

CHAPTER IV

THE MOTIVATION OF US FOREIGN AIDS TO EGYPT

Foreign aid is one of the economic instruments commonly used by developed countries to achieve foreign policy goals. Assistance is usually in the form of money, goods or services from one country to another.

In many cases, economic instruments in a policy are used to change the behavior and attitudes of state targets both domestic and policy abroad with a clear goal. These economic instruments can be rewards and coercion. One of them is by providing certain grants or assistance, including military grants. When the recipient country's action is as expected by the donor country, the donor will give rewards in the form of continuous assistance or when the target action is not in accordance with what is expected by the donor country, the donor country will issue coercion such as stopping the aid in the hope the recipient country will consider its attitude again. In this way, donor countries can manipulate foreign aid for political purposes or other aspects to achieve the national interests of donor countries (Soeprapto, 1997).

According to K.J Holsti, foreign aid program is mutually beneficial. The recipient receives assistance in the form of funds, equipment, or knowledge that is expected to be able to follow the dynamics of modern economics, political stability and military security. As for the giver or donor country, without taking into account the types of requirements, they always expect political and economic benefits either directly or in the long term, which usually cannot be fully obtained through diplomacy, propaganda or military policy (Holsti, 1989).

Historically, most foreign aid has been provided as bilateral assistance directly from one country to another. Donors also provide assistance indirectly as multilateral assistance, where the resources come from several donors. Related to foreign policy which has the value of state interests, then one form of

the policy can be expressed in the form of foreign assistance (Bank, 1998).

Under President Barack Obama's administration, the United States has a change in its approach to Egypt. Since the Egyptian revolution in 2011, the United States has struggled to develop policies that can protect US interests while gaining the trust of Egyptian leaders. Especially after the coup conducted by the military to President Mursi caused US to be very careful on its approach to Egypt. Although in 2013 under the interim President of Egypt, Adly Mansour, the US froze some of its assistance to Egypt due to human rights violations, but after the election of Abdel Fattah Al-Sisi as president in Egypt, Obama continued to provide economic and military assistance and re-established cooperation with Egypt in efforts to eradicate terrorism and border security.

The United States has helped Egypt a lot in improving its country's economy in the form of financial assistance, such as the Economic Support Fund (ESF) and forms of cooperation such as the Trade & Investment Framework Agreement (TIFA) and The Egyptian-American Enterprise Fund (EAEF). In addition to providing funds to build the Egyptian economy, the aid funds were also aimed for the development of democracy in Egypt. The United States also provides foreign assistance in the form of training and military equipment to improve joint capabilities in maintaining peace and humanitarian crises, promoting the standardization of the US armed forces, and increasing US defense exports related to goods and services. Besides in the form of education and training, the US also provides a budget to support the efforts to fight terrorism in order to reduce the spread of terrorist networks.

According to Alan Rix, foreign assistance is more than just a concept or philosophy. This is about wealth and poverty, but this is a drama that involves people, money, technology, equipment, and politics and bureaucracy. The purpose of donor assistance can change over time, but the existence of the aid program presupposes that not only the political and economic interests of donors, but also their social and cultural needs and

values, are met. Alan Rix in his book *Japan's Foreign Aid Challenge: Policy Reform and Aid Leadership*, the provision of foreign assistance between donor countries and recipient countries is inseparable from the intentions and motives of the donor countries (Rix, 1993).

Since the Egyptian revolution that took place in 2011 until 2013, thousands of people have been imprisoned and mass trials, and hundreds of people have received the death penalty including Muslim Brotherhood officials. Seeing the unstable state of the Egyptian economy, President Obama continues to improve his relations with Egypt by helping President Al-Sisi in the security and economic fields to deal with Egypt's unstable political challenges. President Obama told President Al Sisi that he would continue annual aid of \$ 1.3 billion to Egypt. On March 31, 2015, President Obama planned to channel security assistance to Egypt in four categories, namely anti-terrorism, border area security, Sinai security, and maritime security (The White House, 2015).

Behind the assistance provided by the United States to Egypt is not without reason but there are some interests to be achieved by US in Egypt. According to Alan Rix, there are three motives of donor countries in order to provide aid to recipient countries, the motives include humanitarian motives, political motives, and national security motives (Rix, 1993). In this case, United States have two motives which is humanitarian and national security motives.

This chapter is about an analysis the motivations of United States in order to provide foreign aids to Egypt during Abdel Fattah Al-Sisi administration which consist of two motives namely humanitarian motives and national security motives.

A. Humanitarian motive

Humanitarian motive is the motivation of the donor country to provide assistance to the recipient country with the aim of reducing poverty, because the recipient country experiencing economic collapse, natural disasters, and other economic problems that make a country's economy decline drastically. This motif explains that the provision of assistance is based on

the humanitarian responsibility of rich nations to help poorer nations. The provision of foreign assistance is seen as the fulfillment of the obligations of developed countries to developing countries to solve poverty problems which are the main obstacles in the development through support for economic development. Foreign assistance is also seen as a form of charity and considering poor countries also have the right to enjoy resources freely. The provision of foreign assistance will eventually bring benefits to donor countries in the long term, due to the interdependence between developed and developing countries which causes economic cooperation to be inevitable.

The wind of freedom in all corners of Arabia motivated the people of Egypt to unite and carry out massive demonstrations for the "Egyptian Revolution" and succeeded in overthrowing Mubarak from his presidency on 11 February 2011. Husni was relegated from his position not without reason but there were several reasons behind the overthrow of Husni Mubarak's regime. According to statistical data, 40% of Egyptians who number 80,000,000 experience poverty, the increasing unemployment, Egypt become one of the developing countries with a high unemployment rate during the reign of Husni Mubarak, and alleged corruption cases. After the fall of the authoritarian ruler, euphoria of freedom and democracy was welcomed by all Egypt. The problem is that this cheerful atmosphere is not accompanied by improvement in economic conditions. In fact, it's getting worse. The impact of the large demonstration in 2011 was that Egypt experienced a drastic decline in the number of foreign investment and income through the tourism sector, followed by falling foreign exchange reserves the country by 60%, the fall in the rate of economic growth by 2% and the decline in the exchange rate of the Egyptian Pound drastically (Kingsley, 2013).

The election of President Mohammed Morsi in the general election was unable to do much to restore the dying economic condition. To overcome the dying condition, Morsi approved loans and grants of 5 trillion US dollars from neighboring

countries, such as Qatar, Tunisia and Libya. Apparently, such a large amount of funds is not enough to stimulate the economy that has fallen so much. The absence of a radical and appropriate vision to improve economic conditions made Egypt worse (Taqwadin, 2013).

Then in 2013 there was another large demonstration which claimed Muhammad Mursi to step down from his position because of the deteriorating economy, the dominance of the Muslim Brotherhood, and President Mursi sparked controversy by issuing a presidential decree. The decree is considered to give full power to the president by removing the power of several government institutions (Hanifa, 2012). The chaotic situation made the military intervene to coup Muhammad Mursi. The massive demonstrations that took place in 2011 and 2013 made the Egyptian economy very unstable which led to the suffering of the people. Starting from investments that rarely come, drastic increase in prices of basic goods, rising unemployment, scarce fuel oil and household gas. This condition is a major factor in increasing the percentage of poverty in Egypt which at that time had reached 25.2% and the other 23.7% were on the threshold which would add to the list of population levels that were below the poverty line (Taqwadin, 2013). On the other hand, a soft loan from the IMF has actually been made of US \$ 4.8 billion. However, if it is approved, this loan will force the Egyptian government to cut subsidies in various sectors (Tempo, 2013).

United States as a superpower country that has a lot of interest in Egypt continue to provide assistance in Al-Sisi administration to stabilize the economy in Egypt which has decreased after the political crisis that took place in 2011 to 2013. The provision of foreign assistance will eventually bring benefits for the United States itself in the long term, due to the interdependence between developed and developing countries which causes economic cooperation to be inevitable.

A key pillar of the relationship, U.S. economic and security assistance both symbolizes and vastly strengthens the nation's historic cooperation and long-term commitment to the

partnership (Axelrod, 2010). It shows that the provision of assistance and cooperation carried out between the US and Egypt is the key to the good relations between the two countries in the future.

B. National security motive

National security motive is the motivation of the donor country that providing foreign assistance has the assumption can increase economic growth which will encourage political stability and will benefit the interests of donor countries. In other words, the motive for security has an economic side. In general, this assistance relates to requests from donor countries to use aid grants or foreign loans provided with commodities or services from donor countries. Bilateral tied aid is usually the case with the existence of 'secret' agreements that cause certain consequences which make the recipient country forced to allocate grant or loan assistance to buy commodities or use services from a donor country.

Abdel Fattah Al Sisi officially became the leader of Egypt on June 8, 2014. At his inauguration, President Sisi stated that Egypt in his reign would try to overcome terrorism and bring Egypt into a safe country. His statement convinced the US to establish cooperation in the field of security which is an incentive with Egypt. On July 22, 2014, the US government sent John Kerry as US Secretary of State to visit Egypt so that Egypt would know that the US was still interested in actively engaging with Egypt. During the meeting, the two state representatives discussed humanitarian issues in Gaza and tried to find a solution to the ceasefire agreement between Israel and Palestine (Kerry, 2017).

Empirically, Egypt under the leadership of President al-Sisi will return to the "Mubarak era intelligence-sharing relationship" with the United States, given that President Al Sisi has the same military background as the previous Mubarak period. Many policies and interests under the previous Mubarak government were reappointed by President Sisi. Both of them still have the same interest in the security category which guarantees the "intelligence-sharing" relationship, namely

security stability and fighting terrorism. This interest brings relations between the two countries has increased compared to the previous Muhammad Mursi government. General Muhammad Farid El-Tohany as Director General of Egyptian Intelligence said that there were no changes in relations with US spy agents, despite several delays in sending US weapons to the Egyptian military since 2013 (Ignatius, Washington Post, 2015).

US State Department officials said military aid was given back to the Cairo government ten days ago, after being approved by Congress. Funds taken from US annual military assistance of US \$ 1.5 billion will mainly be used to pay for existing defense contracts. The US also promised to provide 10 Apache helicopters for the military to deal with militants on the Sinai Peninsula (BBC News, 2014). On March 31, 2015, President Obama planned to channel security assistance to Egypt in four categories, namely anti-terrorism, border area security, Sinai security, and maritime security (The White House, 2015).

In the field of security, the United States considers Egypt as a strategic ally, partner in peace, and partner in fighting terrorism. Since 1979 after the Camp David Agreement was signed, the US has given Egypt considerable military assistance to Egypt. The assistance was intended as an investment in regional stability in order to strengthen military relations between the two countries, in addition to the US providing military assistance to Egypt so that Egypt can get training and equipment for the US military. Besides that, the aim of giving US military assistance to other countries, especially Egypt, is to maintain defense cooperation with the US after complicated relations in Mursi era, enhance joint capabilities in maintaining peace and humanitarian crises, promote US armed forces standardization and increase defense exports US related to goods and services (Military Assistance, 2015).

The United States continues to send aid in Al-Sisi administration because of national security motive which is to maintain the stability of the country and counter terrorism.

Terrorist attacks will likely target Egypt's main sources of foreign income: tourism, the Suez Canal and foreign investment.

The Egyptian military has struggled to defeat around 1,000 members of the Daesh (ISIS) affiliation based in the Sinai Peninsula for the past five years. Egypt needs US military assistance to overcome this challenge in the form of military training and advice. Egyptian armed forces continue to rely on conventional approaches to direct their extraordinary power against militants in the housing community.

Combating Terrorism Fellowship Program (CTFP), a program launched by the US to provide training to security forces, build and strengthen global networks in combating terrorists, contribute to efforts to fight terrorism, provide flexible and proactive programs to respond to the need to fight terrorism (DscA Website, 2017). In addition to education and training, the US also provides a budget to support efforts to fight terrorism to reduce the spread of terrorist networks. CTFP is tasked with helping allied countries to build their capacity to control borders and ports that are vulnerable to the entry of terrorists. The US action to make this program is in the interests of the US itself to create a safe regional environment. Egypt itself has a security campaign focused on the North Sinai region in September 2013. North Sinai itself is an Egyptian region which is a safe place for terrorist networks. Therefore, the area is closed to tourists and civilians. In 2014, more than 500 militants were reported killed and at least 2,000 terrorist hideouts were destroyed (Report, 2014).

In 2014, the US issued CTFP funds to Egypt totaling \$ 438,465 and in 2015, CTFP funds to Egypt were valued at \$ 349,293. For 2016, plans to spend CTFP funds in Egypt amount to \$ 576,504 (Congress, 2015). Besides CTFP, the US cooperates with Egypt through the Export Control and the Related Border Security Program (EXBS) to improve Egypt's border security through maritime border enforcement and training especially for Customs and the Ministry of Defense.

The United States has some important security interests regarding Egypt such as, supporting a peace agreement with Israel, preventing terrorists in Sinai or elsewhere from targeting America or US allies, obtaining an accelerated path through the Suez Canal for warships, and allowing US military aircraft to overfly Egypt and refuel there when needed (Dunne M. , 2014). From the intelligence perspective, Egypt has a long history of confronting terrorists both domestically and abroad. Egypt has been reliable for the U.S. war on global terrorism in terms of intelligence sharing, investigations and interrogations, and tracking suspects; can activities ultimately aid the coalition (Middle East Institute, 2014). For this reason, the US wants the Egyptian military to become a stabilizer because the US views the Egyptian military as having a strong defense. So that the US believes in Egypt's military ability to provide state security, both inside and along the Suez Canal.

In general, the United States is a country that has a number of interests in the Middle East in both the economic, political and military fields. This is because the Middle East region has strategic value in world politics. These strategic values make the Middle East region a place of struggle in spreading the influence and interests of the world's superpowers, especially for the United States. Therefore, the elite US policy makers have long been wary of the radical potential of various kinds of revolutions that occur in the Middle East region, including the events of the Arab Spring. They always show concern about revolutions that deviate from the constitutional, liberal and capitalist norms of the United States. The aim of American foreign policy is always closely related to achieving stability known as a regular process of change (Hoffmann, 1983).

In the Middle East map, Egypt is an important area for US strategic objectives. This is because Egypt is at the latitude of the world oil traffic (Office, 2006). The Suez Canal is a world crude oil distribution line which functions as a world oil distribution channel originating from the Middle East which then distributed to Europe and the US. Nearly two million barrels of world oil per day are distributed through the canal.

The situation in Egypt will affect world oil prices, especially if the canal is closed, so the supply of oil from the Middle East to the West, including to the US, will require more time and it would inflict a financial loss for the West. Because the Suez Line makes tankers save a distance of up to 10 thousand km (Cook, Foreign Affairs, 2015). The Suez Canal also known as a waterway that become the main transit point for US naval vessels. In a report released in 2006, U.S Government Accountability noted that between 2001 and 2005 the Egyptian government granted flight licenses to 36,553 US military aircraft and the transit point of 861 US naval vessels through the Suez Canal (Gao Website, 2006). For that reason, the military and security services must provide special protection for these sectors.

Egypt's stability can also influence US economic interests in the region. The United States was trying to maintain Egypt's stability, one of which aims to secure economic interests in this country such as the security of the Suez Canal. So, US continue its foreign cooperation and assistance to Egypt to maintain the Suez Canal which is known as the world's oil distribution channels where oil supplies from the Middle East are distributed to Europe and the US.

Although Egypt does not have a large source of oil wealth such as the Gulf countries, Egypt is an oil-producing country. In 2009 Egypt and the US signed an agreement to explore and exploit oil and natural gas worth 30 million US dollars in the country. The United States Apache Oil Company and the state-run Egyptian Oil Company and the Egyptian Tharwa Oil Company signed an agreement worth 30 million dollars for the exploration and exploitation of 14 oil and gas wells located in the western desert of Egypt. Egypt is an important energy producing and exporting country for the US, income from energy exports is one of the important sources of foreign exchange for the country (CRI, 2009).

Apache Corporation is the largest American investor in Egypt, the company is engaged in oil and gas exploration and production. In 2012 the total investment in shares reached US \$

8 billion. Apache holds more than 11 million gross hectares or about one third of the area in the Western Desert. Other American oil companies in Egypt are Devon, Amerada Hess, IPR, Merlon, Pan Pacific and El Paso.

Natural gas reserves in Egypt have been constant 77.2 trillion cubic feet (Tcf) since 2011, increasing from 58.5 Tcf in 2010. According to a review of BP World Energy Statistics, Egypt held around 65.2 trillion cubic feet (Tcf) of natural gas reserves at the end of 2016, the increase from 2010 was almost 59 Tcf. The large amount of gas reserves makes Egypt the main producer of gas in the Mediterranean region. The total natural gas reserves are expected to increase in the next few years due to recent natural gas discoveries (EIA, 2018).

In terms of population, Egypt is the most densely populated country compared to other Arab countries. This densely populated population makes Egypt a big market for the US. Egypt is a place of significant investment for the US especially after the discovery of a large amount of gas reserves in Egypt.

So, US continue its foreign cooperation and assistance to Egyptian in order to secure the regional stability and maintain the stability in Suez Canal which offers the United States access to one of the most important water ways in the world crucial for its economic and military interests.