

**The Honorable Steve Chabot, Chairman
Subcommittee on the Middle East and South Asia**

“Reflections on the Revolution in Egypt, Part II”

June 20, 2012

Just over a year and a half ago, Hosni Mubarak resigned as President of Egypt in response to massive and sustained protests by the Egyptian people. Unfortunately, as the last year has illustrated far too well, freedom rarely marches steadily forward in a straight line. A year and a half into the transition, Islamist groups have won a majority in the parliamentary elections, the Muslim Brotherhood candidate for President, Mohamed Morsi, appears to have won in the recent runoff election, the Egyptian economy is on the verge of collapse, the trial against civil society NGO workers is still ongoing, and, perhaps most disturbingly, recent measures implemented by the SCAF appear to have the effect of actually rolling back democratic progress.

The events of the past week have been especially alarming. On June 13 the Supreme Council of the Armed Forces (SCAF) reauthorized the use of military tribunals in cases involving Egyptian citizens. On June 14, the Supreme Constitutional Court ruled that one third of the Egyptian parliament was elected illegally. This prompted the SCAF to declare the entire lower house of parliament invalid and, on June 15, the SCAF dissolved it and assumed full legislative authority. The Egyptian parliamentary leadership has refused to recognize the decision prompting security forces to surround the parliament building. The SCAF also has now invalidated the standing Constituent Assembly, the body which was charged with writing the new constitution, and has taken it upon itself to appoint the new panel. Finally, on June 17, as the polls in the presidential runoff election were closing, the SCAF issued an addendum to the March 2011 transitional constitution which, among other provisions, gives the SCAF veto power over any provisions of the forthcoming constitution.

We all knew Egypt’s path toward democracy was not going to be without its bumps. With the President and nearly 47 percent of the elected seats in the Egyptian parliament going to the Muslim Brotherhood—and nearly a quarter to other Islamist parties—it is clear that Islamists will dominate the Egyptian political landscape in the near future. And we all knew that the Egyptian military was to no small degree operating in uncharted territory in its efforts to oversee a democratic transition. But I don’t think anyone expected events to unfold quite as they have. While I continue to question the Islamists’ commitment to the principles of democracy, I had believed the SCAF would have a positive and reinforcing effect. But unfortunately, far from calming the situation, I fear the recent decisions taken by the SCAF will only stoke already-inflamed tensions between the military and the public. And I also fear that the SCAF has lost a tremendous opportunity to be a force for good. Democratic transitions even under the best conditions are fraught with potential peril and the nascent Egyptian government could have

benefited from a steady hand to help guide it forward. That opportunity appears to be departing and it is time for us all to face the fact that the genie, as they say, is out of the bottle.

Equally disturbing, however, is the state of the Egyptian economy. Since the revolution began, spending on public sector salaries and food and energy subsidies have skyrocketed leading to a predicted budgetary deficit of \$23 billion. Authorities have been financing this deficit by borrowing from domestic banks and using the country's foreign exchange reserves, which have fallen nearly 60% from approximately \$36 billion in early 2011 to \$15.5 billion in June 2012. The situation is fundamentally unsustainable. If foreign exchange reserves continue to dwindle, officials may be forced to depreciate the value of Egyptian Pound, a move that could boost interest rates and reduce asset values, potentially stalling any economic recovery. Sooner or later, Egyptians are going to have to face the fact that serious structural reforms are needed and they are going to need outside help. Although the International Monetary Fund and World Bank have offered assistance, some malign officials—in particular the Minister of International Cooperation Fayza Abul Naga—have obstructed progress, citing the loan and its potential conditions as threats to Egypt's sovereignty. This is absurd and I would caution the forthcoming Egyptian government to reconsider this stance, as well as Abul Naga's role in any future government. Such a loan would offer Cairo the opportunity to make critical economic and governmental changes while continuing to provide for the Egyptian population in the meantime.

Although Egypt's exact path to democracy remains unclear, what is clear is that Egypt is an important country that is going through an extraordinary transition. I hope to see power handed over to a civilian government that is committed to a pluralistic Egypt that remains an ally of the United States and committed to peace with Israel. Decisions about U.S. assistance to Egypt must ultimately be shaped by the choices and policies made by whatever Egyptian government that the Egyptian people chooses to elect. We have an interest in strongly supporting a democratic government that respects the rights of its citizens and rule of law, fosters greater economic opportunity, and observes international obligations. We would obviously react very differently to any government that does not respect the institutions of free government, discriminates against or represses its citizens, or which pursues policies which are destabilizing in the region. That said, we should be careful about making judgments too quickly. I suspect that the transfer of power, the government formation, and the constitutional revision process are going to take some time.

For decades, Egypt has been a critical ally of the United States in the global war on terror and in the pursuit of Arab-Israeli peace. Egypt has been, and I hope will remain, a leader in the Arab world and a force for peace in the region. I hope our witnesses here today can help us both understand the current state of affairs in Egypt and guide U.S. policy accordingly.