



**EUROPEAN COUNCIL ON FOREIGN RELATIONS  
POLICY BRIEF**

**EGYPT'S HYBRID REVOLUTION: A BOLDER EU APPROACH**

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When President Hosni Mubarak was removed from office by the Egyptian military on 11 February, it seemed to be the consummation of Egypt's revolution – but it was also the starting point for Egypt's transition to democracy. The success or failure of that process will have huge consequences for the region and for Europe. While Tunisia may have lit the torch of revolution in the Arab world, and while Libya and Syria may have presented European governments with their toughest dilemmas so far, it is Egypt that will matter most in the end. The size of the country's population and its history and cultural influence mean that it is the Arab world's centre of gravity. If it stumbles, the region may fall. If, however, it makes a successful transition to democracy, it would set a powerful example for other Middle Eastern governments.

Despite Egypt's importance, however, the European Union (EU) has struggled to achieve influence with the country and its more than 80 million people. Before the revolution, the EU gave Egypt more than 600 million euros over a decade – yet made almost no effort to press for political reform. Then, when protests began in Tahrir Square in January, the EU was slow and hesitant to react. Its first official response, drafted by High Representative Catherine Ashton, seemed outdated the moment it was released to the world's media. Europe's position was defined by a subsequent joint statement by British Prime Minister David Cameron, German Chancellor Angela Merkel and French President Nicolas Sarkozy, who made clear that Mubarak could not count on European support. In meetings with Egypt's military leadership, EU officials have been loath to make unequivocal interventions.

The Arab Spring has exposed Europe's old "neighbourhood policy" towards North Africa as very largely a self-serving sham, and a degree of soul-searching is now both in order and in evidence. In a number of speeches, European leaders and European Commissioners have admitted that they were wrong to always prioritise a short-term conception of their interests over their values, and one European foreign minister was even sacked for personifying the old policy. After years of double dealing, some humility is indeed now appropriate – but it risks being overdone. Although the EU cannot replicate what it did so well in Spain and Portugal – or even the scale of its assistance to central and eastern Europe after 1989 – there are useful things Europe can do to support Egypt's revolution. This may not be "Europe's hour", but it is Egypt's hour of need. And Europe can – and must – help.

This brief is based on a visit by the authors to Egypt in late March 2011 to meet Egyptian officials, Tahrir Square activists, European diplomats and independent analysts, in order to better understand Egypt's predicament and needs. It is clear that the country faces huge political, economic and social challenges. Although the military has sketched out a path towards democracy, many activists have now become disillusioned with the process, which they fear will favour the country's conservative groups and, in particular, the well-organised Muslim Brotherhood and the remnants of Mubarak's National Democratic Party (NDP). The uncertainty about the political process is also exacerbating Egypt's precarious economic situation amid a plunge in tourism, tightened private spending, a drop in both local and foreign investment, and a slowing of net exports.

Considerable as these problems are, it is in Europe's interests to help solve them. Just as Europe benefited from the changes in eastern Europe after the fall of the Berlin Wall, so it can benefit from reforms in North Africa. Over time, the region – and Egypt in particular – could become a major source of goods and services for European firms. Conversely, a failure to help Egypt politically and economically is likely to create migratory pressures with which no border enforcement will be able to cope. Therefore, as Europe's economies return to growth, the challenge for European leaders will be to go from a defensive attitude towards its southern neighbours, and Egypt in particular, to a realisation of how both shores will benefit from a closer relationship between Europe and North Africa.

### **Egypt's political ferment**

Two months after protests began, the Coalition of Youth of the Revolution gathered in the faded art deco elegance of the Groppi café ("Depuis 1891") to plan Egypt's next mass

demonstration. Jeans-clad young activists from across the revolutionary spectrum moved between the tables, embracing and chatting. The atmosphere was more reunion than cabal. But the Military Council had had their requested breathing space – time now to keep their feet to the fire. The focus of the new demonstration was to be on protesting the continuing human rights violations, notably the use of summary military tribunals to lock up thousands of demonstrators – contrasted with the military’s reluctance to prosecute Hosni Mubarak and some of his most notorious confederates.

Meanwhile, across town in middle-class Heliopolis, wired Islamic youth hung out in the trendy Cilantro café. Sondas Asem, a young supporter of the Muslim Brotherhood, whose mother stood as an independent Brotherhood candidate in last year’s (rigged) National Assembly elections, reflected on the explosion of debate within the Islamic movement, which is giving rise to half a dozen splinter groups, and pressure for greater internal democracy. If we wanted to know more, she advised, we should check out Ikhwanweb.com, the Muslim Brotherhood’s snazzy English language website.

As these two scenes illustrate, Egypt – a country in which for decades it was impossible to talk about politics – is buzzing with political activity. In particular, Cairo is one vast political marketplace, with new parties emerging and new alliances forming and dissolving by the day. The similarities with Tunisia’s revolution are evident, but there are also important differences. In Egypt, there is a much heavier overhang from the old regime. The NDP, Mubarak’s political machine, faces dissolution, but its former members remain dominant local figures in much of the country. Meanwhile, although the Muslim Brotherhood is present in both countries, it has greater influence in Egypt, where both adherents and opponents credit it with being the best-organised political grouping.

The nature of the transitional authority is different too. In Tunisia, the protesters have retained the momentum and the underweight military has guaranteed the revolution from the sidelines. In Egypt, on the other hand, the military is in the driving seat and has assumed responsibility for steering the country’s transition to democracy. Just as pre-revolutionary Egypt was described by scholars as a “hybrid regime” that had elections but no democracy, its revolution has also taken on a hybrid form.<sup>1</sup> The revolution was neither fully democratic, as in Tunisia or Indonesia, nor was it entirely authoritarian, as in Gamal Nasser’s 1952 coup or the Iranian Revolution of 1979. It was fundamentally democratic in impulse – the protests and an early referendum on amending the constitution have clearly been expressions of the people’s will –

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<sup>1</sup> Larry Jay Diamond, “Thinking about Hybrid Regimes”, *Journal of Democracy*, Volume 13, Number 2, April 2002, pp. 21-35.

but it has also been characterised by a number of authoritarian features, not least the role of the military, with its summary and often brutal way of dealing with continuing dissent.

Egypt's revolution was undertaken – and continues to be controlled – by many different sets of actors: one is a hyper-internationalised, Facebook-enabled generation of pro-democracy activists; another an inward-focused, conservative and hierarchical military, whose interpretation of “democracy” is inevitably more constrained; a third is the Muslim Brotherhood, the Middle East's oldest Islamist movement, which was caught off guard by the protests yet stands to gain the most from their achievements. So the key question is whether the revolution's democratic aspirations will survive being grafted onto the authoritarian rootstock of military control. The answer will depend to a large extent on the role of the key actors (the military, the Muslim Brotherhood and other political parties) and on the economy.

**BOX: Egypt's constitutional reforms**

In what was seen as a crucial test of Egypt's fledgling transition in the wake of Mubarak's ouster, 40 million citizens (44 percent of the population) went peacefully to the polls on 19 March in a referendum on nine changes to the (suspended) 1971 constitution, which the Military Council had proposed as an “interim fix” until a new constitution could be drafted after democratic elections. It was the first genuinely free and fair election in Egypt since 1952 and the turnout was considered high.

77 percent of Egyptians voted for the constitutional reforms, limiting a president to two four-year terms and removing provisions that effectively restricted candidacy to members of the NDP. The changes also scrapped the decades-old emergency laws that enabled President Mubarak to run a police state. Under the proposed changes, any new emergency laws would require approval by referendum after six months. The reforms also restored judicial oversight of elections, a key step towards establishing a credible electoral system.

However, a number of illiberal provisions remain. The reforms prevent dual nationals or anyone with a foreign parent or married to a foreign citizen from running. Early elections will also likely benefit the most organised and entrenched political players: the Muslim Brotherhood and the remnants of the NDP. Liberals had wanted the creation of a presidential council to shepherd Egypt through the transitional period until a new constitution could be drafted, followed by parliamentary and presidential polls.

Some aspects of the process were also worrying in their own right. Voters were asked to mark a green-coloured box for a “Yes” vote and a black one for a “No” vote, a sign seen as pressure to present the former option as more Islamic. People were also told by their mosques that a “No” vote would risk the status of Islam as the source of Egyptian law (currently Article 2 in the constitution) and even a descent into chaos, or that they should vote “Yes” if they wanted food prices to stay down. Many analysts believe it was the combined muscle of the Muslim Brotherhood, the army and remnants of the loyalist NDP that won against a disorganised liberal bloc.

Perhaps worse, the Military Council went through the process to amend nine articles in the constitution, then less than two weeks afterwards announced an entire interim constitution by declaration that incorporated the nine amendments but contained 53 others – many reproduced from the old constitution, but others with significant changes.

### **The military**

Perhaps the most important factor in post-revolutionary Egypt is the military and, in particular, the Military Council, which is playing the role of interim president to a weak and changing civilian government. The protesters initially welcomed this role, but tensions have risen as the military priority for a return of normal life – not least to stem the economic bleeding – has collided with the revolutionaries’ determination to keep the pot on the boil. The military introduced a new law that bans strikes or protests that prevent people getting on with their work, and moved to clear Tahrir Square of demonstrators in clashes that left two dead and many wounded. There are many accounts of protesters being beaten up or subjected to humiliating treatment including women being subjected to “virginity tests”, ostensibly to check whether they are guilty of prostitution.

Many of those arrested for crimes such as breaking the curfew are put through *ad hoc* military trials that can last as little as three to five minutes and can hand out sentences ranging from a few months to several years. These tribunals have processed perhaps 5,000 cases, including allegedly sentencing 25 juveniles. Nor has it gone unnoticed that despite the replacement of old media bosses (many of them installed by Gamal Mubarak, the son of the former president), the surge of excited media activity (including such remarkable TV moments as extended interviews with Anwar Sadat’s newly-released assassin) does not reach as far as any

breath of criticism of the military. One blogger who violated this unwritten rule found himself sentenced to three years' detention.

The military combine heavy-handedness with an opaque and unpredictable operating style. The Military Council has made a stream of announcements by SMS or on Facebook in the middle of the night: for example, dates for parliamentary and presidential elections, replacement of this or that media boss, new rules for political party formation, and prohibitions on protests. The Military Council invites experts to give their advice – on monetary policy, for example – but then closes the doors and makes its decisions. This approach encourages the search for hidden agendas, especially when the military makes moves that are unexpected. How, for example, to interpret the sudden promulgation, only 10 days after the referendum, of 53 new amendments to the constitution on top of the nine that were voted on? And why was the Military Council so selective in its initial choice of regime stalwarts to prosecute, indicting the former interior minister and a clutch of businessmen, but needing to be pushed by renewed demonstrations to go after Mubarak himself, his sons and key confederates (such as the former speaker of the upper house of Parliament, Safwat El-Sherif, and Mubarak's chief of staff, Zakaria Azmi)? In a country used to control, there has been no shortage of conspiracy theories to explain the Military Council's behaviour.

Less extravagantly, many liberal secularists see an unexpected coincidence of conservative interest between the military and the Muslim Brotherhood. The 19 March referendum (see box above) is seen as evidence of this “unholy alliance”, with the military's desire to crack on with transition via minimum changes to the old constitution coinciding with the Brotherhood's concern not to see the article that describes Islamic *sharia* as the “principal source of legislation” jeopardised by an early rewrite. And both share an interest in early elections, which are expected to benefit the Brotherhood and the remnants of the NDP with whom the army has close ties, as other groups will not have enough time to replicate their nationwide organisations.

The biggest uncertainty is whether the military will honour its commitment to hand over to the new civil power after the parliamentary election in September and the presidential election in November. So far, it is widely believed that it will do so because it has no desire to continue to suffer the stresses, indignities and eroding prestige inevitably associated with governing and would much prefer to get back to military life as it was before. As Hisham Ezz Al Arab, one of the country's most prominent bankers, notes, 2011 is not 1952. When the Free Officers overthrew King Farouk, Egypt was rich and powerful; today it is poor and weak. By staying in the background, the military will be able to escape any blame.

Nevertheless, it is likely to want to retain some sort of hand – if not on the steering-wheel, then at least on the brake lever. It will be a delicate task to accommodate this conception of the military's role within a democratic system based on popular sovereignty and the rule of law.

At the same time, the army will also want to maintain its privileges and perks. One might indeed characterise its ambition as a return to “business as usual”. Egypt's military is a state within a state and an economy within an economy. Estimates of the share of GNP it controls vary between 5 and 30 percent. Invoking the “security of supply” argument beloved of militaries everywhere, it runs everything from its own bakeries to Jeep manufacturing plants. US military aid has financed a fleet of nine executive Gulfstreams and the best hospitals in the country. With the Sinai a “security zone”, the military, along with former President Mubarak and his allies, effectively owns the Red Sea tourist industry. It also literally owns the skies of Egypt: anyone wanting to build above six storeys has to pay the air force a fee per storey for encroaching on its domain. Slimming this military down to the sort of political and economic weight acceptable in a true democracy is likely to be one of the most serious medium-term challenges in the new Egypt.

### **The Muslim Brotherhood**

The second issue on everyone's agenda is the Muslim Brotherhood. What does it stand for and what role will it play in Egypt's transition? There is no denying that Egypt is a conservative society or that many people hold views in line with those of the Brotherhood. According to the latest Pew poll, only 27 percent of Egyptians said they supported “modernizers” while 59 percent said they preferred “Islamists”.<sup>2</sup> Twenty percent even said they approved of al-Qaeda. This should be fertile electoral ground for the Muslim Brotherhood. However, things may not be so straightforward.

No one doubts that the Brothers are indeed well-organised, and committed. Committed to what, however, is less clear – even to them. It is hard to pin down the movement: it is Islamic, yet not part of established religious structures; it is political but does not constitute a party. (To comply with electoral law it has established the Justice and Freedom party, a conscious reference to Turkey's AKP, as its technically secular political arm. At least three other parties

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<sup>2</sup> Richard Auxier, “Egypt, Democracy and Islam”, Pew Research Center, 31 January 2011, available at <http://pewresearch.org/pubs/1874/egypt-protests-democracy-islam-influence-politics-islamic-extremism>.

have also sprung from the Brotherhood, their independence in doubt.) It is also a strong social movement, in terms both of its promotion of conservative Islamic behaviours and values, and of its provision of charitable services to the deprived. Some even claim that it should be understood as a sort of NGO. The spokesmen of the movement in Egypt insist that it is authentically democratic and has been consistently non-violent over six decades (though it defends the right of “brother movements” elsewhere to use violence in “resistance” to “occupation” – Hamas being the most obvious case). They dismiss allegations to the contrary as the creation of a bogeyman by the old regime to extract support from a gullible West. Yet the Brotherhood is clear that Egypt must be an Islamic state – not a theocracy, but a civil state based on Islamic principles, with what it calls “a strong guarantee of social justice”.

Like everyone else, the Brotherhood has been taken aback by the gathering strength of the Salafists, shown not only in attacks on Christians and Sufis, but also in a wave of mosque takeovers which has alarmed even the authorities of the venerable Al Azhar, the foremost institution in the Arab world for the study of Sunni theology. Salafists beat Brothers in recent student elections at the University of Alexandria. So the Brothers suddenly find themselves in danger of being outflanked to the right, and debating whether they could or should tack to protect their Islamist base, which might alienate secular liberals and lead to more splits within their own ranks. Such concerns may indeed have prompted the Egyptian Brotherhood’s statement condemning the killing of Osama bin Laden and reiterating its support for “legitimate resistance against foreign occupation for any country”, including Afghanistan.<sup>3</sup>

No one can put a good figure on the size of the electoral support for the Justice and Freedom Party, though to allay others’ fears it has declared that it will contest only a minority of parliamentary seats and will not field a presidential candidate. But it would surprise no-one if Abdel-Monem Abu El-Fotouh, the General Secretary of the Arab Doctors Union and a prominent reformist Brother, resigned in order to run. It is no wonder, then, that many Tahrir Square activists accuse the Brotherhood of ambiguity while stopping short of describing it as a danger to democracy. The Brotherhood’s influence on Egypt’s transition will certainly be powerful – after all, the centre of gravity of this populous, substantially illiterate and conservative country is probably much closer to its offer than to that of the secular metropolitan elite.

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<sup>3</sup> Eric Trager, “Egypt’s Muslim Brotherhood Sticks With Bin Laden”, *The Atlantic Mobile*, 3 May 2011, available at <http://m.theatlantic.com/international/archive/2011/05/egypts-muslim-brotherhood-sticks-with-bin-laden/238218/>.

## **Other political parties**

The former headquarters of the NDP overlooking Tahrir Square is now a blackened shell and Egypt's Supreme Administrative Court ordered on 16 April that the party be dissolved. But most participants in Egyptian politics believe that former NDP members will remain a significant force for years to come. With over a million members under the old regime, the NDP dominated Egyptian political life. Before its dissolution, party members elected Talaat Sadat, the nephew of the party's founder and a trenchant critic of the NDP before the revolution, as their new leader in place of former President Mubarak. The new leader promptly announced that he was renaming the NDP the "New National Party" and purging the group's ranks of unpopular and corrupt officials. Though the NDP has appealed its dissolution, it seems likely that some kind of NDP-affiliated parties will emerge. In addition, many former members are likely to stand as independents. Since many of them retain prominent positions in Egyptian rural society, with the resources to mobilise their supporters and get them to the polls, they are likely to do quite well in the forthcoming elections.

However, it is not clear whether they would really represent a counter-revolutionary bloc. In the past, the NDP was a complex entity, within which large numbers of independent candidates regularly competed against officially endorsed candidates and often outpolled them. The NDP has been described as not so much a true political party bound together by a coherent ideology and structure, but rather "a very large group of people seeking to hitch their individual wagons to the president's star".<sup>4</sup> Most Egyptian analysts believe these former apparatchiks share a political outlook that is broadly conservative but will otherwise gravitate to wherever political power seems to be concentrated as the best way to gain government money and services for their districts.

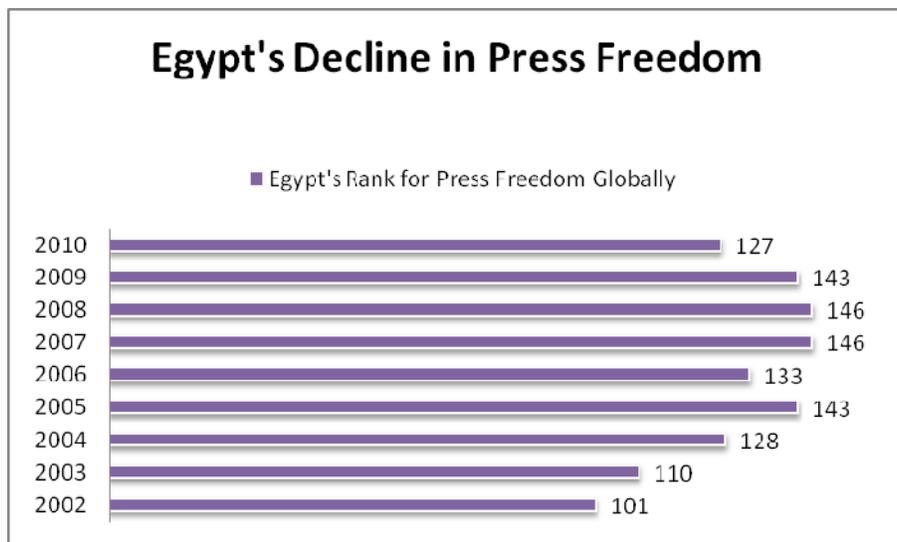
Against them will be ranged an array of old and new left-liberal and secular parties, many arising out of the protest movements that spearheaded the revolutions. For these parties, the referendum campaign was a wake-up call that showed how out of touch they are with politics at the grassroots. In response, fledgling political movements have begun to explore new ways of doing politics in Egypt based on broad coalitions, and to concentrate on building democratic consciousness in Egyptian society. One activist, the former Democratic Front revolutionary leader Shadi al-Ghazali Harb, is launching a new political movement aimed at

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<sup>4</sup> Michele Dunne and Amr Hamzawy, "Will NDP Independents Win the Elections Again?", Carnegie Endowment for International Peace, 3 November 2010, available at <http://egyptelections.carnegieendowment.org/2010/11/03/will-ndp-independents-win-the-elections-again>.

building democratic awareness in Egypt from the bottom up. He says the parliamentary vote in September cannot be a “party” election for centre-left and secular groups but must be fought as a united front, with party competition deferred until the next vote in five years’ time.

Such left-liberal groups espouse a vision of politics that is closest in Egypt to that held in Europe, but they are unanimous in rejecting any direct support from outside that could be portrayed as interference in Egyptian political affairs. Instead, liberal forces in Egypt talk of the importance of politically-neutral support aimed at building up political society and institutions: offering impartial advice on party development, experiences of reforming security services, transitional justice, election monitoring and the media. State-run and independent television are particularly important in light of Egypt’s high illiteracy rate, and their shift in tone since the revolution is seen as superficial at best: many proprietors, news editors and channel heads remain the same as before and a culture of genuine independence and impartial investigation has hardly begun to develop. As the below figures show, the trend has for a long time pointed in the wrong direction.



Source: Reporters Without Borders, Press Freedom Index

All this may appear daunting. One leader of the Tahrir Square protests is clear: the revolution, he says, has been “decapitated”. Yet other activists balance these fears against the magnitude of what the revolution has already achieved and the process of public engagement it has generated. Hossam Bahgat, director of the Egyptian Initiative for Personal Rights, recognises the challenges Egypt faces but does not believe the transition to democracy is likely to be

sidetracked: the process of debating and drafting a new constitution will itself be a transformative process for society, he argues.

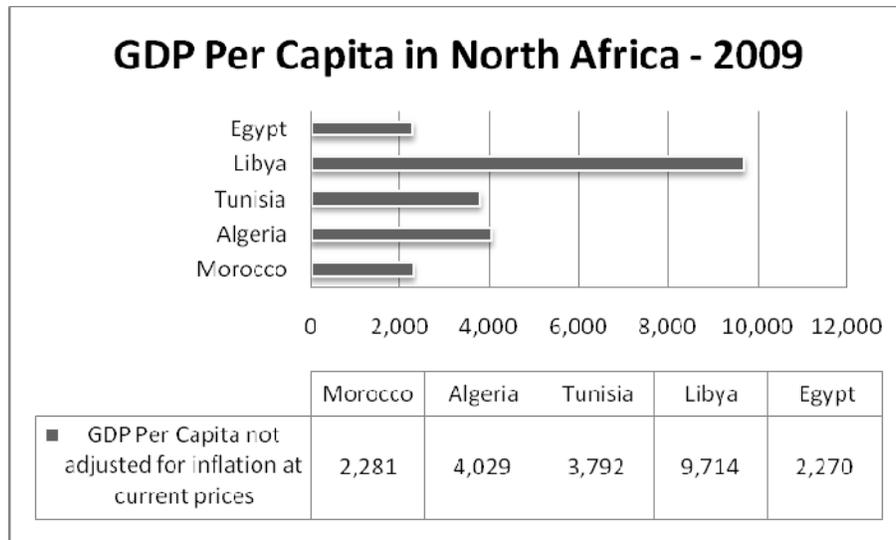
There is another, more fundamental, point: after decades – millennia, some would say – of suppression, 84 million Egyptians are suddenly starting to get acquainted with each other. Islam Lotfy, a revolutionary leader from the youth wing of the Muslim Brotherhood, invoked the image of prisoners emerging blinking into the light, seeing clearly for the first time not just the outside world but also each other. Another observer pointed out that the discomfort of urban elites at the sight of Salafists “emerging from their caves” had been mitigated by watching them argue as to whether their faith required, or allowed, any sort of engagement with the temporal world. Liberal secularists have learned that the shared assumptions of Cairo’s middle classes mean little in much of the rest of the country, for which the protests were largely about economic not political conditions and now, as they drag on, threaten to undermine their livelihoods. They face a huge outreach challenge in the months before September’s parliamentary elections, not to say for years to come, if their own vision of a democratic, secular country is to prevail. “Egyptians”, notes Dina Shehata of the al-Ahram Centre, “are rediscovering Egyptian society in all its diversity”.

### **The economy**

Even before the revolution, Egypt’s economic problems were dire. Figures from the Central Bank of Egypt for early 2011 show the country’s total external debt at \$35 billion, its highest level in more than five years. Between 2009 and 2010 alone, foreign debt climbed 7 percent, partly due to slippage of the Egyptian pound. Loans from international and regional organisations currently top \$10.5 billion, a figure that has risen almost without interruption for the last half-decade even as the total debt figure has fluctuated. In terms of GDP per capita, Egypt has lagged compared to its neighbours (see box below). According to the World Food Programme, 19.6 percent of the population of Egypt lives below the lower poverty line.<sup>5</sup>

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<sup>5</sup> World Food Programme website, <http://www.wfp.org/countries/egypt>.



Source: World Bank

The revolution has exacerbated this precarious economic situation. In Egypt, as in Tunisia, the tourist trade has dried up and output been disrupted. The fact that people do not yet know how far the post-revolutionary reckoning will go has led many businesspeople to keep their heads down. Occupancy rates for hotels countrywide were at 10-20 percent in March, a blow to an industry which accounts for an estimated fifth of total current account proceeds. On top of this, sustained labour strikes and sit-ins have dented production levels in Egypt's factories and in some cases pushed wages higher. The new government is creating a million new (non-) jobs in the state sector and granting most of the tourist industry a tax holiday. As a result, the budget deficit is growing, the currency is under pressure and the country's credit rating is on the slide. Egypt's economic prospects are likely to remain weak for the near future.

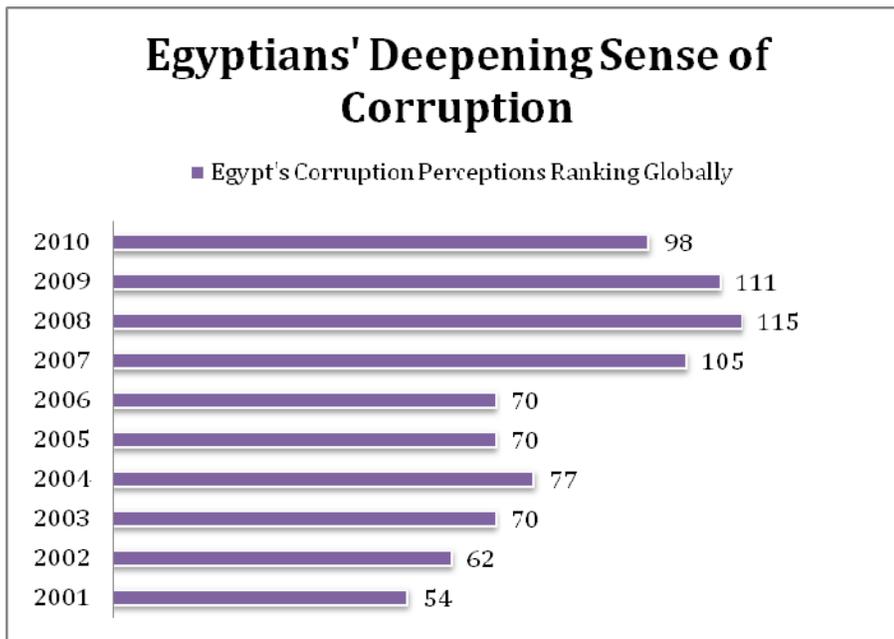
The debt is a particularly pressing issue. Every year \$1 billion goes to the EU to pay annual debt service – interest plus instalment – and \$350 million is paid to the US. Because of the long history of debt to foreigners, this is a political issue as well as an economic one. For Egypt's history of debt has been fraught. From 1867 to 1875, Egypt's national debt went from £3 million to £100 million. To quote the economist Sebastian Mallaby: "What followed was a lesson in how quickly debt can compromise a nation's sovereignty."<sup>6</sup> In 1875, Isma'il Pasha sold Egypt's stake in the Suez company to Britain for a pittance, but it did not help Egypt, which defaulted on its debt a year later and was forced to accept the appointment of foreign debt commissioners to monitor the country's finances, and eventually the inclusion of British

<sup>6</sup> Sebastian Mallaby, "You Are What You Owe", *Time*, 1 May 2011, available at <http://www.time.com/time/nation/article/0,8599,2067967,00.html#ixzz1LNtzll1k>.

and French ministers in the Khedive's cabinet. In 1882, a British military intervention sealed Egypt's fate as a colony in all but name.

In the short to medium term, Egypt faces obvious macroeconomic difficulties, and – as well as pressing for the return of Mubarak's overseas assets – will look to the international community for debt forgiveness, or at least concessionary interest rates on new or renewed borrowing. With 25 percent of the state budget going on energy and food subsidies, and memories of bread riots in 2007/8 still fresh, Egypt's finances are particularly vulnerable to international commodity price spikes.

Nor has a marked deterioration over the last few years in the perceived levels of corruption helped economic confidence:



Source: Transparency International, 2010

Yet the prevailing inclination, for such experts as Ahmed Galal of the Economic Research Forum and banker Hisham Ezz, is to see these as manageable transitional problems. Egypt, they argue, is basically a rich country: no-one starved while the population grew and the regime siphoned off billions. Sun, antiquities, the Red Sea coast, the Suez Canal, some oil and gas and, above all, the waters of the Nile constitute a good hand of natural resources. The “Desert Development Corridor” project of geologist Farouk El-Baz – which would provide a parallel strip of new transport links, communities, agriculture and industry in the desert to the west of the Nile – is much discussed. Risks are acknowledged, including the possibility of a

political backlash against the private sector as the full scale of the old regime's depredations is revealed. The low levels of education and vocational training are acknowledged as important economic drags. But the more general disposition seems to be to focus on the hope that, in the medium term, democracy will usher in accelerated growth *à la Turque* as the dead hand of state control is lifted.

**BOX: Egypt in the Middle East**

Egyptians have more than enough to think about with their own revolution. Though they follow the TV coverage of events in Libya like everyone else, there is little sense of involvement: the fate of Egyptian migrant workers has been the main preoccupation.

Their eastern border is different, however. Egyptians are too used to thinking of themselves as leaders of the Arab world not to feel the old regime's subservience to US foreign policy and over-ready participation in the blockade of Gaza as part and parcel of the abuse of their dignity against which they revolted. And, while the original protests were internally focused, the early April demonstrators marched on the Israeli embassy in Cairo. Gathered at the gates of the Israeli mission, the angry crowd demanded that Egypt cut all ties to the Jewish state and stop supplying Israel with natural gas. They also wanted the Israeli flag flying atop the embassy to be removed.

The first effect of this shift in attitude has now become apparent, with the interim Egyptian government apparently playing a key role in bringing about the new reconciliation between Fatah and Hamas. In an interview with Egyptian state television, Foreign Minister Nabil al-Arabi reiterated the Military Council's early assurance that Egypt remains committed to the peace accords it signed with Israel – but added that they did not mean that the two countries should have warm relations. A diplomat predicted that Egypt would keep the frame of its relations with Israel “but take out the picture”. In practice this means Egypt will cooperate with Israel on matters of mutual interest – for example, the security of the Sinai, where the military has now muscled intelligence services aside. But, in other areas, Egypt's policy will be decidedly cooler. The blockade of Gaza seems certain to be relaxed – and continued supply of subsidised gas to Israel is being questioned. A push for the internationalisation of the Middle East Peace Process is expected; as well as mediating between Fatah and Hamas, the new government is also in touch with Syria and Hezbollah.

Crucially, the support for a tougher Israel policy exists across Egypt's political spectrum. Mohammed ElBaradei told the *Al Watan* newspaper: "In the case of a future attack by Israel in Gaza, as President of Egypt, I would open the Rafah crossing and examine ways to implement a Pan-Arab defence agreement."<sup>7</sup> A new approach to Israel and Palestine is likely to go hand in hand with a broader re-positioning of Egypt. While Hosni Mubarak positioned himself as the main regional rival to Iran's leadership, Foreign Minister al-Arabi has said he hopes to open a "new page" with all countries, including Iran.<sup>8</sup> One seasoned observer was in no doubt that "the weight and role of the US in Egypt will fall".

### **Europe's response**

The European record in pre-revolutionary relations with Egypt has not been glorious. The 2007 EU/Egypt "Action Plan", jointly agreed under the European Neighbourhood Policy (ENP), was a particular low point. Meant to embody conditionality ("We'll trade you this or that assistance for more progress on issues like human rights"), it in practice amounted to a surrender by EU bureaucrats, who just wanted to get the box ticked, to Egyptian negotiators prepared to play hardball. In the words of one leading Egyptian human rights defender, the outcome was "an offence, an insult". The acquiescence by member states in this shabby outcome no doubt also reflected some willingness to give Mubarak the benefit of the doubt – on the basis that Egypt's peace with Israel was fundamental to Middle East stability; that the Muslim Brotherhood was a dangerous commodity (think Algeria or Hamas); and that a glance at Syria or Libya was enough to suggest that Mubarak's regime could be worse.

There have been better moments since. The June 2010 joint declaration by all EU ambassadors in Cairo condemning the death in custody of an Egyptian blogger incensed the Mubarak regime, and proportionately encouraged democrats. The European diplomatic community has been better and bolder than their peers in Tunisia in talking to the opposition before the revolution; and Egyptian analysts have liked some of the post-revolution statements emanating from Europe, particularly the European Parliament. The European legislature has consistently condemned Egypt's human rights violations and its president, Jerzy Buzek, has been quick off the mark when events in Egypt have turned violent. Overall, however, Europeans – whether individual states or Brussels – have not been much on the

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<sup>7</sup> Quoted in Anshel Pfeffer, "Concern for Israel as new Egypt emerges", *The Jewish Chronicle*, 7 April 2011, available at <http://www.thejc.com/news/world-news/47577/concern-israel-new-egypt-emerges>.

<sup>8</sup> "Minister: Egypt Ready For 'New Page' With Iran", *Radio Free Europe/Radio Liberty*, 5 April 2011, available at [http://www.rferl.org/content/egypt\\_iran\\_ties/3547635.html](http://www.rferl.org/content/egypt_iran_ties/3547635.html).

Egyptian radar screen. It has been the United States, with its \$1.3 billion annual military aid and strategic relationship, which has counted. Europe's past role is seen more as a disappointment than a betrayal, but only because not much was expected in the first place.

Responding to events on the Mediterranean's southern littoral – and, at least implicitly, to the failures of European policy thus exposed – Commission President José Manuel Barroso and High Representative Catherine Ashton jointly proposed on 8 March a new policy framework, entitled “A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean”.<sup>9</sup> Though the document tips its hat to the wider “regional dimension”, and to French President Nicolas Sarkozy's ill-fated Union for the Mediterranean, it wisely focuses the “partnership” proposal on the countries of the southern Mediterranean littoral. It thus offers a prospect of developing trans-Mediterranean relations in a way that will not immediately be jeopardised, like the EU's previous efforts to develop a “southern neighbourhood policy”, by getting caught in the mangle of the Arab/Israel dispute.

The new proposal's central thrust is the need for the EU to exercise conditionality properly in the future (“more for more”); and it proposes the simple but important proviso that entry to the partnership should depend on a “commitment to adequately monitored, free and fair elections”. The main areas where reforming North African states may look for help can be summarised as “mobility, markets, and money”. In particular, it proposes:

- *A Differentiated, Incentive-based Approach.* In the future, European aid and trade should be made available to North African states on the basis of real progress on democracy and human rights. The proposal says that “a commitment to adequately monitored, free and fair elections should be the entry qualification for the Partnership”.
- *Democracy and Institution-Building.* Various forms of enhanced support to civil society.
- *Mobility.* The prospect of easier travel to the EU, in particular for students, researchers and businesspeople, in exchange for tougher action by North African

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<sup>9</sup> European Commission, High Representative of the Union for Foreign Affairs and Security Policy, “Joint Communication to the European Council, the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions”, 8 March 2011, available at [http://eeas.europa.eu/euromed/docs/com2011\\_200\\_en.pdf](http://eeas.europa.eu/euromed/docs/com2011_200_en.pdf).

states to control illegal immigration, better law enforcement cooperation, and better arrangements for the return of illegal immigrants.

- *Economic Development.* An extra 1 billion euros of European Investment Bank (EIB) funding by the end of 2013, hopefully with a matching contribution from the European Bank for Reconstruction and Development (EBRD).
- *Trade and Investment.* Better access to European markets, including for agricultural and fisheries products, leading ultimately to Deep and Comprehensive Free Trade, subject to North African states achieving “regulatory convergence” in areas such as competition policy and phytosanitary standards.
- *Enhanced Sectoral Cooperation* in energy, education, tourism, rural development, transport, and electronic communications technologies.
- *EU Financial Assistance.* Starting with Tunisia and Egypt, the EU bilateral assistance programmes (worth respectively 240 and 445 million euros for 2011-2013) will be “screened and refocused”. EU macrofinancial assistance (loans to governments) will also be available to back up International Monetary Fund (IMF) lending.

### **A bolder approach**

The Ashton/Barroso proposals are a good start in terms of targeting those areas where Europeans could and now should do more to respond to the historic events across the Mediterranean. Mobility (i.e. easier travel to Europe), better access to European markets and financial help certainly hit the mark. But the implicit offers are cautious in the extreme – and this in a document that has not yet been watered down by the member states and the European Parliament, as will surely happen in response to European political and sectional pressures. The EU should take a much bolder approach in four areas: mobility, market access, money, and democracy and institution building.

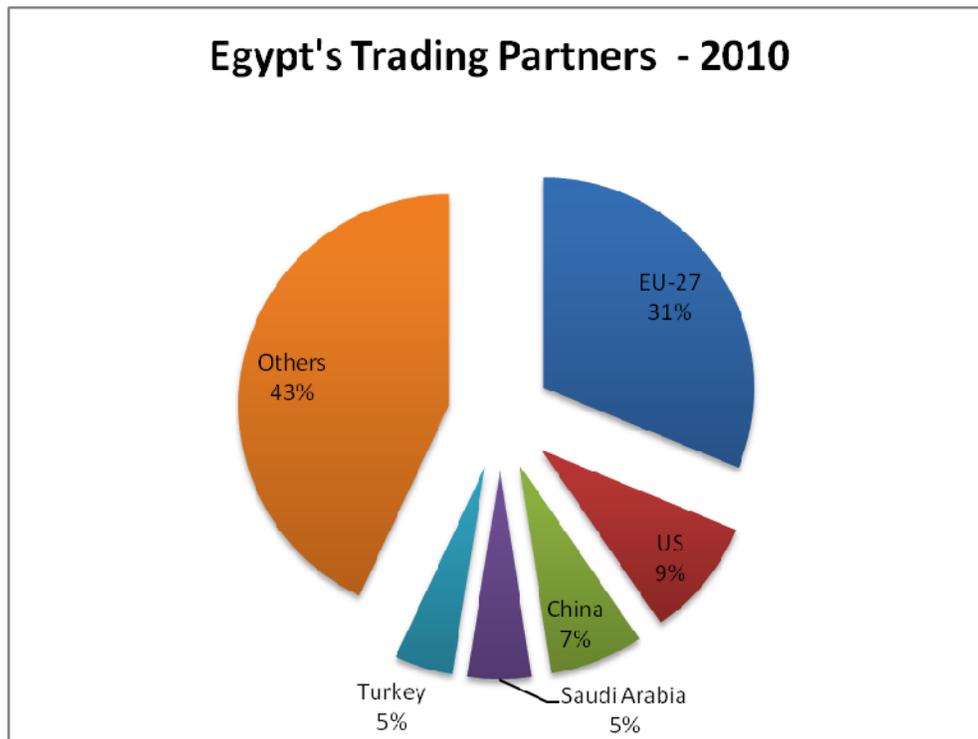
#### *Mobility*

Cautious visa liberalisation for certain categories of visitor is proposed, in exchange for major efforts by the North African states to curb illegal migration. Any Arab reading the concluding

sentence on this topic (“In the long-term, provided that visa facilitation and readmission agreements are effectively implemented, gradual steps towards visa liberalisation for individual partner countries could be considered on a case-by-case basis, taking into account the overall relationship with the partner country concerned and provided that conditions for well-managed and secure mobility are in place.”) will understand that Europe does not plan to throw open its doors. As suggested in an earlier ECFR brief on Tunisia, immediate steps should be taken to ease travel and study by halving the cost of European visas.<sup>10</sup> The EU should also think creatively about student exchange initiatives such as joint campuses, or the opportunity for Egyptian students to spend a year in European universities and vice versa (a “Dido” programme, modelled on the successful European Erasmus programme).

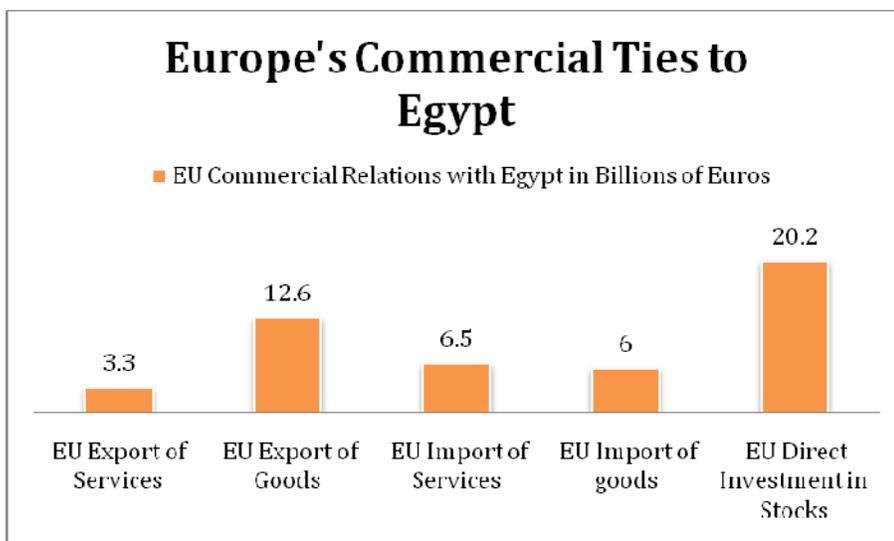
### *Market access*

This is the area where Europe has potentially most to offer Egypt and other North African states – not to mention its own consumers. Europe is by far Egypt’s most important trading partner.



Source: EU, DG Trade

<sup>10</sup> Susi Dennison, Anthony Dworkin, Nicu Popescu and Nick Witney, “After the Revolution: Europe and the transition in Tunisia”, ECFR Policy Brief, March 2011, available at [http://www.ecfr.eu/content/entry/a\\_regional\\_model\\_another\\_chance\\_for\\_the\\_eu\\_in\\_tunisia](http://www.ecfr.eu/content/entry/a_regional_model_another_chance_for_the_eu_in_tunisia).



Note: These figures are for 2008, apart from Direct Investment in Stocks, which is for 2009

Source: EU, DG Trade

But market access only works if Egypt is able to produce – and allowed to export into Europe – products and services that benefit its own economy as well as Europe’s. The EU has already granted a complete dismantling of customs duties and quotas for Egyptian industrial products and some agricultural products. But this is not enough. The Ashton/Barroso proposal rightly calls for accelerated conclusion and EU approval of certain trade liberalisation agreements, notably on agricultural and fisheries products with Tunisia and Morocco; Egypt now needs similar treatment. And the repeated references in the proposal to such dull-sounding matters as “conformity assessment” of industrial products and “sanitary and phytosanitary measures” recall that there remain major non-tariff barriers to trade across the Mediterranean. To address the full range of obstacles to trade, the EU should consider funding a task force of policymakers and businesspeople from Europe and North Africa to produce a study on “EU-North African Trade 2020”, akin to the Reflection Group created by the European Council in 2009.

#### *Money*

Here, the proposal to make available an extra 1 billion euros of EIB funding by the end of 2013 (a 20 percent increase) and a similar sum from the EBRD (assuming that body agrees to extend its lending to North Africa) will be welcome news in Egypt. So too will the offer of macroeconomic assistance. As described above, Egypt’s public finances will inevitably deteriorate this year, as the direct and indirect costs of the revolution take their toll, inflation

worsens (economist Nouriel Roubini expects the consumer prices index to be at 13-14 percent<sup>11</sup>), and the cost of government borrowing on the markets increases (Standard and Poor's lowered Egypt's long-term foreign currency sovereign rating from BB+ to BB in February).

Unfortunately, however, the Ashton/Barroso proposal envisages European help being offered only in support of IMF assistance. It is hard to envisage IMF assistance being provided without a requirement to slash state subsidies, notably on petrol and bread, which account for some 25 percent of public spending. But, in Egypt's post-revolutionary situation, any government that moved to cut subsidies in the next couple of years would be asking to be unseated.

A group of Tahrir Square activists are therefore launching a grassroots campaign aimed at cancelling Egypt's huge debts, which could hamper growth. EU governments should give this a fair hearing. Cancelling the debt that Egypt owes in exchange for a long-term programme to address subsidies and a benchmarked process for democratic reform would be an important sign of support for the moderates and a lever for post-election reforms.

### *Democracy and institution building*

The Ashton/Barroso proposal also talks of increased help in these areas. This will need careful handling in Egypt; Egyptians fear being painted as western stooges and are therefore very sensitive of support to NGOs and political parties from European governments and the EU. Yet Europe clearly has an interest in ensuring that liberal forces – political parties, NGOs and think-tanks – develop their capacities and influence the transition from authoritarianism, even if they will struggle to win the forthcoming elections. One way to address this conundrum – wanting to be supportive, but avoiding destroying those in need of help – may be to set up a quasi-governmental vehicle between the UN, the EU, and private foundations and corporations prepared to offer support to those who want it. A good way of doing this would be to create a European Endowment for Democracy that could operate in the EU's

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<sup>11</sup> Natalia Gurushina, Ayah El Said and Rachel Ziemba, "Egypt: 'Underweight' as Macro Outlook Remains Problematic", Strategy Flash, Roubini Global Economics, 14 February 2011, available at [rellooney.info/0\\_NS4053\\_1568.pdf](http://rellooney.info/0_NS4053_1568.pdf).

southern and eastern neighbourhoods, as recently proposed by Polish Foreign Minister Radek Sikorski.<sup>12</sup>

It will, of course, be for Egyptians to determine what help they need and from whom. But the litany of post-revolutionary issues is becoming increasingly familiar: establishment of a free media; transitional justice; security sector reform; and development of political parties, think-tanks and civil society in its broadest sense, with a strong emphasis on the need to start holding governments to account. Many European institutions – newspapers and broadcasters, universities, trade unions, archives – could usefully offer twinning arrangements.

A key final element of developing and implementing an effective foreign policy towards post-revolutionary Egypt will be EU cooperation with the US. Obama's skilful repositioning of the US, first in his June 2009 speech in Cairo, and subsequently his decision to tell Mubarak to go, has limited the damage done by the revolution to America's predominant position in Egypt. Links with the Egyptian military will remain strong (as long as Congress continues to vote for the aid), and Egyptians know that the US role in the search for a wider Middle East peace is indispensable. But there is no doubt that the "new Egypt" will be readier to assert its independence of US foreign policy, and in particular to take a tougher line on Israel/Palestine. There, it may find European views and policies closer to its taste.

These shifts open up the prospect of the EU and the US playing usefully complementary roles in Egypt: both supporting the transition to a genuine democracy; the US holding the hand of the Egyptian military; and the EU working with the new democratic government on issues which the US will not touch, but which the US administration may tacitly recognise as crucial, such as efforts to tame Hamas.

### **Less technocracy, more politics**

In the short term, the EU should strengthen the Ashton/Barroso proposals in the way described above. In the longer term, however, both the Brussels institutions and member states also need to keep in mind that an important root of European failures in North Africa in the past has been its excessively bureaucratic and insufficiently political approach. Europeans therefore need to think more clearly about the extent and nature of the leverage they should be

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<sup>12</sup> John McCain and Radek Sikorski, Second Annual Bronislaw Geremek Lecture, the Atlantic Council, 1 March 2011, available at <http://www.acus.org/event/second-annual-bronislaw-geremek-lecture-john-mccain-and-radoslaw-sikorski>.

able to exercise, and the size of the stakes that should encourage them to do so. The access of post-revolutionary humility that has led European leaders to defer to those who have made the revolutions makes a welcome change, but now risks being overdone. Europeans should be prepared not just to listen, but also to transmit – and preferably in ways more pointed than the usual statements couched in bureaucratic language and tiresomely focused on Europeans' own emotional states: “encouraged”, “disappointed”, “dismayed” and so on.

For example, when the military resorts to summary tribunals, Europeans should be prepared to tell them in clear terms that they are offending against basic principles of human rights, and tarnishing their reputations. Even the old regime was sensitive to outside criticism; they took considerable pains to defend themselves against cases brought before the African Union Court of Human Rights in Gabon. Indeed, while Egyptians see themselves as the Arab world's leaders and can therefore take a dismissive view of the Arab League, they tend to be more concerned for their reputation in the African Union (AU). The EU should push the interim government to invite a European election-monitoring team, perhaps in association with the AU, to cover this autumn's elections.

In Egypt, the military and security authorities have been key power-brokers for 60 years; remain so today; and will continue to be so, albeit, one hopes, in much circumscribed fashion, for years to come. Across the piece, European understanding of, and links, to the military have been exposed as inadequate. In the EU's case, the very idea of developing such relations has seemed distasteful. But if the EU truly wants to play the sort of international role of which it talks, then one small but useful step in the right direction would be the appointment, in Cairo as elsewhere in the region, of a defence and security adviser in the European delegation.

The EU should immediately seize the opportunity of the expected reopening of the Rafah border crossing from Egypt into Gaza to revive its Common Security and Defence Policy border assistance mission there – thus simultaneously providing itself with new links to the Egyptian military, and positioning itself to play a role as the Israel/Palestine logjam begins to shift under the impact of the Egyptian revolution, starting with the Fatah/Hamas reconciliation.

Later in the year, when the parliamentary elections have taken place, EU institutions – notably the External Action Service and the Parliament – must be ready to get inside the Egyptian political process. As mentioned above, it would be a fair bet that former NDP members and the Muslim Brotherhood will do better than the new, shallow-rooted, “modern” parties. But, again as mentioned, many of those returned on such tickets will probably be

using them as flags of convenience. In much of Egypt, voters will opt for the local heavyweight who can be expected to deliver for his (or, occasionally, her) constituency in the new assembly. So the real coalition-forming and deal-making – which will determine among many other crucial issues the composition of the constituent committee that will draft the new constitution – may happen as much or more after the elections than before them. European officials can wait on the sidelines piously hoping for a benign outcome – or they can roll up their sleeves and get involved in the new political processes. This will require effort; but, as one interlocutor told us, “a democratic Egypt will be much harder work for you to deal with”.

In short, Europe needs to behave more like a regional power and less like a big NGO in its dealings with post-revolutionary Egypt, asserting its own vision of how it would like to see the new polity develop and behave. To be taken seriously in that mode, however, Europe will have to be seen to offer more than a set of technocratic incentives with strings attached. A more political response by Europe to the Arab awakening must involve the eventual articulation of a vision of how the EU would like to see relations between the two shores of the Mediterranean evolve.

What is needed is not so much European altruism as European imagination. Indeed, it is time to shake off the paternalistic mind-set underlying much of European thinking about the South, where the EU sees itself as the munificent bearer of gifts, and Egypt and its neighbours as the perpetual supplicant. Helping Egypt will, however, also benefit Europe. Moreover, framing future cooperation as a joint endeavour that will help both parties is likely to be met with more enthusiasm than another series of technocratic diktats, which EU policies often resemble. Egypt could over time allow European firms to cut shipping times and transport costs by moving their production away from China and India. In short, North Africa could give the EU an economic edge, just as Spain, Portugal and Greece did in the 1980s and eastern Europe did in the 1990s.

As Jean Pisani-Ferry of the Bruegel think-tank has pointed out: “Not only for goods but for services too, Europe needs to promote much more than it has so far the adoption of an outsourcing model in the most labour-intensive segments of the value chain, as Germany has done with great success – and which in part explains its bounce-back in global markets. While this model entails job losses in the North, it also preserves jobs by keeping production sites competitive and creates jobs by paving the way for development of the South.”<sup>13</sup> In sum, Europe needs to replace the defensive, arms-length posture it has displayed to its neighbours

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<sup>13</sup> Jean Pisani-Ferry, “Arab spring: Echoes of 1989”, Bruegel, 22 March 2011, available at <http://www.bruegel.org/publications/publication-detail/publication/507-arab-spring-echoes-of-1989/>.

across the Mediterranean with a declared readiness in due time to embrace them in the sort of intimate and interdependent relationship that both will eventually need.

That sort of message – of a “NAFTA-like” vision for the relationship between Europe and North Africa, with Egypt playing the role of Mexico to Europe’s America – is of course a hard sell in a Europe that is only slowly recovering from recession, with low growth and high unemployment, and populist alarm over immigration. But it is the job of politicians to find ways to plant the indigestible truths – that the only sure answer to uncontrolled immigration is the development of the economies of the southern littoral, and that though outsourcing economic roles to North Africa may look like exporting today’s jobs, it will actually be securing Europe’s export competitiveness for tomorrow, not to mention creating new export markets. It is time for European politicians – beginning with those in the north of the continent, for whom it is easiest – to start to lay out a direction of a march which, over time, should lead to prosperous, democratic and economically complementary societies on both shores of *mare nostrum*.

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## **Acknowledgements**

The authors would like to thank Emma Bonino, Imma Vitelli, Sabrina Gasparrini, Daniel Levy, Bassma Kodmani, Minna Jarvenpaa, Dominic Asquith, Marc Franco and Anthony Richter for providing insights and help in opening doors. The draft of the brief benefited greatly from Hans Kundnani's editing, for which we are grateful.