Kubra protests.<sup>85</sup> In reaction, the Mubarak administration reverted to the practice of silencing political protests. This response was exercised under the 1981 Emergency Law that had remained in force and manifested itself in the form of security forces implementing fierce clampdowns on protestors, particularly from 2004 onward.<sup>86</sup> These developments, however, were not enough to force a change in the US position toward Egypt. This was reflected in the following statement by State Department spokesman Sean McCormack during a press briefing in 2006:

Egypt is a good friend. Egypt is a good ally. We have a lot of common issues that we’re working on together in terms—certainly in fighting terrorism, certainly in trying to bring peace to the Middle East. That said, when there are issues that arise like we have seen today [referring to the crackdown on protestors who were demonstrating against election fraud and urging for a judiciary that was independent from the administration on May 11], we are going to speak out very plainly about them and that’s what friends do. And we’re going to be following up with the Egyptian Government on today’s events and we would hope that the Egyptian Government would come out and make it very clear that there is support for and the ability to peacefully express views concerning government actions in Egypt.<sup>87</sup>

This not only highlighted the US priorities when dealing with Egypt but also how the G. W. Bush administration continued to limit its reaction to repressive tactics. In addition, a reporter directly asked McCormack during the press briefing, “You are not then sort of revisiting the aid issue and whether you should be withdrawing some aid or making aid more conditional on progress on reform?” McCormack acknowledged discussions on Capitol Hill that featured this topic and indicated that the answer would come out of discussions between the US Congress and US government.<sup>88</sup> This translated into a familiar environment where economic aid continued to flow into Egypt unabated. Indeed, the G. W. Bush administration resisted attempts to alter or limit the aid package to Egypt in the wake of the demonstrations and protests.<sup>89</sup> This once more demonstrated how the US continued to implement the stability policy, despite domestic protests pointing to a failing political stability outcome.

At this point it is also worth pointing to an issue of mutual concern for both the Mubarak administration and the Kefaya Movement that added to the complexity of the environment in which the stability policy continued to be implemented. This links to the earlier contextual analysis presented in this book that relates to the sentiment of rejecting external influence in the country. It was within this same context that the Kefaya Movement resonated with the Mubarak administration’s rejection of US interference in domestic affairs. This resulted in a situation where US dialogue with the Kefaya Movement was limited. A specific example of this came when Kefaya members went as far as boycotting President Obama’s June 2009 “A New Beginning” speech in Cairo. As such, discussions between the movement and the US were limited to a meeting between Kefaya’s leader and a US representative at the US Embassy one month later.<sup>90</sup> This example points to how much this aspect must be taken into account when considering how domestic politics, specifically domestic opposition groups and sentiment, impact stability and thus the stability policy in Egypt. More broadly, this is a further example of how such rejectionist sentiments can impact the relationship between economics and stability, based on the Egyptian case.

Despite Mubarak’s reluctance to cede any political power to other groups in Egypt, the administration tried to assuage the public’s discontent through some efforts toward political reform. In December 2006, Mubarak proposed an amendment to the country’s constitution that would precipitate more democratic freedoms. In reality, however, this action was determined to have further tightened the Mubarak regime’s grip on power.<sup>91</sup> Indeed, the amendments prohibited religious-based political parties—



notably targeting the MB's political aspirations—and electoral candidates were required to be members of a political party that had a minimum of 3% of the seats in parliament, a target the MB was unable to meet because members of the organization typically ran as independents.<sup>92</sup> The view from Washington, DC, however, was that these reforms were a sign of progress, at the very least. Indeed, the G. W. Bush administration's response to these amendments followed a familiar pattern despite Mubarak's clear intention to maintain political control through these reforms. A further example that highlighted this came in the form of a subsequent McCormack statement in March 2007:

Overall, it is our view, however that a process of political reform has begun in Egypt and that over the arc of time, when you are able to at some point look back at events in Egypt and the political changes underway there, you will see the—a general trend towards greater political reform, greater political openness, a more direct correlation between the role and desire of the Egyptian—the roles and the needs and hopes of the Egyptian people and those whom they elect.<sup>93</sup>

McCormack's statement—which came in the wake of the amendment's potential ability to allow for sweeping police powers to surveil and arrest protestors—once again highlighted the US position of giving precedence to economic and strategic influence aims over a successful implementation of political reforms. Then, just three months later, the US secretary of state, Condoleezza Rice, noted that discussion had begun over “a new ten-year, \$13 billion military assistance agreement which will strengthen Egypt's ability to address shared strategic goals,” with specific reference to providing the funds to confront “radicalism” and ensure “peace” in the region.<sup>94</sup> This radicalism and regional peace focus further highlighted the US willingness to “strengthen Egypt's ability”—which in this case included the suppression of domestic political opposition—as long as Egyptian and broader regional strategic stability interests were maintained. Inside Egypt, however, the rumble of discontent only became louder as other groups and actors joined the cause for change.

While the Kefaya Movement failed to achieve its stated goals, it was able to provoke a new wave of oppositional groups in Egypt. Kefaya encouraged the formation and mobilization of a number of like-minded others that included the March 9 Movement for University Independence, the Workers for Change, the Writers and Artists for Change, the Eryp-



tian Judges Movement, as well as the April 6 Youth Movement in 2007.<sup>95</sup> In a similar manner to Kefaya, the April 6 Youth Movement capitalized on domestic frustration and gathered support that transcended party and societal lines in its mission to fight corruption and suppression.<sup>96</sup> This now heavily mobilized wave of discontent continued to build in the run-up to the January 25 Revolution. Before that, however, a number of other important developments took place that further undermined the stability policy.

This push for reforms came in the context of the 2005 elections in Egypt, where Mubarak won 88.6% of the presidential vote and his NDP won 70% (311 of the 444 seats) of the parliamentary election vote. The largest oppositional gains came in the form of MB members winning 19.8% (88 seats) in their respective “independent” capacities.<sup>97</sup> Mubarak went as far as contributing a larger share of non-NDP votes to the constitutional amendments. That being said, this period saw both the G. W. Bush and Obama administrations continue to restrict criticisms of the Egyptian regime to rhetoric. Egypt was not unique in this type of US engagement at the time, as both US leaders maintained close ties with Saudi Arabia, China, and Azerbaijan even though Fred Kaplan pointed to the need for political reforms in each of these countries.<sup>98</sup> Further, a former State Department Middle East specialist, Michele Dunne, linked the US president and secretary of state’s recurrent calls for reform in Egypt to having “a significant effect on opposition and civil society activists in Egypt despite widespread anger at many aspects of US policy in the Middle East.”<sup>99</sup> This not only demonstrated the US belief that it could alter Mubarak’s approach to political opposition through rhetoric but also an awareness of the resistance to external influence narrative. Despite this belief and awareness, the US continued to implement the stability policy in Egypt in the face of evidence that pointed to a policy failure. Indeed, it took a global strategic shock in the form of the 2008–9 Global Recession to impact the stability policy in Egypt.

In the aftermath of the financial crisis, the Obama administration recognized the need to increase the executive’s oversight over the economic sphere to prevent or limit the chances of a repeat performance. One of the elements that fell out from this came in the form of the Emergency Economic Stabilization Act, which had the following purposes:

- (1) To immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States; and (2) to ensure that such

authority and such facilities are used in a manner that—(A) protects home values, college funds, retirement accounts, and life savings; (B) preserves homeownership and promotes jobs and economic growth; (C) maximizes overall returns to the taxpayers of the United States; and (D) provides public accountability for the exercise of such authority.<sup>100</sup>

The Emergency Economic Stabilization Act provided a further indication of how the US government saw it prudent to ensure stability through intervention. Notably, the secretary of the treasury was empowered by the legislation to address threats to economic stability. This once more demonstrated a belief in the idea driving the stability policy, albeit in the context of the 2008–9 Recession.

Specific to Egypt, US assistance to the Egyptian armed forces and economy continued to flow toward Cairo following the global downturn. At that stage, the \$1.3 billion in military assistance per annum was estimated to cover 80% of procurement costs, and an additional \$1 billion of debt relief and \$2 billion worth of private sector investment continued to support the Egyptian economy. In turn, this provided the Mubarak administration with the backing required to resist further calls for reforms in the run-up to 2011,<sup>101</sup> while concurrently conveying how US economic support helped him stay in power.

Before moving on to a statistical analysis of this period and a more detailed examination of the stability policy in the immediate run-up to the January 25 Revolution, it is useful to highlight a couple of points here. Each of the developments that took place between 1991 and 2010 not only demonstrated how the Mubarak regime's domestic actions prevented the political opposition from organizing itself or indeed having an input in the Egyptian political system, but also how the US stability policy implicitly supported the regime. Simultaneously, the Mubarak administration was able to stave off US calls for reforms by denoting any such attempts as being an attempt by foreign powers to interfere in domestic affairs, a sentiment that was shared by the Kefaya Movement—a notable critic of the Egyptian government. This created a repressed political environment that had to find a release in some shape or form. In hindsight, it is clear how these conditions set the scene for the January 25 Revolution. It was a development that changed the trajectory of US-Egyptian ties once more, and simultaneously demonstrated the failure of the stability policy in Egypt under Mubarak's reign.

### Bringing Together the Statistics and the Continued Failure of the Stability Policy

Before turning to the January 25 Revolution and its immediate aftermath, this chapter ends with a statistical analysis of the stability policy between 1991 and 2010. This aims to complement the earlier focus on the political and economic developments that took place in Egypt and determined the stability policy trajectory, including the broader regional and global context over this twenty-year period. These developments represented facilitators of and barriers to a successful stability policy—like Mubarak’s desire to increase economic ties with the US and his rebuttal of American interference in Egyptian domestic affairs. This also demonstrated how Washington, DC continued to implement the stability policy despite evidence pointing to a failure to achieve the self-identified economic and political stability goals. This section quantitatively analyzes the relationship between economics and stability, as it did in the previous chapter, but this time focusing on the succeeding 1991 to 2010 time frame. While the intent here is to provide a complementary element to the more contextual analysis above, the findings once again overwhelmingly support my argument that the US stability policy was unable to achieve its stated goals in Mubarak’s Egypt.

In order to ensure uniformity with the previous chapter, the analysis carried out here focuses on the correlation between the four US foreign economic policy measures and the available Egyptian stability indicators between 1991 and 2010, with the four US foreign economic policy measures—US-Egyptian total trade, US FDI, US economic assistance, and US military assistance—representing the stability policy. Unlike the previous time frame, a larger dataset is available for this second time period. It is therefore possible to execute a statistical analysis that captures Egypt’s economic and political stability indicators. This is accomplished by analyzing the same five Egyptian economic stability indicators as in the previous chapter, namely GDP, CPI, currency stability, unemployment, and GNI, which were extracted from the IMF’s DOTS, the World Bank’s WDI, and CRS databases. A full set of observations is available for the 1991–2010 time frame for these variables. For Egypt’s political stability, the analysis draws on the World Bank’s WGI database to use the following six indicators to represent political stability: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption. Notably, there are some gaps in the data for the political stability variables. Specifically, the WGI’s data on

political stability indicators are only available from 1996 onwards, and data for 1997, 1999, and 2001 are unavailable. After consulting with the WGI database team, I was informed that these data are simply either unavailable (pre-1996) or were not recorded in 1997, 1999, and 2001. As a consequence, the analysis of the stability policy with respect to Egypt's political stability indicators captures the 1996 to 2010 time frame in this section, with the 1997, 1999, and 2001 figures estimated using line of best fit averages. The results should therefore be considered with this caveat. For the full dataset, please see tables A1, A2, and A3 in the appendix.

Additionally, and in order to provide as comprehensive an analysis as possible given the data availability, this section includes a statistical analysis of two time frames. The first examines the correlation between the four US stability policy measures and the five indicators for Egypt's economic stability between 1991 and 2010, inclusive. Then, the second set of tests are carried out to capture the additional data available in the 1996 to 2010 time frame to examine the correlation between the same four US stability policy measures, against the five indicators for Egypt's economic stability, and the six variables that represent Egypt's political stability. In a replication of the previous chapter's process, but with a different time and variable focus, this section identifies the following hypotheses:

$H_s$ : There is a positive correlation between the four stability policy measures ( $x$ ) and Egypt's five economic or six political stability indicators ( $y$ ) between 1991 and 2010 or 1996 and 2010.

$H_a$ : There is a negative correlation between the stability policy measures and Egypt's economic or political stability indicators between 1991 and 2010 or 1996 and 2010.

$H_0$ : There is no correlation between the stability policy measures and Egypt's economic or political stability indicators between 1991 and 2010 or 1996 and 2010.

This means that results in favor of  $H_a$  and  $H_0$  support this book's argument that the stability policy failed to achieve its self-identified stability goals in Egypt under Mubarak. The analysis amounts to a total of 64 tests that were carried out for the 1991 to 2010 time frame. Of these, 20 tests analyzed the stability policy against Egypt's economic stability between 1991 and 2010, with the results presented in table 2 and figure 2. The further 44 tests were carried out to examine the relationship between the US

TABLE 2. Correlation between the Stability Policy and Egypt’s Economic Stability (1991–2010)

	GDP	Inflation	Currency Stability	Unemployment	Income Distribution
<b>Total Trade</b>					
Spearman’s correlation, $r$	0.597**	–0.105	0.767**	–0.22	–0.289
*95%, **99% $CI$	$H_s$	$H_o$	$H_s$	$H_o$	$H_o$
Two-tailed, $p$	0.005	0.661	0	0.35	0.217
95% $CI$					
<b>FDI</b>					
Spearman’s correlation, $r$	0.436	–0.071	0.813**	–0.178	–0.074
*95%, **99% $CI$	$H_o$	$H_o$	$H_s$	$H_o$	$H_o$
Two-tailed, $p$	0.055	0.767	0	0.452	0.758
95% $CI$					
<b>Economic Assistance</b>					
Spearman’s correlation, $r$	–0.415	–0.012	–0.646**	0.021	0.141
*95%, **99% $CI$	$H_o$	$H_o$	$H_a$	$H_o$	$H_o$
Two-tailed, $p$	0.069	0.961	0.002	0.929	0.554
95% $CI$					
<b>Military Assistance</b>					
Spearman’s correlation, $r$	–0.31	0.272	–0.38	–0.177	0.532*
*95%, **99% $CI$	$H_o$	$H_o$	$H_o$	$H_o$	$H_s$
Two-tailed, $p$	0.184	0.246	0.099	0.457	0.016
95% $CI$					

**Key:**  $H_s$ :  $r$  value supports the argument with a negative correlation.  
 $H_o$ :  $r$  value supports the argument with no correlation.  
 $H_i$ :  $r$  value does not support the argument, but does support the stability policy.

stability policy against Egypt’s economic and political stability indicators between 1996 and 2010, presented in table 3, figure 3, and figure 4.

Before assessing and reflecting on the results, it is worth reiterating three important points at this stage—again in a similar manner to the corresponding section in the previous chapter. First, the tests are carried out under the same conditions and assumptions as those that were carried out previously. Second, the analyses in this section do not provide a cause-and-effect judgment, rather a tendency analysis. Third, and finally, these analyses do not include a predictive element, hence the rationale behind choosing this type of Spearman’s rank correlation analysis.

From the outset, it is worth noting that these analyses reveal that only 10 of the 64 test results go against the argument being put forward by this book. The remaining 54 results demonstrate that the US stability policy failed in Egypt as a consequence of no correlation between the economics

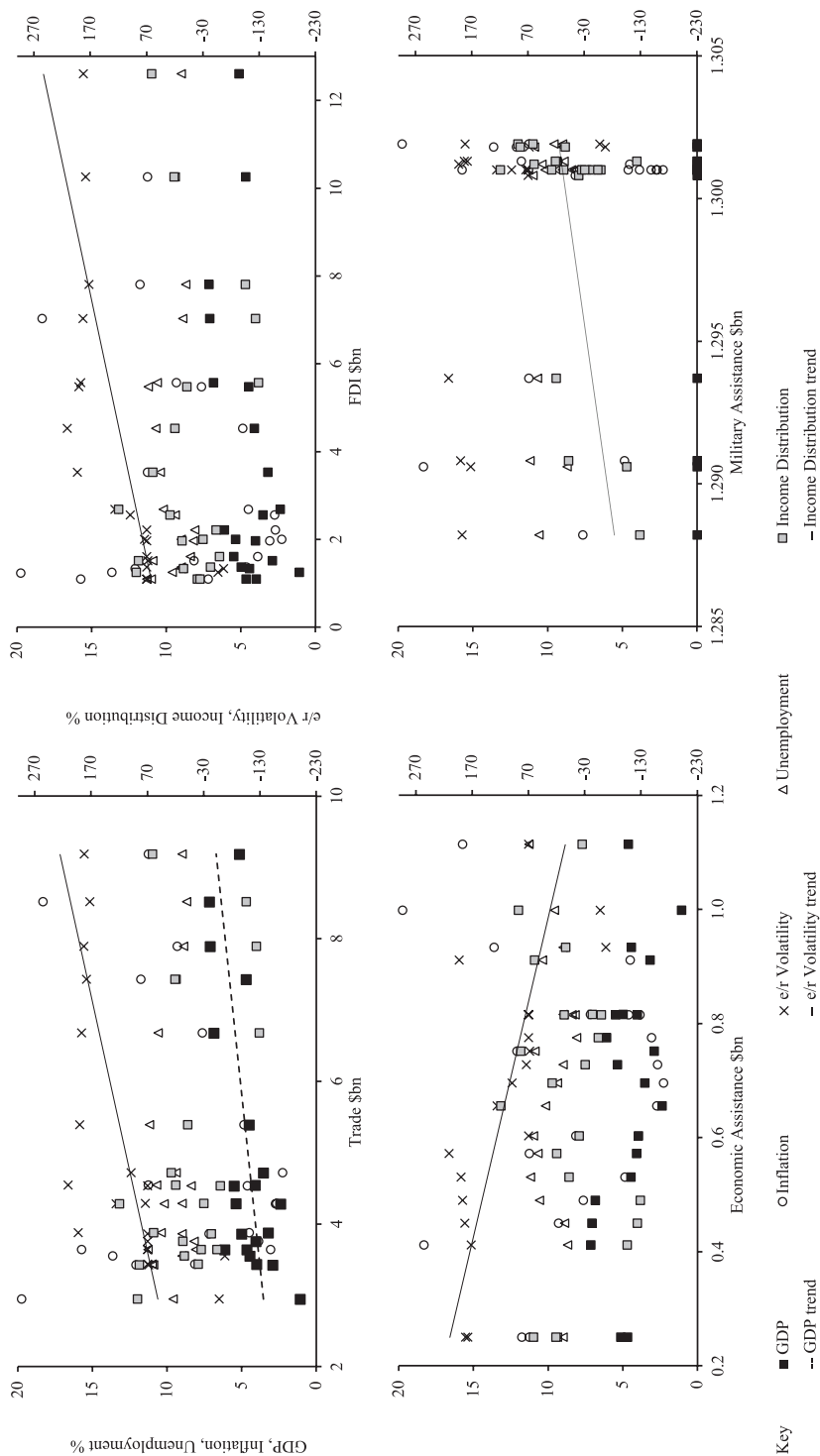


Fig. 2. Correlation between the Stability Policy and Egypt's Economic Stability (1991-2010)

TABLE 3. Correlation between the Stability Policy and Egypt's Economic and Political Stability (1996–2010)

Political Stability and Absence of Violence									
	GDP	Inflation	Currency Stability	Unemployment	Income Distribution	Voice and Accountability	Government Effectiveness	Regulatory Quality	Rule of Law
Control of Corruption									
<b>Total Trade</b>									
Spearman's correlation, $r$	0.411	0.674**	0.514	0.224	-0.118	-0.754**	-0.489	0.239	-0.558*
*95%, **99% CI	$H_0$	$H_a$	$H_s$	$H_0$	$H_0$	$H_a$	$H_a$	$H_0$	$H_a$
Two-tailed, $p$	0.128	0.006	0.05	0.422	0.676	0.001	0.021	0.39	0.031
95% CI									
<b>FDI</b>									
Spearman's correlation, $r$	0.239	0.693**	0.697**	0.326	0.082	-0.914**	-0.654**	-0.027	-0.493
*95%, **99% CI	$H_0$	$H_a$	$H_s$	$H_0$	$H_0$	$H_a$	$H_a$	$H_0$	$H_a$
Two-tailed, $p$	0.39	0.004	0.004	0.235	0.773	0	0.008	0.924	0.062
95% CI									0
<b>Economic Assistance</b>									
Spearman's correlation, $r$	-0.367	-0.654**	-0.453	-0.199	0.043	0.774**	0.551*	-0.161	0.600*
*95%, **99% CI	$H_0$	$H_a$	$H_0$	$H_0$	$H_0$	$H_s$	$H_s$	$H_0$	$H_s$
Two-tailed, $p$	0.179	0.008	0.09	0.478	0.879	0.001	0.033	0.566	0.018
95% CI									
<b>Military Assistance</b>									
Spearman's correlation, $r$	-0.168	-0.004	-0.08	-0.262	0.439	0	0.132	0.272	-0.115
*95%, **99% CI	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$
Two-tailed, $p$	0.55	0.989	0.777	0.345	0.102	1	0.639	0.328	0.683
95% CI									0.649

**Key:**  $H_1$ :  $r$  value supports the argument with a negative correlation.

$H_0$ :  $r$  value supports the argument with no correlation.

$H_1$ :  $r$  value does not support the argument, but does support the stability policy.

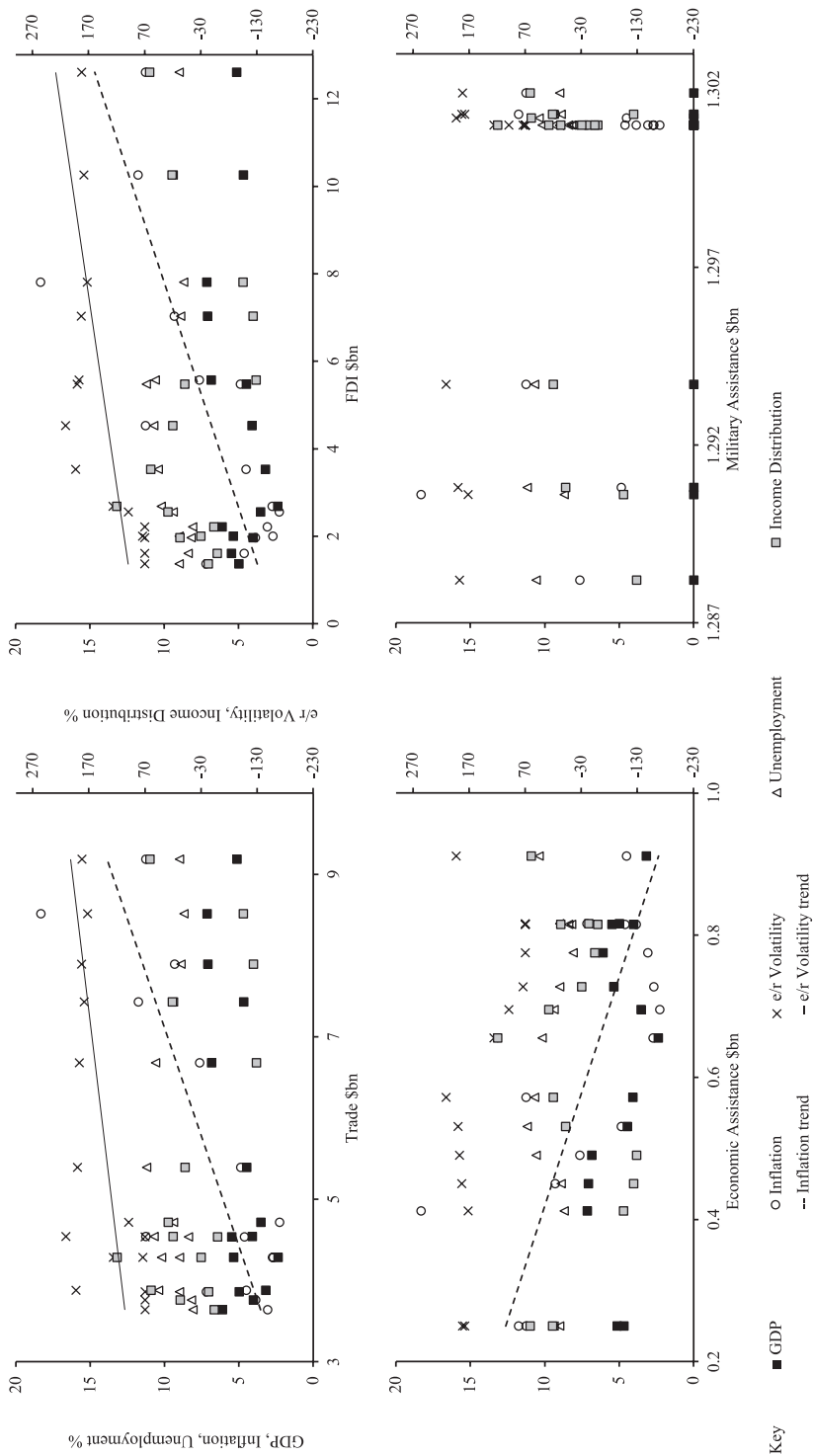


Fig. 3. Correlation between the Stability Policy and Egypt's Economic Stability (1996–2010)



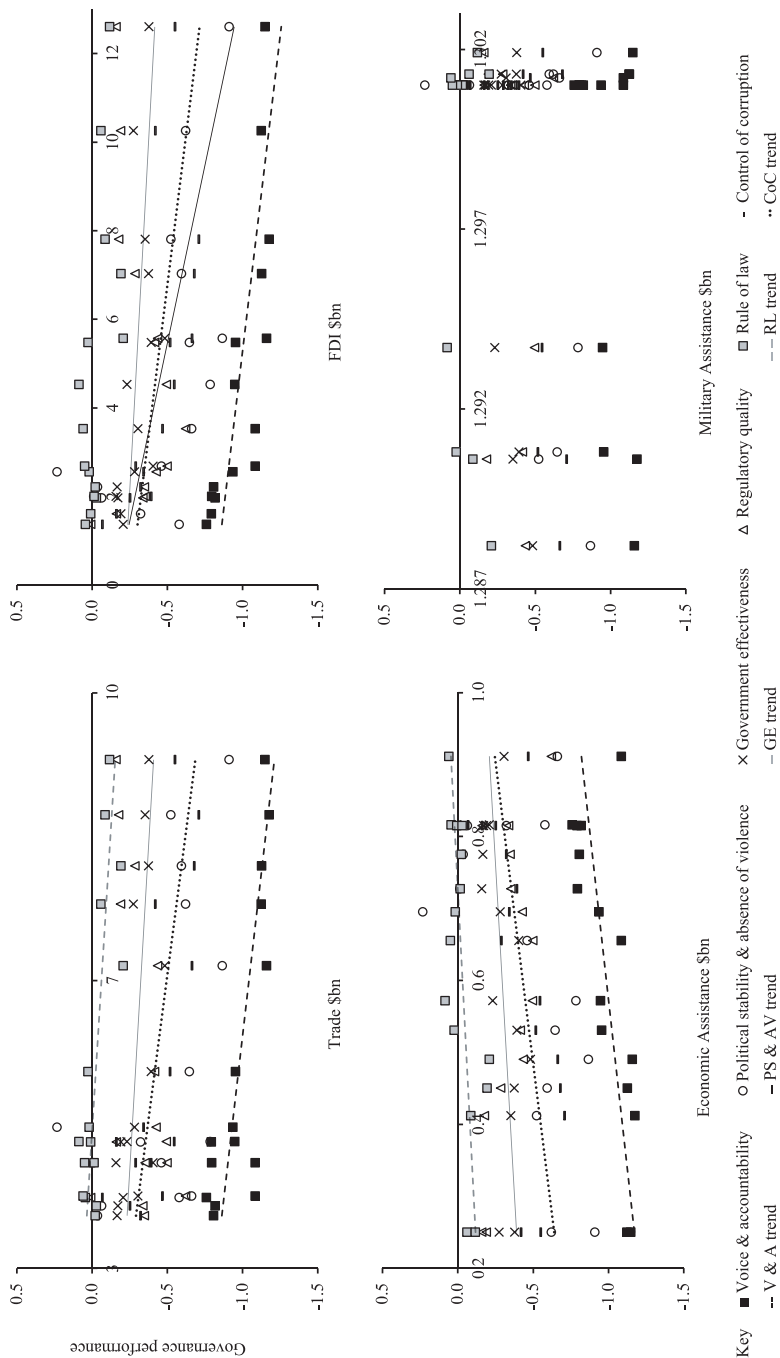


Fig. 4. Correlation between the Stability Policy and Egypt's Political Stability (1996-2010)

and political stability indicators (42 of the 64 tests), or that there was in fact a negative correlation between economics and political stability (the remaining 12 tests).

The first set of results in table 2, concerned with the correlation between the stability policy and Egypt's economic stability indicators between 1991 and 2010, identify only 5 of the 20 tests returned results that were statistically significant, each of which are also identified by their trend lines in figure 2. Of these 5 test results, four of them do not support the argument of this book. In other words, they support the stability policy or  $H_s$  goal of improving Egypt's economic stability through foreign economic policy measures. Specifically, total US-Egyptian trade had a positive relationship with Egypt's GDP and currency stability, FDI had a positive relationship on Egypt's currency stability, and military assistance had a positive relationship with Egypt's income distribution (GNI). The policy implication here is that the US could target these four Egyptian economic stability indicators through these three foreign economic policy measures if it is to enact policy adjustments based on the conditions and assumptions of this statistical analysis. I delve into the policy implications in more detail in the next chapter that covers an overarching statistical analysis of the entire dataset.

Returning to the results in table 2 and figure 2, the fifth statistically significant test determined that economic assistance had a negative correlation with Egypt's currency stability, that is, in support of  $H_a$  and thus the argument put forward by this book. The remaining 15 test results also support this book's argument in that there was no correlation between the respective stability policy measures and Egypt's economic stability indicators between 1991 and 2010, that is  $H_o$ .

Moving on to the correlation between the stability policy and Egypt's economic and political stability between 1996 and 2010 as presented in table 3, 6 of the 44 test results supported the  $H_s$  that determines a positive relationship between the US foreign economic policy measures and Egypt's political and economic stability indicators. Specifically, when concerned with the economic stability indicators, there is a statistically significant positive correlation between total US-Egyptian trade and Egypt's currency stability as well as FDI and Egypt's currency stability, with the respective trend lines in figure 3 demonstrating this. Turning to Egypt's political stability between 1996 and 2010, the test results identify only one stability policy measure, economic assistance, as having the desired impact on the following four political stability indicators—voice and accountability, government effectiveness, rule of law, and control of corruption—in a

statistically significant manner. This is also identified by the trend lines in figure 4. This once more points to possible specific policy implications for Washington, DC that will be fleshed out in the next chapter.

On the other hand, 11 of the 44 test results in table 3 show a negative correlation between the stability policy and Egypt's stability or  $H_u$  and support my argument that Washington, DC failed to achieve its goals in the 1996 to 2010 period. Specifically, Egypt's inflation (CPI) varied to a large degree or was unstable in this context, when it came to the correlation with total trade, FDI, and economic assistance, with the remaining trend lines in figure 3 indicating this point. In addition, total US-Egyptian trade had a statistically significant negative relationship with the same four Egyptian political stability indicators that had an inverse relationship with economic assistance, namely voice and accountability, government effectiveness, rule of law, and control of corruption. Further, FDI had a statistically significant negative correlation with the following four Egyptian political stability indicators—voice and accountability, political stability and absence of violence, government effectiveness, and control of corruption, each of which are indicated by their respective trend lines in figure 4. Further, the remaining twenty-seven of the forty-four test results displayed in table 3 support the argument that the US stability policy failed to have an impact on Egypt's stability between 1996 and 2010. This again points to the policy implications of these results when considered under the assumption and test conditions as identified earlier, and this will be further explored in the next chapter.

Before turning to the January 25 Revolution and an overarching quantitative analysis of the stability policy during Mubarak's reign, it is useful to bring together two points here. First, it is clear that contextual narratives like rejecting external interference in internal affairs and the desire to execute domestic policies in a manner that was free from foreign pressure represented barriers to the stability policy's success during Mubarak's final twenty years as president. This was the case despite evidence proving that both economic and political reforms stalled or were implemented poorly in this time frame. This not only meant that the stability policy was limited but this also contributed to a policy failure. Linked to this is the second point: despite calls from various government actors and lobby groups, the US continued to implement the stability policy even as economic and political stability conditions deteriorated. This not only pointed to a blind dedication to the stability policy but also the role that the US played in propping up the Mubarak regime and ultimately led to an environment that was ripe for revolution. Indeed, hindsight helps us draw these con-

clusions. Further, the statistical analyses complement these findings, with the majority of the correlation test results (54 out of 64) supporting the hypotheses that determine a stability policy failure, under the conditions of the respective tests. Taken together, these findings have implications for the relationship between economics and stability in general, as well as the US stability policy in particular. These implications are explored in detail in the conclusion of this book. Before doing so, the next chapter turns to a development that represents one of the biggest failures of the stability policy, the January 25 Revolution.

## January 25 and an Overarching Quantitative Analysis

Egypt's experience of the Transitional Arab Spring started in earnest on January 25, 2011. The widespread protests prompted a regime change for the first time since the July 23 Revolution almost sixty years earlier. Since that point in 1952, Egypt was able to free itself from British occupation and control, reestablish itself as a regional power including through its nationalization of the Suez Canal, involvement in the Arab-Israeli conflicts, and its role during the Cold and Gulf Wars. All this was made possible through the policies of Egypt's first four presidents, up to and including Mubarak. As detailed in the previous chapters, the US remained dedicated to the stability policy in this period despite instances and persistent themes that showed domestic political suppression in contrast to the goals of this same policy. Then the January 25 Revolution provided the most striking example of how the stability policy had failed. The fact that the 2011 development had such a resounding impact on the Egyptian regime warrants an evaluation of the period in the context of the relationship between economics and stability.

This chapter captures the impact of the January 25 Revolution on this relationship and the stability policy by examining the run-up to, during, and immediately after January 25. By doing so, this chapter analyzes how the stability policy failed once more in achieving its stability goals in Egypt. Further, by examining how the US supported Mubarak prior to and during the revolution, and Washington, DC's reaction to the Egyptian president's departure on February 11, 2011, this chapter details how these aspects

led to a failure of the US stability policy, and indeed how the conditions impacted the relationship between economics and stability.

A point to consider here is that these conditions provided the potential for a US stability policy success. After the 9/11 attacks some ten years earlier, the promotion of democracy was raised to a US national security priority, with the G. W. Bush and Obama administrations seeking to do so in the international relations of the US, including through the use of foreign economic policy measures like those espoused in the stability policy. This was facilitated by a Washington, DC focus on promoting the stability-through-economics ideal through aid, which was seen as an integral part of the battle against extremism and terrorism.<sup>1</sup> As a consequence, the US maintained support for the Mubarak administration even after the January 25 mass protests that triggered the end of the regime. The US aim was to provide enough support for the president to “stabilize” the country. Indeed, on that very first day of demonstrations, Secretary of State Hillary Clinton announced that the US “assessment is that the Egyptian government is stable and is looking for ways to respond to the legitimate needs and interests of the Egyptian people.”<sup>2</sup> Secretary Clinton and the Obama administration more broadly continued this explicit support for the Egyptian president right up until Egypt’s military declared its neutral stance some six days later. At that point, the US suggested Mubarak should be part of the transition process to form a new government.<sup>3</sup> This was untenable for the protestors, however, who rejected Mubarak’s role in any transition and the US attempts to influence Egypt’s domestic affairs. All this amounted to a failure of the stability policy once more.

This strong US support for Mubarak during the most unstable period of his tenure was perhaps most evident and unwavering when it came to Washington, DC’s continued economic support for Cairo. Despite the revolution and the associated instability, US economic support to Egypt did not falter in 2011. Focusing on the US stability policy measures used in the quantitative analysis segments of this book, US-Egyptian total trade hit \$8.29 billion in 2011 (only slightly down from \$9.18 billion in 2010, considering the circumstances),<sup>4</sup> US FDI increased to \$15.43 billion in 2011 from \$12.60 billion in 2010,<sup>5</sup> US economic assistance fell slightly from \$250 million in 2010 to \$249.50 million in 2011, and US military assistance amounted to \$1.29 billion in 2011, falling marginally from \$1.30 billion in 2010.<sup>6</sup> Each of these figures and aforementioned actions demonstrated just how much the US stood by its belief in the stability-through-economics based theory as represented by the stability policy, even at the most tumultuous time in the Mubarak administration’s history.

Returning to the contents of this chapter, the penultimate section includes an overarching quantitative analysis of the 1981 to 2011 period that this book covers. The aim of this section is to provide a complementary analysis of the US stability policy in Egypt under Mubarak. In so doing, this book provides the basis on which reflections on the theory, scholarly, and policy aspects of this study, all of which are tied together in the conclusion. As with the previous two chapters, the quantitative analysis is aimed at determining the correlation between the four measures of the US stability policy, against the eleven Egyptian economic and political stability indicators. Due to data availability, this includes an assessment of two time frames: from 1981 to 2011 (capturing Egypt's economic stability indicators) and from 1996 to 2011 (Egypt's economic and political stability indicators). This amounts to a further sixty-four tests of the correlation between the stability policy and Egypt's stability. The data on which this analysis is based can be found in tables A1, A2, and A3 in the appendix. As with the previous chapters focusing on discrete time frames within the 1981 to 2011 period, the overarching quantitative analysis provides a set of results that overwhelmingly supports the main argument being put forward in this book. Indeed, 54 of the 64 statistical tests carried out in this chapter support the notion that the US stability policy failed to positively impact Egyptian stability between 1981 and 2011. The theory and policy-based implications of this are drawn out in the conclusion of this book. But, first, an evaluation of the US stance toward the January 25 Revolution reveals just how the conditions facilitated a stability policy failure.

### The US and Support for Mubarak in the Run-up to January 25

US support for Mubarak was consistent under both the G. W. Bush and Obama administrations after 9/11. This stance was a result of a double-pronged US policy toward Egypt (and the broader region) that focused on mitigating the so-called radicalism threat and encouraging the Mubarak administration to listen to other political actors and voices in Egypt.<sup>7</sup> In reality, however, this set up a scenario where the two policy goals contradicted each other. Indeed, the US demonstrated a clear preference for countering radicalism over encouraging more democratic practices, which at times amounted to a suppression of political opposition in the name of deradicalization. The result was continued US support for a Mubarak regime that resisted calls for reforms and fomented an environment that led to January 25.

Compounding this was the fact that Western governments had a historic tendency to support what Kenneth Roth termed “Arab strongmen” to combat the terrorism threat associated with the policy-identified “extremists.”<sup>8</sup> This support was further justified by the fact that terrorist organizations—guided by or taking inspiration from actors in the broader Middle East—were able to carry out attacks in countries across Europe and the US during this period. In the Human Rights Watch report, Roth notes how Western governments cited the protection of their own citizens as the rationale behind supporting Middle Eastern governments “who vowed to fight these terrorists” that could carry out attacks on European and American shores. Roth goes on to say that this support came alongside ignorance about the fact that some of the Middle Eastern governments’ tactics of repressing (violently and otherwise) their own people played into the hands of these same terrorist organizations.<sup>9</sup> This resulted in a US stance that supported the Mubarak administration, and ultimately led to the continued practice of the stability policy in the run-up to, during, and after January 25.

Washington, DC’s continued economic (as well as political) assistance to the Mubarak administration meant that opposing political actors in the country were left aggravated and wary of the US footprint in Egypt.<sup>10</sup> The extent of this assistance varied across the region as Yakub Halabi explains that the US worked on a case-by-case basis to ensure political stability across the Middle East following the Transitional Arab Spring.<sup>11</sup> This was problematic, however, as it revealed how a lack of US foreign policy consistency meant the fundamental drivers of Washington, DC’s ties with the region—those that were explicitly stated and otherwise—were only taken into account when the conditions were favorable to do so.

This perspective was reflected in comments by David Litt, a former US ambassador to various countries in the Middle East, in the run-up to the January 25 Revolution. Litt said it was necessary for the US “to integrate all instruments of national power in effective pursuit of US national interests in the Greater Middle East, which include stability, economic interdependence and good governance,”<sup>12</sup> pointing once again to the Obama administration’s commitment to the stability policy. This point was corroborated when Obama himself exclaimed in his 2009 Cairo speech that “suppressing ideas never succeeds in making them go away,” in the context of addressing concerns over political reforms.<sup>13</sup> Then, one year later, Obama conveyed his dedication to the stability policy—much like other US presidents before him. Obama’s 2010 Economic Report to Congress details how liberal economic practices on a global scale, as well as “pro-



gressive taxation, a health care system that provides security and stability, a strong educational system, and a secure social safety net,” result in stability at home and abroad.<sup>14</sup> These words were reinforced by Obama’s economic ties with Egypt, which totaled \$24.90 billion in trade,<sup>15</sup> \$38.28 billion worth of FDI,<sup>16</sup> \$749.50 million in economic assistance, and \$3.90 billion in military assistance<sup>17</sup> in the period from Obama taking office in 2009 up until 2011.

Further, the fact that the stability policy failed to induce political and economic reforms in Egypt and ultimately prevent the January 25 Revolution was as a result of Washington, DC’s “impotent strategy” to influence the Mubarak administration’s policy decisions. This was the case despite the US focus on engaging with Egypt to achieve “a market-oriented democracy,” while the Mubarak administration showed signs of “embarking on neoliberal reforms.”<sup>18</sup> All this took place in a period where Egypt experienced a growing number of average daily protests from 4.4 in 2009 to 5.8 in 2010,<sup>19</sup> alongside a US propensity to ignore the maltreatment of political opposition in Egypt as long as the Egyptian president shared Washington, DC’s regional and strategic goals. This resulted in a repeated failure of the stability policy under Mubarak and led to a breakdown in maintaining continued influence over Egypt’s ruling powers before, during, and after the revolution.

A look into the change of tone by the US when it came to support for the Mubarak administration sheds some light here. Initially, Washington, DC was intent on backing its longtime ally in Cairo, before gradually beginning to urge Mubarak to manage a transition, and then ultimately to step down.<sup>20</sup> A point worth emphasizing here is that the literature concurs that the US (or indeed other external actors) did not directly trigger the unrest, as Washington, DC’s support for Cairo was unequivocal up until the January 25 Revolution.<sup>21</sup> Indeed, as the mass protests continued, the US routinely denounced the violence, on the one hand, and persevered with its economic support for the Mubarak administration, on the other. The result was a US stability policy that provided the facilities for Mubarak to continue with his suppressive domestic policies to combat political opposition. Therefore, while the US may not have been the trigger, it helped set the scene for the revolution.

Shortly after January 25, the US continued to demonstrate its belief in the stability policy. This was reflected in Secretary Clinton’s interview on January 30, stating that there was “no discussion as of this time about cutting off any aid,” despite the fact that the Mubarak administration had

violently cracked down on protestors.<sup>22</sup> Significantly, the Egyptian military ruled out the use of force against the protesting civilians the very next day,<sup>23</sup> signaling its supportive stance. This sparked a shift in the US narrative, away from maintaining the Mubarak administration and toward a transition. At this point, the US expressed the need to include a role for the Mubarak administration in this transition process, as Secretary of State Clinton explained on February 5:

President Mubarak has announced he will not stand for re-election nor will his son. . . . He has given a clear message to his government to lead and support this process of transition. . . . That is what the government has said it is trying to do, that is what we are supporting, and hope to see it move as orderly but as expeditiously as possible under the circumstances.<sup>24</sup>

This statement in support for a Mubarak-administration-managed transition was a significant point that not only continued to serve the anti-external-influence sentiment in the country, but also set the scene for difficult ties with a post-Mubarak Egypt. Further, this was compounded by the fact that the US reaction to Mubarak's protestor-suppression tactics was restricted to public statements. Indeed, this position meant US aid to Egypt continued to fund the same government that cracked down on the protesters' calls for change.<sup>25</sup>

Then, on February 7, Obama deployed special envoy Frank Wisner to provide assistance to the ailing Egyptian regime. Notably, Wisner was a former ambassador to Egypt, now ran a consultancy firm that represented Egypt, and was a rumored friend of Mubarak himself. Unsurprisingly, Wisner's envoy advised that "the President [Mubarak] must stay in office in order to steer those changes [i.e., a national consensus on the next step forward] through."<sup>26</sup> This stance conveyed a clear contrast to the evolving Washington, DC support for Mubarak, and was followed by Wisner being sacked, and then Secretary Clinton going a step further by suggesting that Mubarak himself step down.<sup>27</sup> This blunder added to the increasingly diluted US influence in Egypt at the time. This was reinforced by US ambassador to Egypt Margaret Scobey, who noted that the US (and indeed any other foreign actor) had little ability to influence the transition, or what she termed the "political tsunami" being felt in Egypt at the time.<sup>28</sup> Further, this US influence continued to wane among the Egyptian revolutionaries themselves who demonstrated their contempt for the ongoing

US aid to the Mubarak administration during this period. This came in the form of signs and chants rejecting the White House's stance being repeated in Tahrir Square and other parts of Egypt during the revolution.<sup>29</sup>

In response, Mubarak continued to suppress this new form of political opposition by sanctioning the Interior Ministry's security forces to exert brute force tactics to quell the protests. The subsequent and associated public anger at these actions and continued US support in this period meant that the sense of hostility toward remnants of the regime and Washington, DC's actions continued after Mubarak stepped down.<sup>30</sup> The outcome was a resounding failure of the US stability policy under Mubarak's reign and a clear demonstration of how Washington, DC prioritized broader strategic interests over stability within Egypt's borders.

### Mubarak's Ouster and the US

As one might expect, the fall of the Mubarak administration led to a period of political uncertainty and associated instability in Egypt. This came about in the context of presidential, parliamentary, and constitutional elections, voting, and rewriting the constitution, respectively, as the country went through a transition away from the thirty-year old regime. In all this, the legacy of the US footprint in Egypt (and the region) of supporting the regime(s), and then calling for Mubarak's resignation, was met with a sense of wariness in the country. For John Duke Anthony, this US policy inconsistency meant the Egyptian people and other regional actors had become dubious of Washington, DC's intentions.<sup>31</sup> The flip-flop between support and then calls for resignation came about due to what Steven Hook identified as a US belief in its inability to influence the will of the popular protests.<sup>32</sup> Further, the Mubarak administration's violent reaction to the protests, cited in the name of security and stability, led to an official estimate of 846 deaths,<sup>33</sup> 6,467 injuries, as well as thousands unlawfully detained and tortured.<sup>34</sup> The fact that the US supported the Mubarak administration prior to and at the beginning of the protests left it exposed to accusations of providing the Egyptian government with the ability to exercise suppressive tactics. This inconsistent White House response to the January 25 Revolution and the associated crackdown added to the sense of resentment toward the Obama administration, thereby reinforcing the rejectionist sentiment toward US interference in domestic Egyptian affairs more broadly.<sup>35</sup> Despite this, the belief in the stability policy did not falter in the US outlook toward ties with the

Middle Eastern state, as Obama stated in a speech hours after Mubarak stepped down on February 11:

There are very few moments in our lives where we have the privilege to witness history taking place. This is one of those moments. This is one of those times. The people of Egypt have spoken, their voices have been heard, and Egypt will never be the same. By stepping down, President Mubarak responded to the Egyptian people's hunger for change. . . . The US will continue to be a friend and partner to Egypt. We stand ready to provide whatever assistance is necessary—and asked for—to pursue a credible transition to a democracy. I'm also confident that the same ingenuity and entrepreneurial spirit that the young people of Egypt have shown in recent days can be harnessed to create new opportunity—jobs and businesses that allow the extraordinary potential of this generation to take flight. And I know that a democratic Egypt can advance its role of responsible leadership not only in the region but around the world.<sup>36</sup>

Obama's statement once more reiterated the belief in the stability policy. The points about achieving economic (entrepreneurialism, jobs, and businesses) and political (transition to democracy) goals in the aftermath of the revolution are linked to the stability policy goals. For postrevolutionary Egypt, there was concern about the fact that these calls followed years of US support for a less-than-democratic Mubarak regime. In addition, the declared intent of continuing the US dedication to providing economic assistance to Egypt throughout the transition reflected belief in the stability policy. Further, the link between a democratic Egypt and regional, as well as global, leadership once again demonstrated how the US viewed the strategic importance and influence of the country.

This was reiterated a day later after discussions with other state leaders when the US reported that "the President [Obama] emphasized his conviction that democracy will bring more—not less—stability to the region," as well as the commitment to provide the support cited in his speech a day earlier to the Egyptian democracy transition "including by working with international partners to provide financial support."<sup>37</sup> The US followed up and proved this dedication in May 2011 when the Obama administration persuaded Canada, France, Germany, Italy, Japan, Russia, and the UK in the G8 forum to channel billions of US dollars of development funds to Egypt.<sup>38</sup> These actions not only demonstrated Washington, DC's contin-

ued belief in the stability policy but also how this belief had not wavered, despite its failure to achieve its goals under Mubarak's Egypt.

In addition, this decision was still unable to help Washington, DC achieve a desired influence over Egypt's transition. This was as a result of the US need and preference for ensuring that strategic interests came first, that is, preserving regional security, maintaining a safe Suez Canal channel, continuing to have access to Egyptian airspace to conduct regional operations,<sup>39</sup> and maintaining the peace agreement with Israel.<sup>40</sup> Further, the post-Mubarak transition period in 2011 was overseen by the Egyptian military, an institution that was concerned with domestic security and stability.<sup>41</sup> This meant that the US was able to continue to implement the stability policy, confident that its broader strategic interests were aligned to those of the Egyptian military.

This lack of an ability to influence domestic developments in Egypt was also as a result of the continued inability of the stability policy to target development in the country. The adverse economic, political, and social justice conditions in Egypt that constituted some of the main drivers behind the January 25 Revolution were not addressed in the US policy toward the country. This is not a new development and was identified by "activists, development contractors and USAID employees" in Egypt following January 25.<sup>42</sup> Indeed, this US stance mirrored that of Washington, DC's ties with the Mubarak administration, which prioritized strategic interests over the advancement of improved domestic economic and political conditions, according to Victoria Collins and Dawn Rothe.<sup>43</sup> As a consequence, this US determination to implement the stability policy in Egypt, despite these failures, continued to propagate the domestic (and regional) sentiment of rejecting Washington, DC's presence and influence over Egyptian affairs. The result pointed to a continued practice of the stability policy, despite the evident failure of the policy over Mubarak's thirty-year reign.

### An Overall Quantitative Analysis of Mubarak's Egypt

The developments that took place in the run-up to and including the year that the January 25 Revolution shook the country amounted to a broader failure of the stability policy. Furthermore, the fact that the US continued to implement the stability policy, despite varying levels of economic and political instability in Egypt, demonstrated Washington, DC's dedication to the ideal-driven stability-through-economics policy. This also reflected the US position of prioritizing broader regional and strategic interests over

domestic stability goals in Egypt. In order to complement the qualitative and indeed quantitative analyses carried out throughout this book, this section analyzes the statistical relationship between the US stability policy and Egypt's economic and political stability indicators between 1981 and 2011. This amounts to sixty-four tests that are split into two subsections and are detailed below. From there, this section reflects on what this means in the context of the argument that the US stability policy failed to achieve the self-targeted economic and political stability goals in Mubarak's Egypt.

The first subsection focuses on the correlation between the US stability policy and Egypt's economic stability between 1981 and 2011. Specifically, this subsection analyzes the correlation between the four US foreign economic policy measures that represent the stability policy (total trade, FDI, economic assistance, and military assistance) and the five indicators of Egypt's economic stability (GDP, CPI, currency stability, unemployment, and GNI) to produce twenty test results. The second subsection then turns to an analysis of the correlation between the stability policy and Egypt's political stability indicators between 1996 and 2011. This encompasses the same four stability policy measures and the following six WGI political stability indicators: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and the control of corruption. For the sake of consistency and like-for-like comparisons, the second subsection also tests the correlation between the stability policy and Egypt's economic stability indicators between 1996 and 2011. The full dataset used to carry out these tests is presented in tables A1, A2, and A3 in the appendix. From here it is possible to provide an overarching quantitative analysis of all of the available data and detail just how much the results support the main argument put forward in this book. To reiterate, this is that the foreign economic policy measures were unable to influence political and economic stability, using the US stability policy in Mubarak's Egypt as a case for doing so. This then paves the way for a reflection in the conclusion on what this means for the relationship between economics and stability, as well as for the US stability policy itself.

The tests were carried out under the same assumptions that were made for the different time frames examined in the previous chapters. The hypotheses are therefore as follows, with  $H_a$  and  $H_0$  representing support for my argument that the stability policy failed in this context:

$H_s$ : There is a positive correlation between the four stability policy measures ( $x$ ) and Egypt's five economic or six political stability indicators ( $y$ ) between 1981 and 2011 or 1996 and 2011.

$H_a$ : There is a negative correlation between the stability policy measures and Egypt's economic or political stability indicators between 1981 and 2011 or 1996 and 2011.

$H_0$ : There is no correlation between the stability policy measures and Egypt's economic or political stability indicators between 1981 and 2011 or 1996 and 2011.

### *The Stability Policy and Economic Stability in Egypt (1981–2011)*

Owing to the data availability constraints identified earlier, the correlation between the stability policy measures and Egypt's economic stability indicators captures the full 1981 and 2011 time frame, with the exception of the 1985–88 unemployment figures, which have been estimated using a line of best fit averages. This amounts to 20 sets of test results that are displayed in table 4.

The outcome of this procedure reveals that 17 of the 20 test results support the main argument of this book. The majority (13 out of the 20 tests) aligned with  $H_0$  that there was no correlation between the stability policy and Egypt's economic stability between 1981 and 2011. Four of the tests found that there was a negative relationship between the stability policy and Egypt's economic stability in this time frame, or  $H_a$ . These four tests were concerned with US-Egyptian total trade, Egypt's inflation and unemployment stability indicators, US economic assistance, and Egypt's inflation and currency stability indicators. These are displayed with their trend lines on figure 5 (alongside the trend lines of the three statistically significant test results that support the stability policy).

Three (out of 20) test results proved otherwise, that is, that the US stability policy succeeded in this case at a statistically significant level, or  $H_s$ . These found that there was a positive correlation between US-Egyptian total trade and Egypt's currency stability, FDI and currency stability, and economic stability and Egypt's unemployment stability indicator. In policy-focused terms, there are a number of implications that can be drawn from this.

Specifically, and in terms of the stability policy, the fact that the US-Egyptian total trade policy measure had a negative correlation with Egypt's inflation stability indicator means that the US policy significantly failed to have a positive impact on stability in this case. This statement is asserted in the context that such significantly varying levels of inflation (or deflation) of more than 3% annually (as was the case), have a negative impact on

TABLE 4. Correlation between the Stability Policy and Egypt's Economic Stability (1981–2011)

	GDP	Inflation	Currency Stability	Unemployment	Income Distribution
<b>Total Trade</b>					
Spearman's correlation, $r$	0.102	–0.543**	0.857**	0.575**	–0.171
*95%, **99% CI	$H_0$	$H_a$	$H_s$	$H_a$	$H_0$
Two-tailed, $p$	0.581	0.002	0	0.001	0.355
95% CI					
<b>FDI</b>					
Spearman's correlation, $r$	0.025	–0.339	0.749**	0.306	0.046
*95%, **99% CI	$H_0$	$H_0$	$H_s$	$H_0$	$H_0$
Two-tailed, $p$	0.894	0.062	0	0.094	0.806
95% CI					
<b>Economic Assistance</b>					
Spearman's correlation, $r$	0.010	0.479**	–0.812**	–0.611**	0.070
*95%, **99% CI	$H_0$	$H_a$	$H_a$	$H_s$	$H_0$
Two-tailed, $p$	0.955	0.006	0	0	0.710
95% CI					
<b>Military Assistance</b>					
Spearman's correlation, $r$	–0.103	0.2	–0.179	0.014	–0.045
*95%, **99% CI	$H_0$	$H_0$	$H_0$	$H_0$	$H_0$
Two-tailed, $p$	0.582	0.282	0.336	0.941	0.809
95% CI					

**Key:**  $H_a$ :  $r$  value supports the argument with a negative correlation.

$H_0$ :  $r$  value supports the argument with no correlation.

$H_s$ :  $r$  value does not support the argument, but does support the stability policy.

stability. When it came to unemployment as a percentage of Egypt's labor force indicator, US-Egyptian total trade had a statistically significant positive correlation with this economic stability indicator, again demonstrating the fact that the stability policy failed in this test. In addition, when it came to the impact of US economic assistance on stability, there was a statistically positive correlation between US economic assistance to Egypt and inflation (which varied more than the nominal 3% per annum level target), and a statistically negative correlation with currency stability. This once more points to a further failure of the stability policy, in correlation terms and under the conditions of these tests.

In sum, the majority of the test results—17 of the 20—align with the notion that the stability policy failed in Egypt. This not only further supports the argument being put forward by this book but also that the US was blindly dedicated to the stability policy, despite the evidence pointing



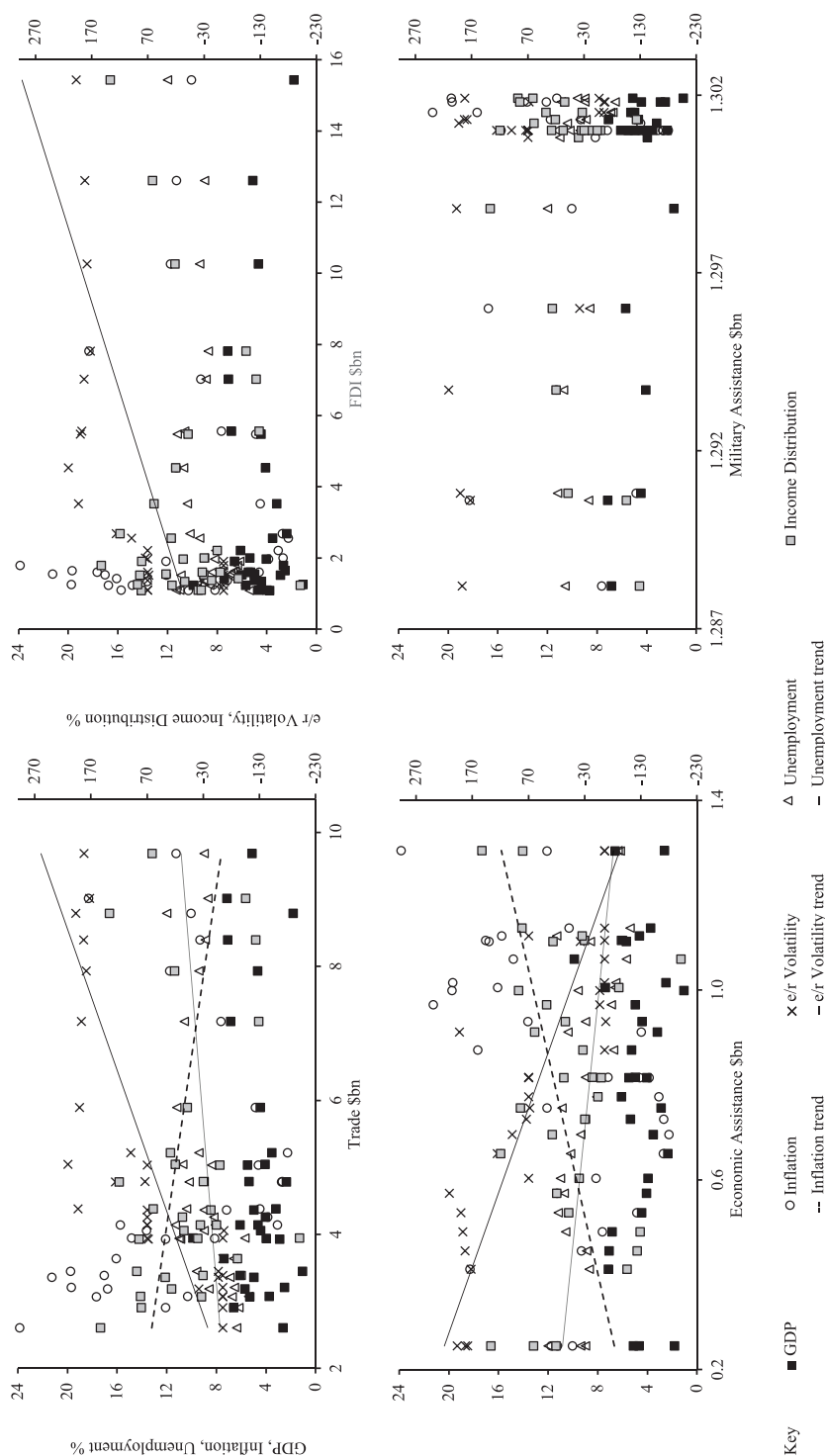


Fig. 5. Correlation between the Stability Policy and Egypt's Economic Stability (1981–2011)

to a failure to make headway toward the policy's stability goals. Further, these results, along with the three tests that aligned to the stability policy—and thus do not support my argument—also point to some policy implications that are reflected upon in this book's conclusion. Before doing so, it is important to reiterate one of my overarching points in this book: the fact that the Mubarak administration oversaw an Egypt that experienced accusations and levels of corruption, nepotism, and a lack of public and private incentives to improve unemployment levels in the country points to the importance of looking beyond economic indicators of stability and toward political indicators where possible.

### *The Stability Policy and Economic and Political Stability in Egypt (1996–2011)*

As a result of the WGI's data availability, this subsection carries out an analysis of the correlation between the four measures of the US stability policy and the six Egyptian political stability indicators between 1996 and 2011. As in the previous chapter, the gaps in the data mean that the 1997, 1999, and 2001 figures were calculated using line of best fit averages. In addition, and to create a comparable set of results, this subsection also examines the correlation between the four US stability policy measures and Egypt's five economic stability indicators over the same period. In a similar manner to the previous subsection and chapters, the correlation between the US stability policy and Egyptian stability under these conditions results in forty-four sets of test results. As a consequence, this complementary quantitative analysis provides an overarching analysis of the stability policy in Egypt between 1996 and 2011. The results are displayed in table 5, figure 6, and figure 7.

Once again, the outcome of these tests reveal that the majority of the results (37 of the 44) support the main argument of this book, that is, that the US stability policy failed to achieve its targeted Egyptian stability policy goals, this time when concerned with economic and political stability indicators between 1996 and 2011. Twenty-three of the 44 test results found no correlation between the US stability policy and Egypt's economic and political stability indicators, that is, in support of  $H_0$ . Fourteen of the forty-four tests returned results that support the hypothesis of a negative correlation between the stability policy and Egypt's economic (four of these fourteen) and political (ten of this number) in statistically significant terms. These fourteen test results support the  $H_a$  and are further displayed with their trend lines in figure 6 for Egypt's economic stability indicators and figure 7 for Egypt's political stability indicators.

### TABLE 5. Correlation between the Stability Policy and Egypt's Economic and Political Stability (1996–2011)

[illegible]

**Key:**  $H$ :  $r$  value supports the argument with a negative correlation.

$H_c$ :  $r$  value supports the argument with no correlation.

$H_i$ :  $r$  value does not support the argument, but does support the stability policy.

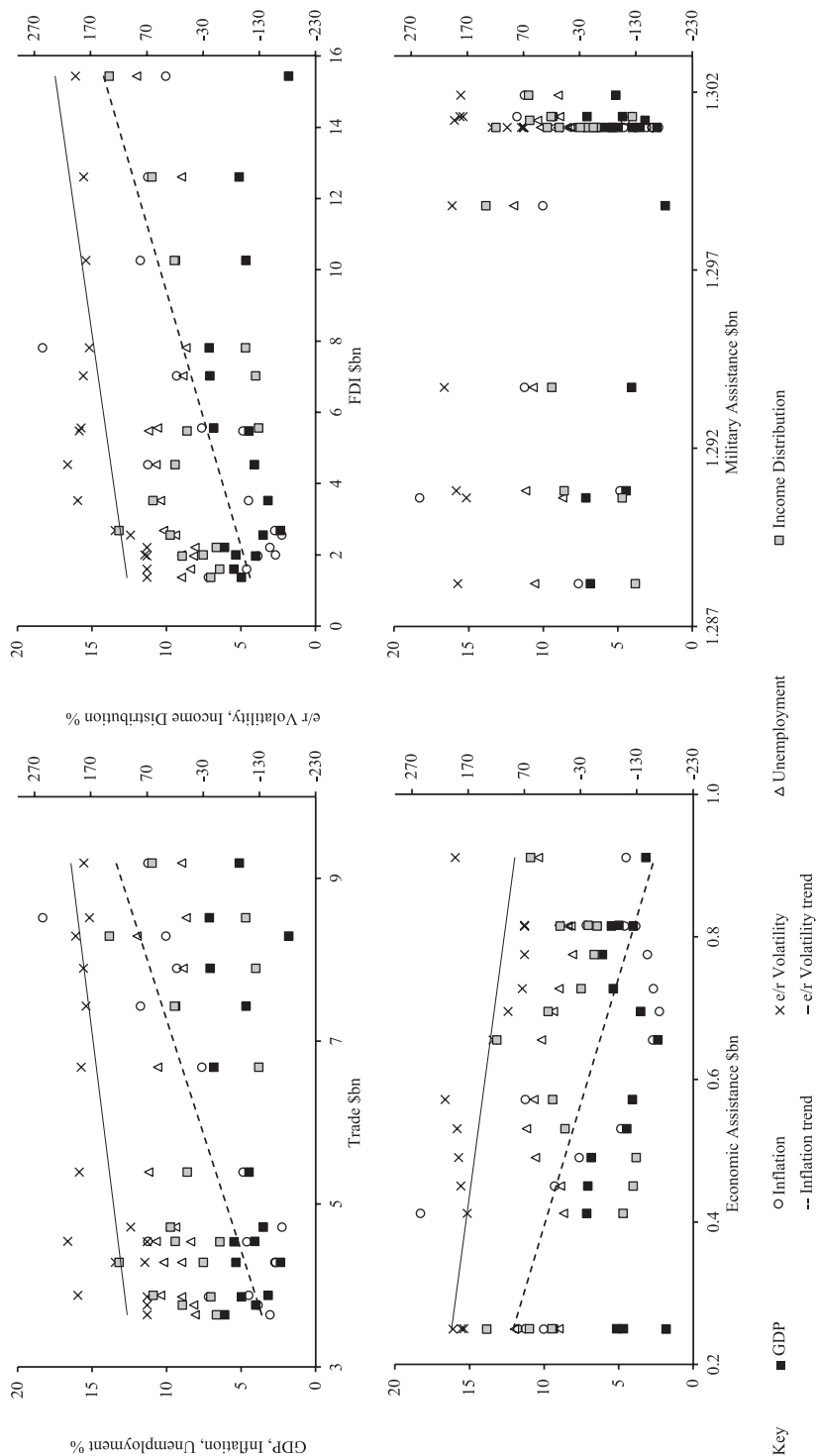


Fig. 6. Correlation between the Stability Policy and Egypt's Economic Stability (1996–2011)

A deeper look into these results reveals an interesting picture of the relationship between economics and stability in this case, and indeed provides a further basis on which to identify the policy implications of these findings. For the first, second, and third US stability policy measures—total trade, FDI, and economic assistance—no statistically significant correlation existed between three of Egypt's economic stability indicators. Specifically, there was no correlation between total trade and GDP, unemployment, and income distribution, which were used as measures of Egypt's economic stability indicators. Further, the analysis found no correlation between total trade and regulatory quality as a measure of Egypt's political stability. In addition, the fourth US foreign economic policy measure of the stability policy—military assistance—is found to have no correlation with any of the eleven Egyptian economic and political stability indicators. The fact that the US stability policy explicitly identifies the use of economic means as having a positive impact on stability in a country with which the US engaged with during this time frame demonstrates how these results support the argument that the stability policy failed to achieve its stability goals in this instance.

In further support of this argument, a little more detail is useful here in exploring the fourteen test results that determined a negative correlation between the stability policy and Egypt's stability indicators. In this instance, this was the case for three of the US stability policy measures against four of Egypt's economic stability indicators. Namely, the correlation between total trade and CPI, FDI and CPI, and economic assistance and CPI and currency stability indicators as demonstrated in figure 6. Similarly, the results found a statistically significant negative correlation between the stability policy and Egypt's political stability indicators in ten sets of results. Specifically, both total trade and FDI had a negative correlation with voice and accountability, political stability and absence of violence, government effectiveness, rule of law, and the control of corruption indicators of Egyptian political stability, as displayed in figure 7 with their trend lines.

That being said there are a small number of test results (seven of the forty-four) that support the assumptions behind the stability policy, or  $H_5$ . These results are statistically significant and de facto go against my argument. Two of these are concerned with the correlation between the stability policy measures and Egypt's economic stability indicators. Specifically, these are concerned with the relationship between total trade and Egypt's currency stability indicator, and FDI and Egypt's currency stability indicator, and are presented in figure 6 with their trend lines. The remaining five

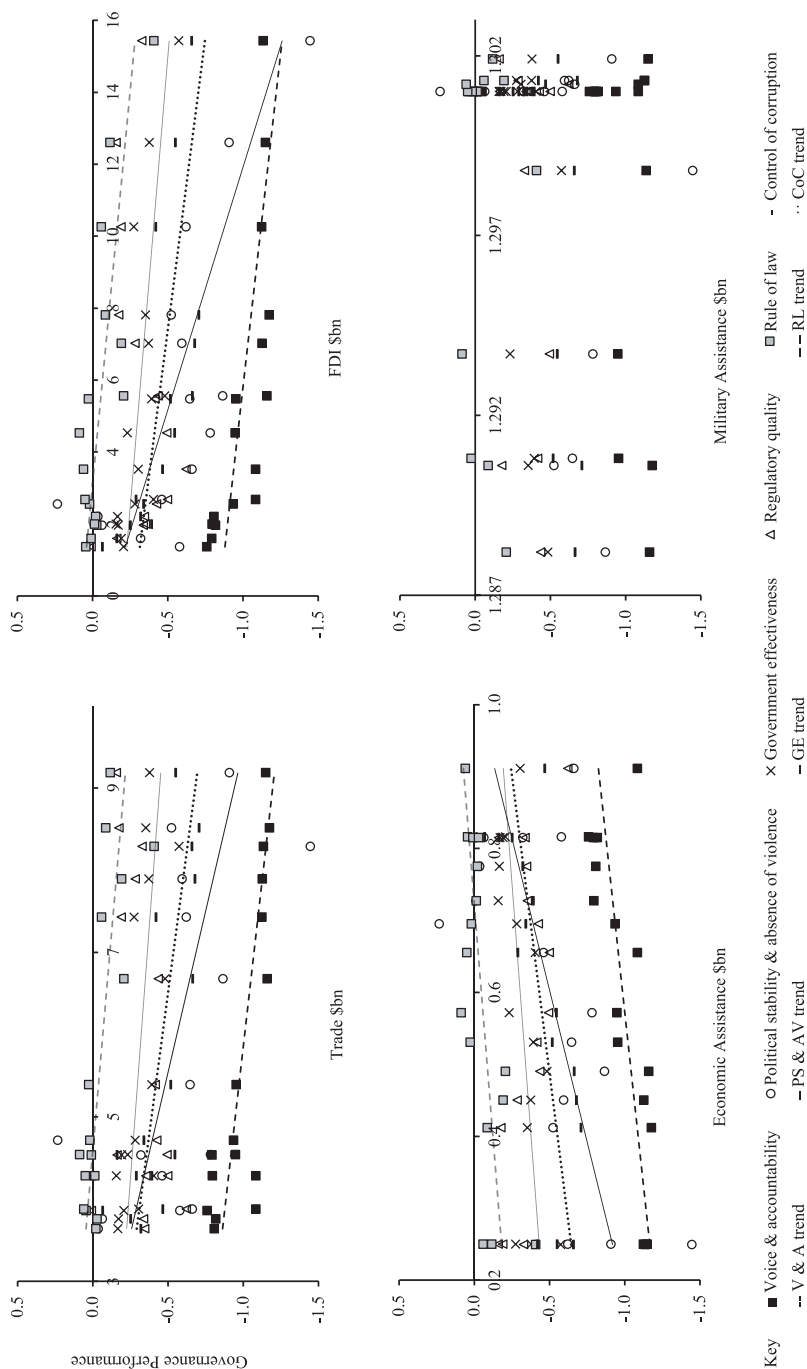


Fig. 7. Correlation between the Stability Policy and Egypt's Political Stability (1996-2011)

correlation analyses results that support  $H_3$  are all concerned with the US economic assistance to Egypt. The results determined a positive correlation between this stability policy measure and voice and accountability, political stability and absence of violence, government effectiveness, rule of law, and the control of corruption, all of which are presented with their trend lines in figure 7. Once more there are a number of policy implications that can be extrapolated from these assumption-based findings. For one, economic assistance had the best relationship with Egypt's political stability. A more detailed reflection of this is reserved for the conclusion of this book. Before ending this section, it is worth emphasizing that the majority of the results of this quantitative analysis further support the qualitative elements and contextual analysis carried out in the preceding sections of this chapter, and indeed the argument of this book as a whole. A reflection on what this means for the broader relationship between economics and stability as well as the US stability policy itself is drawn out in the concluding chapter.

In closing here, the continued and unabated US dedication to the stability policy ultimately led to a policy failure that culminated in one of the most emphatic examples of this failure, the January 25 Revolution. Furthermore, the Mubarak-administration-ending revolution and Washington, DC's actions and reactions in the run-up to, during, and immediately after the event demonstrated this dedication to the stability policy. This unwavering inflow of US economic and political support for Mubarak right up until when the Egyptian military signaled support for the populace on January 31 conveyed this steadfast commitment. It is this steadfast commitment that further contributed to the Egyptian sentiment of rejecting foreign interference in domestic affairs. This was a problematic outcome for the US as it sought to juggle regional and strategic interests with a close relationship to a Mubarak administration that suppressed political opposition, even in the context of the January 25 Revolution.

## Concluding Thoughts

US ties with Egypt before and during Mubarak's thirty-year tenure provide a unique setting in which to examine the relationship between economics and stability. The nature of relations between the two countries, along with the developments that took place in the 1981 to 2011 time frame, set a scene that helps explain why the US foreign policy of using economic means to achieve stability goals performed the way it did. Furthermore, viewing the economics and stability relationship from the stability policy perspective uncovers how external and internal factors and forces played out to reveal the barriers to and facilitators for the stability-through-economics theory. The outcome of this evaluation points to a poor US stability policy performance in Mubarak's Egypt, owing to the way in which foreign and domestic decisions and initiatives led to both faltering and strengthening levels of stability in Egypt. This reveals a pessimistic answer to both parts of the first research question that guides this book: How successful was the US stability policy in Egypt between 1981 and 2011? And what were the facilitators for and barriers to this policy? The US foreign policy's ultimate failure to achieve the stated stability goals demonstrates the need to capture the context, or, in this case, overcome the barriers to and build on the facilitators for the policy's success. Flowing from this is a more optimistic answer—in a grander sense—to the second research question: What does this case tell us about the relationship between economics and stability? The detail and nuance of the US-Egyptian case study reveal how the context impacted the relationship between economics and stability and thus create a set of theory-centered observations that are detailed over these final few pages.



These same observations provide ground on which to reflect on what this means for foreign policies that are driven by this same stability-through-economics theory. These conclusions are laid out in detail here, thereby serving my goal of contributing to scholarship on the issue, to the dialogue on US foreign policy in general, and to how it affects Egypt in particular.

To reiterate an important point made earlier, and indeed to consolidate the rationale behind opting for this case study, the US stability policy toward Egypt during Mubarak's reign captured several important and varying developments that impacted the relationship between economics and stability. These include the legacies of former Egyptian administrations like their economy-focused strategies evidenced in the Infitah policy; domestic pressures in the form of mandated (the US Congress in America's context) and marginalized actors (the Muslim Brotherhood in Egypt); the government and policy reactions to these domestic pressures in both countries; pre-Mubarak commitments like the US brokered and lasting 1979 Egypt-Israel Peace Agreement; external pressures and contexts on both a regional and global level like the Cold War and the Gulf War; global strategic shocks like the 9/11 attacks and the Global Recession as well as the reactions to said shocks; and the Mubarak-tenure-ending Transitional Arab Spring that resulted in the January 25 Revolution in Egypt.

In addition, this context came in a period that was enveloped in a US belief—and at times a blind belief—in the notion that stability goals can be achieved through foreign economic policy measures. Further, and in a blend of informal and formal pressures, the Egyptian and regional sentiment of rejecting foreign influence in domestic affairs fell neatly into the Mubarak administration's narrative of barricading his country against attempts by Washington, DC to have a say in Cairo's domestic policies. From the US perspective, this did not lead to a change in the stability policy as the priority lay in maintaining broader regional interests to an extent that overrode any effort to use a policy stick of withholding aid until Egyptian domestic reforms were successful. To continue the metaphor, this meant the stability policy was only ever implemented as a US foreign policy carrot with negligible punishments for following a different pathway than what was desired by the policy. This played well into the Egyptian government perspective and preferences, as the Mubarak-era (and indeed before that) practice of restricting US calls for reforms to the symbolic level meant the Egyptian president was able to maintain a firm grip on power in the country. By extension, this meant that the US was complicit in Mubarak's treatment of the political opposition—a position that was tenable right up until the Mubarak-ousting January 25 Revolution.

tion, which in turn weakened US influence in the country during and after the subsequent transition.

Each of these developments add up to a need to reconsider the relationship between economics and stability, and to reflect on the stability policy. This need is made all the more desirable given that the broader body of scholarship that examines the relationship between two or more actors—pioneered by Keohane and Nye’s aptly titled *Power and Interdependence*<sup>1</sup>—does not dig into the granular level of what this means in the context of economics and stability. On a more focused level, leading work in the understudied field of examining the specific relationship between economic interdependence and war (and stability by extension) is commanded by Papayoanou’s *Power Ties*<sup>2</sup> and succeeding work.<sup>3</sup> In this scholarly context, however, a few notable gaps remain. Specifically, ties between Western and non-Western states or between nonadversarial states are not considered when the relationship between economics and stability is explored. In addition, Papayoanou’s work on the subject does not focus on the notion that economic ties can act as a medium in which interests can be shared or indeed “exported,” the same notion that US foreign policy explicitly believes in and bases the stability policy on. The roots of this came from the foundation of the US as a country that rejected the British Empire’s way of doing things alongside the postcolonial pursuit of liberty and stability both domestically and internationally.<sup>4</sup> Further, work on the stability-through-economics theory is broad in focus. This book makes its argument through a specific definition of economics in this context, that is, the foreign economic policy and measures represented by the stability policy. The reason for doing so is to identify the barriers, facilitators, successes, and failures of this US form of foreign policy, with the knock-on effect leading to a set of policy reflections and suggestions that are based on an evaluation of the stability policy from that same US stability policy perspective.

In so doing, this book’s contribution focuses on plugging these gaps in existing work by accounting for these blind spots in the literature. In addition, the fact that this book includes a complementary quantitative assessment of the stability policy in Egypt between 1981 and 2011 provides an additional dimension to my analysis of this political phenomenon. Further, this mixed-method analytical evaluation of the relationship between economics and stability provides this book with an additional element of novelty not seen before. To put this another way, I developed and tested a unique and particular methodology to examine the stability policy. This provides a framework for future work to replicate and build on in the quest to understand other bilateral relationships and correlations between for-

eign economic policy and stability. By formulating the study in this manner, I provide the groundwork to reflect on how this US foreign policy toward Mubarak's Egypt impacted the stability-through-economics theory, using a novel angle and approach to the issue. These final pages reflect on what this means for the theory, US-Egyptian ties, the complementary quantitative analysis, and US foreign policy in relation to this case study.

### On the Stability-through-Economics Theory

It is worth reiterating why this book focuses on the relationship between economics and stability. This pointedly relates to the increased overlap between the economic and politics spheres that are concerned with the stability-through-economics theory. In other words, this book focuses on two aspects of international affairs that have grown to affect contemporary international relations. For Richard Cooper<sup>5</sup> and Dale Copeland,<sup>6</sup> this is the result of how Western and non-Western states have increasingly interacted with the international political and economic system. Moving one step forward, Robert Gilpin explains how this leads to a convergence between politics and economics.<sup>7</sup> This international environment is therefore situated to offer a further examination of the relationship between these two interconnected spheres in international affairs. From here, the intent is to add to the dialogue and understanding of the interconnected nature of international relations in this broader sense.

Refining this further, Keohane and Nye's work as well as that of Papayanou identify the basis of the US belief and implementation of the stability policy—the power relationship between two or more actors. Related to this point, the foundation of the US itself came in part as a reaction to the way King George III's Britain subjected the American colonies to unrepresentative laws. In response, American independence, the Constitution, foreign policy, and the specific stability policy were drawn up to reflect Washington, DC's dedication to the stability-through-economics theory-based assumptions. The fact that the theory-driven stability policy failed to achieve its goals in the case of Mubarak's Egypt points to a need to reconsider the relationship between economics and stability in order to gain a more accurate understanding of this growing trend in international affairs.

Specifically—and as noted above—the gap in the literature has resulted from a lack of work that examines the relationship between Western and non-Western states, as well as between nonadversarial states. The very fact that the relationship between the US and Mubarak's Egypt fits into both

these categories results in a novel setting in which to examine the relationship between economics and stability. With regard to examining the relationship between nonadversarial states, this was notably demonstrated in situations where actions by the US and the Mubarak administration might have been causes for confrontation, a sentiment that reared its head whenever the US critiqued Mubarak's domestic policies. In addition, and as noted throughout this book, the stability policy itself is based on the idea of sharing interests and ideals with its partner state, Egypt in this case. The fact that this failed to achieve tangible policy successes in Egypt once again points to the stability policy's poor performance. A closer reflection on the implementation of the US stability policy in Mubarak's Egypt clarifies how the empirical record refutes what this theory-based foreign policy assumes.

### The Theory and US-Egyptian Ties

Unsurprisingly, the developments that impacted US ties with Egypt during Mubarak's first ten years in power had a lasting impact on the relationship between economics and stability beyond 1990. This was made possible by the stances Washington, DC and Cairo took when it came to engaging with one another. Broadly speaking, the US sought to maintain regional stability and security interests, including more influence in the region than the USSR during the Cold War and support for the 1979 Egypt-Israel Peace Agreement, while Mubarak sought to attract US (and other) support to plug a hole in Egypt's public finances and help develop his country's economic production capacity. Washington, DC and Cairo were aligned on each of these fronts. For Mubarak, the inflow of US economic support would enable him to develop the country, ensure stability, and propel growth. For Carter and Reagan, this provided the perfect opportunity to increase economic cooperation with Egypt (and others) and work toward enhancing regional peace in the run up to<sup>8</sup> and during Mubarak's reign,<sup>9</sup> respectively. Mubarak's decisions to continue the Infitah policy, instigate economic reform, and crack down on Sadat-era elites were neatly aligned with the stability policy's goals. These facilitators for the stability policy's implementation were met with even higher barriers and diminished chances of success, however.

These stability policy barriers came in the form of the Mubarak administration's domestic policies, along with the broader regional and global context. In the economic realm, Mubarak was hamstrung by high levels of public debt between 1981 and 1990. For the US, this was a logical path

on which to offer support—through the stability policy and other initiatives like the Club de Paris debt forgiveness and subsequent Egyptian involvement in the Gulf War. This dual US interest of calling for Egyptian reforms to the economy (and in politics) alongside regional strategic concerns highlighted how Washington, DC was willing to forego the former domestic focus for the latter regional benefits. In turn, this revealed how these forces amounted to a barrier to this foreign policy. This imbalance between domestic-versus-regional interests also represents something that is not captured in existing scholarship. The developments that took place in the political sphere make this point even more emphatically.

Mubarak was careful to ensure that the domestic perception of an external actor (the US) influencing domestic affairs was kept to a minimum in the context of receiving economic support. This strategy was adopted in order to avoid stoking the domestic (and regional) narrative of rejecting foreign influence over Egypt. In practice this represented another barrier to any stability policy attempt to influence Egypt's domestic politics. This resulted in a situation where the Mubarak administration adopted a pragmatic policy of regulating—through the State of Emergency Law—the extent to which opposition was allowed to voice their intent and increase their presence in political affairs between 1981 and 1990. In reality, this meant political opposition groups and individuals were suppressed by Mubarak—including the nationalist Wafd Party, the left-leaning National Progressive Unionist Party, and the so-called Islam-inspired Muslim Brotherhood—who was funded by US economic support to do just this. This in turn contorted the context in which the relationship between economics and stability played out in this first decade of Mubarak's presidency. To compound this point, the seemingly blind US preference for pursuing broader strategic interests over domestic goals meant the stability policy had not accounted for this domestic context. From a theory-based perspective, this meant that the economics side of the stability-through-economics theory was being practiced by the US. Domestic and regional interests were, however, determining how the stability side of the equation played out. This pointed to the complex nature of stability in Egypt—something that the stability policy did not account for in practice. Indeed, the opposite effect came to pass as Mubarak's actions and the corresponding US support for his position placed Egypt on a superficially stable path following the Gulf War.

In the early 1990s, the Mubarak administration's planned economic and political reforms attempted to balance public finances and political representation in Egypt. This translated into a privatization drive, public bud-

get cuts (two things that came with the US-aligned IMF and World Bank financial support), and a decision to ban religious parties from standing in parliamentary elections. These Egyptian policies were problematic for the G. H. W. Bush and Clinton administrations in this period, and so both the US presidents attempted to head off potential economic and political instability in Egypt through economic support like the aforementioned debt forgiveness (Bush) and the 1994 Gore-Mubarak economic partnership (Clinton). Simultaneously, both the White House and Capitol Hill continued to criticize Mubarak's delays in instituting economic reforms and the suppression of political opposition. These calls were notably once more restricted to rhetoric, pointing to the US precedence afforded to the broader regional interest of maintaining Mubarak as an ally. In addition, Mubarak resisted these calls to cede autonomy over domestic policies. This provided further evidence of how Cairo's sovereignty over internal affairs created a barrier to the stability policy. These points are reflected in both the context-based qualitative analysis and the quantitative analyses carried out in this book. The amalgamation of these analyses convey the point that these elements—that is, Mubarak's domestic policies and the continued US practice of the stability policy despite evidence of failure—ultimately provided an environment where the January 25 Revolution became inevitable. This provides further evidence of the context that is omitted from the theory underpinning the stability policy. Specifically, Mubarak's suppression of domestic opposition was one of the main factors that led to a failure of the stability policy. This is something that is also left out of the scholarship on the relationship between economics and stability.

The 9/11 attacks provided further evidence of how and why the theory-induced stability policy failed in the case of Egypt. Following the attacks and the increased US-Egyptian alignment over political extremism, Mubarak was able to continue to suppress political opposition. This came in the form of the clampdown on public protests and political actors, through strategies such as the 2006 constitutional amendment banning religion-inspired, unestablished parties, and imprisoning political opposition. From the stability policy's perspective, this meant the political reforms demanded by the US were left unattained.

Furthermore, Washington, DC's push for political reforms in Egypt had an adverse effect at certain points. For instance, the US demands for increased political representation in the 1990s and 2000s not only irked the Mubarak administration, which publicly rejected the demands, but also reinforced the resistance to foreign interference in domestic affairs. A specific example of the US reaction to this resistance came in the form

of the 2004 US Congress suggestion to change the makeup of US aid to Egypt by prioritizing economic programs over military programs. In reaction, Mubarak ratcheted up the rhetoric on how this proposal was aimed at weakening Egypt and interfering in its domestic affairs.<sup>10</sup> The result was once more a failure of the stability policy to instigate political reform-linked stability. This US standpoint was further weakened by the 2005 State Department explanation of how political reforms were in fact leading the country on a more democratic trajectory when considered in the broader historical context of Egypt.<sup>11</sup> In second half of the 2000s USAID's Commodity Import Program detailed how funding provided to Cairo would be returned to the US when the Egyptian private sector bought US goods and even went as far as linking the initiative to regional security and stability.<sup>12</sup> This once more demonstrated the clear US prioritization of keeping Mubarak as an ally in the pursuit of broader strategic goals during the 2000s. All this took place while the Mubarak administration was able to draw on Egyptian sentiment that resisted a larger US footprint in domestic affairs.

This sentiment was displayed in public demonstrations in support of this resistance notion in the early 2000s and then echoed by political opposition groups like the Kefaya Movement, which initially boycotted the 2009 Obama speech in Cairo before meeting with US administration officials shortly after. This came at a time when the Mubarak administration positioned business elites in the ruling NDP's Policy Secretariat (after Mubarak's son Gamal Mubarak was appointed chair of the secretariat), a decision that was made possible through the continued implicit US economic support provided to Cairo.

Further, and perhaps most emphatically, the developments that took place between 1991 and 2010 provided the background and run-up to one of the most unstable developments in Egypt's history, the January 25 Revolution. This not only demonstrated how the US stability policy failed to achieve its goal but also how the policy contributed to an environment fertile for a revolution. Furthermore, Washington, DC's posture in support of Mubarak during and after January 25 impacted the relationship between economics and stability. Indeed, the failure to capture the contextual forces that played out in Egypt pointed to how the stability-policy-fronted theory failed to account for these other political actors. Once more, this points to the necessity in accounting for the different and changing domestic interests over time when considering the relationship between economic and political spheres in international affairs.

For the Egyptian populace, the US delay in withdrawing support for



Mubarak in the midst of the violent crackdown against protestors, combined with the continued economic support for the administration, was perceived as a calculated attempt to determine the trajectory of the revolution. In turn, this put Washington, DC on the back foot in its drive to implement a successful stability policy. This was evidenced in President Obama's, Secretary Clinton's, and other White House-based statements that were made during and immediately after the January 25 Revolution. These statements started with support for the Mubarak administration, evolved to a position that encouraged Mubarak's involvement in any transition, altered to calls for Mubarak to step down, and finally denoting that a more "democratic" post-Mubarak Egypt was a key determinant in achieving stability. This about-face in Washington, DC's position meant that the stability policy failed to achieve its goal and led to a fall in Egyptian trust in US intentions and diminished the potential Washington, DC's influence in Cairo, all along with continued economic support for the Mubarak and transitional regimes.

Taking these points together, it is clear that Mubarak's domestic policies, the regional and global contexts, and the US actions in the run-up to, during, and immediately after January 25 resulted in the failure of the stability policy in Egypt. Compounding this failure was the US dedication to the policy—in light of its foundational and constitutional dedication to stability—which came despite evidence on the ground pointing to a failure to achieve stability goals, with the revolution being a significant and ultimate example of this. Additionally, the US position and practice of this policy further contributed to the sense of resentment and rejection of foreign interference in domestic Egyptian affairs, which in turn contributed to a lack of influence and points to a continued failure of the stability policy. As a result, it is clear that these domestic and foreign drivers dictated the path of the relationship between economics and stability during Mubarak's reign. It is within this context that the methodological framework adopted in this study focused on state-level interactions, as opposed to business and private sector-level actions. While these nonstate actors are important—and indeed are the ones who "executed" the stability policy in a sense—they nevertheless were operating in an environment that was set by broader US-Egyptian ties. As such, my focus on state-level interactions encapsulates the setting in which other actors and forces enabled or prevented the success of the stability policy. This lays the foundation for a more detailed private-sector-based analysis of US-Egyptian ties in future research projects. Indeed, this point signifies the very nature of this type of academic enquiry that serves to develop a broader understanding of the



way the world works, including the different ways in which this task may be tackled.

Returning to the theory behind the stability policy, this book's findings highlight the need to ensure that such pressures and forces are accounted for when conceptualizing how the economic and political spheres interact with one another. This argument is further supported by the quantitative analysis carried out in this book. By including this complementary analytical method, I aim to provide as comprehensive an evaluation as possible of the stability policy. This in turn informs one of my key reflections about the need to capture the context—enabled through different methodological perspectives in this instance—to determine how and why this US foreign policy goal remained elusive during Mubarak's reign.

### Reflections on the Quantitative Analysis

The decision to assess the correlation between the US foreign economic policy tools against Egypt's economic and political stability measures ensures that the analysis is executed in a way that evaluates this foreign policy from the perspective of the policy itself. This enables me to determine the extent to which the stability policy was successful in Mubarak's Egypt and offer policy-specific reflections. As a consequence, this book presents the results of 148 statistical tests to analyze the correlation between economics and stability through the example of the US stability policy in 1981 to 2011 Egypt. The results of 128 (86.5%) of these tests support the argument being put forward in this book that the stability policy failed to achieve its foreign policy goals in Egypt under Mubarak.

Breaking this down, the vast majority of the test results (ninety-seven) support the null hypothesis  $H_0$  that there was no statistically significant correlation between the four US foreign economic policy measures and Egypt's economic and political stability indicators. Perhaps most significantly, thirty-one of the 148 test results support the alternative hypothesis  $H_a$  that there was a negative correlation between the economics and stability variables in this case. In addition, the tests reveal that the stability policy-backed hypothesis—that there was a positive economics and stability correlation or  $H_s$ —had a better success rate when it came to Egypt's political stability (as 18.8% of all political stability tests supported  $H_s$ ) as opposed to Egypt's economic stability (where 11% of economic stability tests supported  $H_s$ ). That being said, the latter was based on a larger number of observations (100 as opposed to 48), owing to data availability.

These results are certainly not negative from a US perspective. With policy-oriented aims in mind, 20 of the 148 test results supported the stability policy's assumption that there is a positive correlation between economics and stability. In other words, the US stability policy tended to succeed under Mubarak's Egypt 13.5% of the time. With respect to Egypt's economic stability indicators over the 1981 to 2011 time frame, the stability policy measures of total trade and FDI had a positive impact on Egypt's currency stability. If these test outcomes are extrapolated into policy practice—under the conditions assumed by the 1996 to 2011 statistical analysis—then a policy suggestion is as follows: should the US seek to have a positive impact on Egypt's currency stability, then it would more likely be successful if it were to increase total trade and FDI as a means to do so. This is supported by the tests carried out under the same conditions for the 1981 to 2011 time frame. In addition, the tests over this longer time frame also found a positive correlation between US economic assistance and the Egyptian unemployment variables that represent the economics and stability relationship, respectively. This points to a further policy implication: the US would more likely improve Egypt's unemployment levels by using economic assistance as a stability policy tool, again under the caveats associated with the tests carried out for the purpose of this book.

When it comes to political stability, the tests results reveal that only US economic assistance had a positive correlation with Egypt's political stability indicators. For the two time frames that were used to analyze this relationship—that is, the 1996 to 2010 and the 1996 to 2011 time frames—US economic assistance had a positive correlation with the following stability indicators: voice and accountability, government effectiveness, rule of law, and control of corruption. In addition, the longer 1996 to 2011 time frames found that there was a positive correlation between economic assistance and political stability and absence of violence. Continuing with a translation as to what this means for policy practice: these results indicate that the US would more likely find stability policy success if it were to focus on the use of economic assistance to improve Egyptian political stability indicators.

A point worth restressing is that these tests operate under a set of necessary assumptions and conditions that result from adopting a quantitative analysis. These conditions were set, and the subsequent quantitative analyses were executed, in order to complement the contextual and more qualitative-based analyses that fill this book. Indeed, while the majority of the results disproved the stability policy's hypothesis  $H_1$ , and thus point to a failure of the stability policy, the implications for this specific US foreign

policy toward Egypt are inextricably tied to the domestic, regional, and international context and drivers that acted as barriers to and facilitators for the success of the stability policy.

In addition, there is undoubted value in extrapolating the complementary analysis into a more focused quantitative assessment of the stability policy, as well as the concepts associated with economics and stability. This could include more variables to measure the correlation or indeed other statistical relations between these two spheres, as well as other case study and contextual environments. As signaled in the main body of this book, other variables may include debt forgiveness (something that falls under the remit of the stability policy and was exercised during the 1990–91 Gulf War), the exposure of US industries or companies to their Egyptian counterparts, or indeed US government sponsored political donations to Mubarak's NDP (both of which were not examined), among others. Other case studies may include countries that are of similar or varying importance to the US (like Saudi Arabia, South Korea, or Mexico, among others), or indeed bilateral ties between states that share similar sentiments with the US stability policy, like those of the EU. This would provide room to reflect on how a complex and multilayered statistical analysis would inform specific understandings of even more appropriate and all-encompassing measures of economics and stability. This in turn would enable further detailed policy and scientifically informed reflections. That being said, the broader purpose of structuring this book and analysis in this manner helped emphasize the need to capture different perspectives when contemplating political phenomena. I therefore leave a more detailed quantitative analysis of the stability-through-economics relationship to future scholarship.

### What This Means for US Foreign Policy in Egypt

The need to capture the internal and external contexts that played out in Mubarak's Egypt when implementing the stability policy was reinforced in the period after the January 25 Revolution. To strengthen what was said in the introduction, US confidence in the stability policy continued in Obama's 2016 statement linking peace and prosperity to interdependence and increased economic integration,<sup>13</sup> and even President Trump's 2018 "America First does not mean America alone" proclamation.<sup>14</sup> While it is still too early to analyze how these particular approaches have unfolded, what is clear is that prospects for the stability policy's success are considerably diminished when it is adopted blindly and generally in US interna-

tional relations, without taking into account the specific context and setting in which it is being deployed.

This point about failing to take into account specific policy contexts speaks to the key findings of this book—that the relationship between economics and stability is determined by the environment and context in which it is being played out. This point is strengthened by the US dedication to the stability policy even when found to not reach its stated goals.

In addition, the stability policy itself is rooted in the foundation of the US—in a way that was specifically designed to pursue freedoms that were suppressed under the control of the British Empire.<sup>15</sup> The stances and policies of presidents and policymakers during this US-Egyptian case study (and indeed prior to 1981) demonstrate the US dedication to the stability policy. This signals an inherent and lasting commitment to the idea of pursuing stability goals in international relations. The US use of economic instruments to achieve these goals alongside an increasingly interwoven political and economic system further validates a need to correct if not perfect this policy. The Egyptian example proves to an overwhelming extent that internal and external contexts ultimately determined the trajectory of the stability-through-economics relationship and this US foreign policy.

The US has recognized this grander point about taking into account different contexts in the past, albeit in a different area, time frame, and policy issue through a report explaining “that miscalculation, misunderstanding, or failure to take all of their complex elements into account” led to policy failure.<sup>16</sup> This US reflection came in the context of applying a coercive sanctions-based policy when interacting with other states in the international system. This point was reiterated in an interview with Gary Sick who explained how politics had historically overcome economics—with reference to pre-2013 US ties with Iran—as the regime’s links to funding terrorist activities were enough to dissuade business partnerships between both countries.<sup>17</sup> The point to impress and finish on here is that the US might benefit from applying the same concept of capturing the specific contexts to conducive economic-based policies, such as that of the stability policy when dealing with foreign states—not least because of the US foundation-rooted belief in the stability policy.



## Appendix

Formula [1]:

$$r_s = p_{r_{gx}, r_{gy}} = \frac{cov(r_{gx}, r_{gy})}{\sigma_{r_{gx}, r_{gy}}}$$

Where  $p$  is the correlation coefficient,  
 $r$  is the rank,  
 $x$  is the value of the US foreign economic policy variable,  
 $y$  is the values of the Egyptian political or economic stability variable,  
 $cov(r_{gx}, r_{gy})$  is the covariance of the rank variables ( $x$  and  $y$ ),  
 $\sigma$  are the standard deviations of the rank variables ( $x$  and  $y$ ).

Formula [2]:

$$t = \frac{\sqrt{n-2}}{\sqrt{1-r^2}}$$

Where  $t$  represents the  $t$ -distribution of the  $p$  value,  
 $r$  is the correlation coefficient,  
 $n$  is the total number of the population concerned.

TABLE A1. US Stability Policy Indicators (1981–2011) (in US dollars)

Year	Total Trade	FDI	Economic Assistance	Military Assistance
1981	2,571,300,000	1,081,000,000	1,130,400,000	550,800,000
1982	3,444,200,000	1,229,000,000	1,064,900,000	902,400,000
1983	3,137,500,000	1,416,000,000	1,005,100,000	1,326,900,000
1984	2,886,100,000	1,521,000,000	1,104,100,000	1,366,700,000
1985	2,406,900,000	1,905,000,000	1,292,100,000	1,176,700,000
1986	2,105,000,000	1,792,000,000	1,293,300,000	1,245,800,000
1987	2,708,800,000	1,644,000,000	1,015,300,000	1,301,800,000
1988	2,568,400,000	1,596,000,000	873,400,000	1,301,500,000
1989	2,857,990,000	1,541,000,000	968,200,000	1,301,500,000
1990	2,684,000,000	1,231,000,000	1,101,400,000	1,296,000,000
1991	2,944,300,000	1,246,000,000	998,300,000	1,301,900,000
1992	3,553,000,000	1,334,000,000	933,300,000	1,301,800,000
1993	3,426,200,000	1,510,000,000	751,100,000	1,301,800,000
1994	3,437,400,000	1,090,000,000	602,800,000	1,300,800,000
1995	3,639,800,000	1,093,000,000	1,113,500,000	1,301,000,000
1996	3,860,100,000	1,366,000,000	815,600,000	1,301,000,000
1997	4,534,900,000	1,603,000,000	815,000,000	1,301,000,000
1998	3,758,300,000	1,963,000,000	815,000,000	1,301,000,000
1999	3,641,200,000	2,210,000,000	775,000,000	1,301,000,000
2000	4,284,600,000	1,998,000,000	727,300,000	1,301,000,000
2001	4,717,000,000	2,557,000,000	695,000,000	1,301,000,000
2002	4,282,700,000	2,682,000,000	655,000,000	1,301,000,000
2003	3,879,400,000	3,524,000,000	911,000,000	1,301,200,000
2004	4,543,200,000	4,526,000,000	571,600,000	1,293,700,000
2005	5,389,900,000	5,475,000,000	530,700,000	1,290,800,000
2006	6,677,200,000	5,564,000,000	490,000,000	1,288,200,000
2007	7,892,200,000	7,023,000,000	450,000,000	1,301,300,000
2008	8,515,200,000	7,804,000,000	411,600,000	1,290,600,000
2009	7,426,900,000	10,257,000,000	250,000,000	1,301,300,000
2010	9,182,500,000	12,599,000,000	250,000,000	1,301,900,000
2011	8,286,908,819	15,428,000,000	249,500,000	1,298,800,000

Source: “DOTS” (IMF, 2020); “International Data” (US Department of Commerce, 2017); CRS cited in Sharp, “Egypt” (2015), 28–29; “WDI” (World Bank, 2020).

TABLE A2. Egypt's Economic Stability Measures (1981–2011)

Year	GDP	Inflation CPI	e/r volatility	Unemployment	Income Distribution GNI per capita
	(% change)	(% change)	(% change from sample SD)	(% of labor force)	(% change from sample SD)
1981	3.76	10.32	-65.00	5.40	81.66
1982	9.91	14.82	-65.00	5.70	-201.37
1983	7.40	16.08	-65.00	6.60	-90.61
1984	6.09	17.04	-65.00	6.00	-29.42
1985	6.60	12.11	-65.00	6.18	80.51
1986	2.65	23.86	-65.00	6.36	152.73
1987	2.52	19.69	-65.00	6.54	-321.36
1988	5.30	17.66	-65.00	6.72	-27.01
1989	4.97	21.26	-57.00	6.90	37.56
1990	5.70	16.76	-22.00	8.60	26.76
1991	1.08	19.75	-57.00	9.60	88.06
1992	4.43	13.64	-67.00	9.00	4.34
1993	2.90	12.09	68.00	10.90	84.21
1994	3.97	8.15	70.00	11.00	-19.87
1995	4.64	15.74	70.00	11.30	-25.09
1996	4.99	7.19	70.00	9.00	-43.30
1997	5.49	4.63	70.00	8.40	-59.24
1998	4.04	3.87	70.00	8.20	7.09
1999	6.11	3.08	70.00	8.10	-53.46
2000	5.37	2.68	74.00	9.00	-30.22
2001	3.54	2.27	99.00	9.40	28.14
2002	2.37	2.74	126.00	10.20	119.54
2003	3.19	4.51	193.00	10.40	59.17
2004	4.09	11.27	211.00	10.70	19.96
2005	4.47	4.87	190.00	11.20	-1.56
2006	6.84	7.64	187.00	10.60	-128.47
2007	7.09	9.32	183.00	8.90	-123.07
2008	7.15	18.32	172.00	8.70	-105.11
2009	4.69	11.76	178.00	9.40	21.33
2010	5.14	11.27	182.00	9.00	61.36
2011	1.82	10.05	197.00	12.00	137.04

Source: "DOTS" (IMF, 2020); "International Data" (US Department of Commerce, 2017); CRS cited in Sharp, "Egypt" (2015), 28–29; "WDI" (World Bank, 2020). Unemployment data (from 1985 to 1988 inclusive) unavailable, estimates for these four years calculated using lines of best fit.



TABLE A3. Egypt's Political Stability Measures (1996–2011)

Year	Voice and Accountability	Political Stability and Absence of Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
1996	-0.76	-0.58	-0.21	0.01	0.05	-0.07
1997	-0.79	-0.32	-0.19	-0.16	0.01	-0.16
1998	-0.82	-0.06	-0.17	-0.34	-0.03	-0.25
1999	-0.81	-0.04	-0.17	-0.35	-0.02	-0.32
2000	-0.79	-0.01	-0.16	-0.35	-0.01	-0.39
2001	-0.94	0.24	-0.28	-0.43	0.02	-0.34
2002	-1.08	-0.46	-0.40	-0.50	0.05	-0.29
2003	-1.08	-0.66	-0.30	-0.62	0.06	-0.47
2004	-0.95	-0.78	-0.23	-0.49	0.09	-0.54
2005	-0.95	-0.65	-0.39	-0.41	0.03	-0.52
2006	-1.16	-0.86	-0.48	-0.43	-0.21	-0.66
2007	-1.12	-0.59	-0.37	-0.28	-0.19	-0.68
2008	-1.17	-0.52	-0.35	-0.17	-0.08	-0.71
2009	-1.12	-0.62	-0.27	-0.19	-0.06	-0.42
2010	-1.15	-0.91	-0.38	-0.16	-0.12	-0.55
2011	-1.13	-1.44	-0.57	-0.33	-0.41	-0.66

Source: "WGI" (World Bank). Political stability measures from 1981 to 1995 unavailable. Political stability measures (1999, 2001, and 2003) also unavailable, estimates for these three years calculated using lines of best fit.

# Notes

## CHAPTER 1

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## CHAPTER 2

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### CHAPTER 3

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