

A Transnational Study on The Economic Liberation in Egypt during The Presidency of Anwar Sadat in 1970-1982

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Abstract

The Arab Republic of Egypt has become of the most influential countries in the Middle East Region and Africa. Unsurprisingly, external parties were interested to interfere in this country. Many earlier studies have discussed the conflict and its impact and the rivalry of the two blocs of power fighting for influence in Egypt. However, what remains unexplored and draws only a little attention among the researchers is how these forces affect the countries like Egypt to become 'competitive arenas'. This study analyzes and explains the influence of the United States in Egypt, specifically in terms of increasing economic liberalization after the Camp David agreement. The results indicated that Camp David accelerated the economic liberalization that Egypt had started in 1974. The increase in economic liberalization in Egypt was mainly driven by the foreign aid provided by the United States as its transnational tool. The strongest evidence of increasing economic liberalization in Egypt is the open-door policy for foreign investment and product exports to Egypt. The Egyptian government had no longer absolute power in regulating the market. Meanwhile, the impact of increasing economic liberalization on society is seen in the consumption and demand for American products.

Keywords: *Economic Liberation, Transnational, Camp David*

Abstrak

Republik Arab Mesir merupakan salah satu negara yang paling berpengaruh di Kawasan Timur Tengah dan Afrika. Maka tidak mengherankan, pihak-pihak luar tertarik untuk turut campur di negara ini. Beberapa penelitian sebelumnya telah membahas konflik dan dampaknya serta persaingan dua blok yang saling memperebutkan pengaruh di Mesir. Namun, hal yang masih belum diteliti dan sedikit mendapat perhatian para peneliti adalah bagaimana kekuatan-kekuatan ini mempengaruhi negara-negara seperti Mesir untuk menjadi 'arena persaingan'. Penelitian ini menganalisis dan menjelaskan pengaruh Amerika Serikat di Mesir, khususnya dalam hal peningkatan liberalisasi ekonomi setelah perjanjian Camp David. Hasil penelitian menunjukkan bahwa Camp David mempercepat liberalisasi ekonomi yang telah dimulai Mesir pada tahun 1974. Peningkatan liberalisasi ekonomi di Mesir terutama didorong oleh bantuan luar negeri yang diberikan oleh Amerika Serikat sebagai alat transnasionalnya. Bukti terkuat dari meningkatnya liberalisasi ekonomi di Mesir adalah kebijakan pintu terbuka bagi investasi asing dan ekspor produk ke Mesir. Pemerintah Mesir tidak lagi memiliki kekuasaan mutlak dalam mengatur pasar. Sementara itu, dampak dari meningkatnya liberalisasi ekonomi terhadap masyarakat terlihat pada konsumsi dan permintaan terhadap produk-produk asal Amerika.

Kata kunci: *Liberasi Ekonomi, Transnasional, Camp David*

INTRODUCTION

The war against Israel in the past three decades severely impacted the Egyptian economy, mainly following its defeat in the 6-day war in 1967. In the era of President Gamal Abdul Nasser, 40 percent of Egypt's national budget was allocated to cover war costs. Not surprisingly, the economic burden was so heavy that Egypt's per capita income at that time was only USD 317, which was one of the lowest in the world. After several recessions, Egypt under President Anwar Sadat finally made some adjustments. Through Law no. 43 of 1974, Egypt introduced the "Infitah" program or open-door policy through the gradual opening of the economy from a socialist to a capitalist economy.¹

Although President Sadat made many efforts to improve the economy, this did not bring satisfactory outcomes due to the slow implementation of the law and domestic political instability. His policies had been the embryo of liberalization which was further implemented by his successor and made Egypt have close relations with the West and international financial institutions such as the IMF and World Bank. President Sadat also believes in the urgency of eliminating threats from his old enemy, Israel. Eventually, returning the land occupied by Israel becomes something vital because it is related to sovereignty.²

President Sadat's hopes gained momentum when Jimmy Carter, a devout evangelical Protestant, took the office as the 39th president of the United States in 1977. Carter asserted the United States should play a prominent role in building a new world civilization based on "justice, equality, and human rights." Therefore, there were five principles during his reign, namely: commitment to human rights, increasing cooperation between democratic countries, terminating the strategic arms race, seeking comprehensive peace in the Middle East, and preventing the development of nuclear weapons and conventional weapons. From his various backgrounds and personal views, it seems that he adopted the basic values of American culture such as the White Anglo-Saxon Protestant (WASP) which has been known since the 19th century, and The New Frontier which was introduced by John F. Kennedy in 1960.³

¹ Marie-Christine Aulas, "Sadat's Egypt: A Balance Sheet," *MERIP Reports*, no. 107 (1982): 6–31, <https://doi.org/10.2307/3011724>.

² Gerald T McLaughlin, "Infitah in Egypt: An Appraisal of Egypt's Open-Door Policy for Foreign Investment," *Fordham Law Review* 46, no. 5 (1978): 24.

³ Gary Scott Smith, "Jimmy Carter: A Progressive Evangelical Foreign Policy," *The Review of Faith & International Affairs* 9, no. 4 (December 1, 2011): 61–70, <https://doi.org/10.1080/15570274.2011.630205>.

Carter was very active in mediating conflict between Israel and its Arab neighbors until finally, his high-level diplomacy efforts were successful. Through the Camp David Accords on 17 September 1978, Carter not only managed to end the Egyptian-Israeli conflict but also initiated political leverage of United States influence in Egypt. For Sadat, the Camp David Accords were very critical as means to help the economic recovery of the country. A peace treaty with Israel and the return of the Sinai Peninsula were believed to reduce the heavy burden on Egypt's economy. Since then, Egypt could focus more on improving its national economy. With this agreement, Egypt opened a new chapter with the United States of America although it was suspended from the Arab League.⁴

As compensation for the Camp David Accords, the United States consistently provided financial assistance to Egypt. With this financial aid, Egypt ranked as the second largest receiver of United States aid after Israel. It was also argued that the financial assistance exceeded Egypt's capacity to absorb it. The provision of foreign aid did not only provide financial benefits for Egypt but also brought political and diplomatic gains for the United States.⁵

To the United States, foreign aid to Egypt after the Camp David Accords was a political tool to extend their influence in the Middle East region. The United State saw Egypt as a strategic country due to its strong influence in the Region. Apart from having a large geographical area, Egypt also had power over the world's main trade route, the Suez Canal.⁶

Close ties with the United States may indicate the enhanced economic liberalization process in Egypt. Therefore, it is necessary to conduct a study that explains the process of rising economic liberalization and to discuss how the reaction or impact of the increased influence of economic liberalization among Egyptian people at that time, so that the sequence and the common thread of the US's contribution in Egypt in can be viewed more comprehensively.

METHODS

One of the sub-fields in American Studies is Transnational American Studies which examines the global role and influence of America. According to Rowe, the study was introduced by scholars who saw a dominant influence of the United States on various countries and cultures across the

⁴ Shibley Telhami, "Evaluating Bargaining Performance: The Case of Camp David," *Political Science Quarterly* 107, no. 4 (1992): 629–53, <https://doi.org/10.2307/2152288>.

⁵ Bessma Momani, "Promoting Economic Liberalization in Egypt: From U.S. Foreign Aid To Trade And Investment," *Middle East Review of International Affairs* 7, no. 3 (2003): 14.

⁶ Jeremy M. Sharp, Carla E. Humud, and Sarah R. Collins, "U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2021 Request" (Congressional Research Service, n.d.), <https://crsreports.congress.gov/product/pdf/R/R46344/3>.

globe.⁷ Transnationalism in American Studies became more prominent due to the strong impact of the United States in the global arena and emerged from the discourse of globalization which showed an increasingly rapid exchange of information and people. Meanwhile, Vertovec defines Transnational American Studies as a study to comprehend the role of the United States in the global scene or to view America through different perspectives from certain theories in certain disciplines.⁸ Transnationalism in American Studies in which the United States exerts influence beyond its geographic borders.

The presence of the United States strengthened the relationship between Egypt and the West, which later became the gateway for the ideas of economic freedom. In this study, foreign assistance from the United States to Egypt was based on the Camp David Accords between the United States, Egypt, and Israel. From the Transnational perspective, the stages of how the United States influences Egypt, not only in the economy but also in the culture of its people, can be identified more clearly.

This study used a qualitative method. The primary data were obtained using interviews with several sources who had firsthand experience with the dynamics of increased Egypt's economic liberalization during the Anwar Sadat era, while the secondary data were collected from documents related to the Camp David Accords, United States foreign aid to Egypt, conditions of Egypt's economics and liberalization, and descriptive data related to other American Studies.

DISCUSSION

The US intervention

The conflict between Egypt and Israel indirectly became the competition scene among the great powers during the Cold War. Egypt's position was so influential that the country gave a balance of power among the superpower countries in the Middle East. However, the transition of power in the United States leadership regime had substantial implications in altering the United States' attitude in the vortex of conflict. The rationality of state leaders greatly affected United States policy. When President Kennedy took office (1961-1963), America - Israel began to establish good communication between Israel and the Arabs. President Kennedy had the opposite rationality with Eisenhower (1953-1961), which saw a great opportunity to stem Soviet influence in the Middle

⁷ J.C. Rowe, "Featured Articles: Three Articles on Transnationalism and American Studies" (American Studies Association, 2014), <http://www.theasa.net>.

⁸ Steven Vertovec, "Conceiving and Researching Transnationalism," *Ethnic and Racial Studies* 22, no. 2 (January 1, 1999): 447-62, <https://doi.org/10.1080/014198799329558>.

East through good Arab-Israeli accommodation. Kennedy had a good relationship with Arab nationalists such as Gamal Abdel Nasser, as well as re-embracing Israel.⁹

In the successive era of President Lyndon B. Johnson's leadership (1963-1969), the US tended to stand on Israel's side in terms of conflict with the Arabs. At the time, the US tended to stay away from Egypt and automatically shifted the trust in Egypt and Arab countries towards Western powers that were seen as more pro-Israel. The implication of this policy was the failure of the US to prevent Nasser's blockade of Israeli ships in 1967.¹⁰

The key persons in the US presence in the Middle East during the following period were President Richard Nixon (1969-1974) and US Security Adviser, Henry Kissinger. This was the first time the US played an intermediary role in the Arab-Israeli conflict. The United States under Kissinger's control implemented a step-by-step approach and shuttle diplomacy which later became the hallmark of US diplomacy in resolving conflicts in the Middle East. From 1974-1975, Henry Kissinger became a mediator in Egypt and Israel dialogue and managed to mediate the conflict between the two parties. Personally, Kissinger went back and forth between Egypt and Israel and even between capitals in Middle Eastern countries to negotiate a ceasefire between the two countries. Kissinger's success in mediating the Arab-Israeli conflict demonstrated the great commitment of US foreign policy under the Richard Nixon regime to bring peace to the Middle East. Jeremy Pressman in his work on the road map of peace in the Middle East concluded that the United States under the leadership of Richard Nixon and his successor Gerald Ford (1974-1977) showed a coercive and instrumental leadership character. The United States has successfully demonstrated its skills, efforts, and status as a superpower that can bring peace treaties to the Middle East countries after several decades.

Regime change also occurred in Egypt. President Anwar Al-Sadat succeeded Gamal Abdel Nasser in 1970 after defeating two of his rivals, Zakaria Moehidin and Ali Sabry, that represented the left-wing group in the government and had close ties to the Soviet Union. Unlike Nasser's authoritarian character, Sadat had a more liberal character although he also remained loyal to Nasser's ambitions and ideas. One of Sadat's liberal views was shown in his willingness to promote open dialogue with North Atlantic Power countries, especially the US. In 1977, after a ceasefire agreement with Israel, President Sadat made a historic visit to Israel. Sadat visited the Knesset, Israel's legislature to establish a direct dialogue.

⁹ Avi Shlaim, "The Impact of U.S. Policy in the Middle East," *Journal of Palestine Studies* 17, no. 2 (1988): 15–28, <https://doi.org/10.2307/2536861>.

¹⁰ Shlaim.

The United States as the key mediator of Arab – the Israel peace dialogue had been looking at the possibility of peace since Sadat took office as President of Egypt because, in the October War, Sadat displayed the attitude that did not only want to regain the territory controlled by Israel and end the conflict but also to end the confrontation to focus on economic recovery.¹¹ Henry Kissinger took this opportunity in his diplomacy so that he managed to reach a consensus in the Region.

During the subsequent presidential period, Jimmy Carter (1977-1981), America became more aggressive in intervening in negotiations between Egypt and Israel to produce a draft peace agreement. The US made direct communication with Egypt and Israel to discuss negotiation points that would accommodate the interests of both countries, including Palestine. The role of President Jimmy Carter in this negotiation process was very crucial, as without a peace agreement between Egypt and Israel the United States would lose its strategic position.¹² Carter realized that the tug-of-war between the interests of Egypt and Israel could lead to a deadlock. Therefore, he initiated a meeting at Camp David to organize a formal negotiation between Egypt and Israel.¹³

The United States with its intervention in negotiations between Egypt and Israel managed to keep negotiations go on and produce a draft agreement for a peace treaty between Egypt and Israel. The US made direct communication with Egypt and Israel to discuss important points in negotiations that would accommodate the interests of both countries, including Palestine. The role of the President of the United States, Jimmy Carter, in this negotiation process became very crucial as without a peace agreement between Egypt and Israel the United States would lose its strategic position because the political instability in the Middle East would be a serious threat to the United States. Carter was aware of Sadat's disappointment with Israel's reaction to the clause he offered in Jerusalem, including disappointment with the US for not providing a solution to the Sinai Peninsula issue. To respond to this, Jimmy Carter invited Anwar Al Sadat to Washington in February 1978.¹⁴ Carter and Sadat discussed Egypt's position on the territory mandated by UN Resolution 242. However, the discussions between the two presidents only seemed to focus on the bilateral agreement between Egypt and Israel on the Sinai Peninsula, not on the plight of the Palestinian.¹⁵ After several discussions, Carter realized the possibility of a deadlock in Egypt-Israeli negotiations.

¹¹ Salim Yaqub, "The United States and the Arab-Israeli Conflict, 1947 to the Present," *OAH Magazine of History* 20, no. 3 (May 1, 2006): 13–17, <https://doi.org/10.1093/maghis/20.3.13>.

¹² Adel Safty, "Sadat's Negotiations with the United States and Israel: From Sinai to Camp David," *The American Journal of Economics and Sociology* 50, no. 3 (1991): 285–98.

¹³ Telhami, "Evaluating Bargaining Performance: The Case of Camp David."

¹⁴ Safty, "Sadat's Negotiations with the United States and Israel: From Sinai to Camp David."

¹⁵ Telhami, "Evaluating Bargaining Performance: The Case of Camp David."

For this reason, he initiated a meeting at Camp David to organize a formal negotiation between Egypt and Israel.¹⁶ In 1978, the Camp David Accords were signed which were initiated by the US and brought changes not only to the Arab-Israeli political constellation but also brought changes towards the liberalization of Egypt during the Anwar Al-Sadat era.

During the formal meeting at Camp David, several points were discussed, from the normalization of bilateral relations between Egypt and Israel, the demilitarization agreement in the Sinai Peninsula, the normalization of the relationship regarding the West Bank and Gaza, and the right of Palestinian people for self-determination to Israel's goodwill to leave the Palestinian territories.¹⁷ The interesting aspect of Carter's method was that he preferred to invite the leaders of conflicting countries, Sadat and Begin, to Camp David for an unconventional dialogue on a hill until the agreements were reached. After two weeks of communication at Camp David, the two countries agreed on two negotiation points, namely a peace treaty between Egypt and Israel and the establishment of a self-governing authority for the West Bank and Gaza.¹⁸ The framework agreement created from unusual negotiations in the Maryland region, namely Camp David, led Egypt and Israel to the Camp David Accords which they later ratified in 1978.

The Camp David Accords comprised several important points, which did not only accommodate the interests of Egypt and Israel, but also the other neighboring Arab countries. The points agreed upon in the Camp David Accords were¹⁹:

1. Egypt, Israel, Jordan, and the Representatives of the Palestinian People must participate in negotiations on the resolution of the Palestinian issue. To achieve this goal, negotiations on the West Bank and Gaza shall be free from the occupation of the Israeli military. In other words, the Israeli military had to withdraw from the area.
2. Egypt, Israel, and Jordan should agree on the establishment of self-governing authority in the West Bank and Gaza. Representatives of Egypt and Jordan may include inhabitants of the West Bank and Gaza, or other Palestinian territories based as mutually agreed.
3. The negotiation process on the final status of the West Bank and Gaza shall take place after the inauguration of the self-governing authority, at least in the third year of the transition period.

¹⁶ Telhami.

¹⁷ Telhami.

¹⁸ A. G. NAIDU, "Camp David Accords: A Study in American Foreign Policy," *The Indian Journal of Political Science* 53, no. 3 (1992): 397–414.

¹⁹ "The Camp David Agreements for Middle East Peace," *Journal of Palestine Studies* 8, no. 2 (1979): 205–14, <https://doi.org/10.2307/2536522>.

Meanwhile, concerning bilateral relations between Egypt and Israel, Camp David Accords covered a rule that the two countries should suspend any form of threats and use of weapons. Any arising issue should be resolved by peaceful means under Article 33 of the United Nations Charter.²⁰ The Camp David Accords also stipulate the bilateral relations between Egypt and Israel, which also took several months for negotiation before being ratified by both parties in 1979. One of the provisions of the Agreement is that both Egypt and Israel should abolish economic sanctions or economic boycotts against one another, including provisions for the full recognition of each country against one another. This point particularly addressed the reluctance of Egypt to provide full recognition of Israel's existence. Another important point was the United States should be involved in any discussion and resolution of the issues once the agreement had been signed.²¹

Participation in promoting peace between Egypt, Israel, and Jordan had made the United States a key actor in the Middle East, replacing the UN's position as an international organization in bridging the Arab-Israeli conflict resolution. However, peace was difficult to achieve. The success of the US to end the war through the Camp David Accords did not only remove the Soviet Union as the main protector or sponsor of the Arab states but also marked the beginning of US domination in the Middle East region.²² The US method of bringing about peace through bilateral dialogue and negotiations broke the multilateral tradition that had been previously applied by the United Nations. On the one hand, this bilateral dialogue became a global strategic solution to realize peace among conflicting states. However, on the other hand, the success of the US was suspected by other Arab parties. Suspicion of these Arab countries arose because the US did not involve the United Nations in the Egyptian-Israeli dialogue. Such a process was seen to favor the US only given its close to Israel based on a series of conflicts throughout history.²³

The Camp David Accords leads to a peace treaty initiated by the US for the long-term peaceful relations between Egypt, Israel, and other Arab countries. However, at the same time, this agreement paved the way for the US to further strengthen its influence in the Middle East. Closeness and trust from Egypt would make it easier for the US to carry out other dialogues with the Middle East states in the future. In addition, as Henry Kissinger read, Anwar Al-Sadat from the very beginning of his leadership era desperately want to end the prolonged confrontation with Israel and focused on the economic growth of Egypt.²⁴ Camp David Accords reiterate the influence

²⁰ "The Camp David Agreements for Middle East Peace."

²¹ "The Camp David Agreements for Middle East Peace."

²² Daniela Huber, "Forty Years of Camp David, Forty Years Without Peace" (Istituto Affari Internazionali (IAI), 2018), JSTOR, <http://www.jstor.org/stable/resrep19660>.

²³ Huber.

²⁴ Yaqub, "The United States and the Arab-Israeli Conflict, 1947 to the Present."

of the US amid the open-door policy initiated by Anwar Al-Sadat. The Camp David Accords opens up opportunities for the liberalization of the Egyptian economy under the US aid sponsorship.

According to Avi Shlaim, US policy aims did not only affect a regional but also a global context. There were four points that Shlaim identified as the reasons the United States placed the Middle East, especially Egypt, as an important country and can assign special responsibilities to the United States. First, Egypt as a powerful actor in the Middle East could monitor, stem, and restrain the power, expansion, and influence of the Soviet Union. Second, Egypt could facilitate and maintain access to the oil sources that make up two-thirds of the world's oil reserves for the West. Third, the US would like to limit radical movement and maintain a moderate pro-Western regime in the region, and fourth to ensure the security and prosperity of Israel.²⁵

The peace treaty between Egypt and Israel provoked negative reactions, especially from the Muslim Brotherhood (IM). For IM, Camp David was the product of the interests of the United States, or they call it the "American-Zionist project". Reconciliation between Egypt and Israel was seen to pave the way for the US ambition to dominate the Islamic-Arab Region as indicated by the US assistance to Israel, from the economy, politics, and military with very a large number of financial aid. The process of reaching a peace agreement and the following consequences indeed depicted the influence of the US. Sadat's decision to comply with the US interests evoked a hostile response from the IM. They swear that the loss of Palestinian land and the recognition of the Jewish state will be never forgivable. Peace between Arab and Israel is seen as a dividing tactic of the west to weaken the Muslim states.²⁶

The US made Israel a strategic base to sustain its political interests. Placing Israel as a military and security base for the US requires much lower costs than maintaining 10 aircraft carriers that should be sent to the Mediterranean and the Red Sea to protect American interests. US interests are inseparable from Israel's existence because the elements of strategic planning of the two states are interrelated based on the reciprocity principle. The US believes that the safety and security of Israel also ensure the stability of the region and US interests there.

Foreign Aid

Foreign aid by the United States in the Middle East region is a political agenda that had various goals and interests behind it. The aid was not only aimed to ensure the main supply of oil and gas

²⁵ Shlaim, "The Impact of U.S. Policy in the Middle East."

²⁶ Liad Porat, "The Muslim Brotherhood and Egypt-Israel Peace," *Begin-Sadat Center for Strategic Studies*, n.d.,

but also to promote the United States' goal of peace based on democracy. In his article about the US foreign aid policy to the Middle East, Root asserted two substantial interests for the United States in the provision of foreign aid.²⁷ First, the United States and its trading partners have become very dependent on fossil fuels to ensure the sustainability of their economic growth. This is certainly associated with US welfare as its domestic interests. Second, the US tended to balance power by creating and maintaining peace. This interest was shown by the US in securing military relations, not only with Israel but also with the neighboring rival countries of Israel and the US.

The prolonged conflict in the Middle East has created a long-term economic crisis among the countries in the region. The ongoing war has severe economic consequences that should be borne by the countries involved, which were mainly developing countries. The economic crisis became one of the main entrances for the United States to offer foreign aid. In addition, foreign aid in times of crisis had become a momentum for the United States to expand its influence. In the Middle East, US foreign aid was granted in form of economic programs directly managed by the US Government, food aid, and military aid programs instead of direct cash payments to recipient countries.²⁸

During the period 1950 to early 1970, influential countries in the Middle East such as Jordan, Syria, Saudi Arabia, and Egypt received massive US foreign aid programs. This had a very significant effect on the development and improvement of the economy of these countries, especially after the war with Israel. Jordan received economic assistance from the US in the development of thermal power plants and potash plants. In general, US aid was used by Jordan, which experienced an economic downturn after the Six-Day War with Israel, to recover the economy and encourage rapid economic growth. Despite having fewer resources than Egypt, Lebanon, or Syria, the presence of foreign aid, especially from the US, was able to bring Jordan to rapid economic growth after 1967.²⁹ In addition to Jordan, Tunisia also received US foreign aid in the form of grants that helped Tunisia overcome the economic downturn due to the socialist economic policies in 1960. Tunisia managed to improve its agricultural sector which was a

²⁷ Hilton L. Root, Yan Li, and Kanishka Balasuriya, "The US Foreign Aid Policy to the Middle East: The Political Economy of US Assistance to the MENA Region," *SSRN Electronic Journal*, 2016, <https://doi.org/10.2139/ssrn.2716757>.

²⁸ Sharp, Humud, and Collins, "U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2021 Request."

²⁹ E. Kanovsky, "The Economic Aftermath of the Six Day War," *Middle East Journal* 22, no. 2 (1968): 131–43.

previously stagnant and increased investment that reached 20 percent of gross national income during 1960 – 1967.³⁰

Unlike other Arab countries, Egypt is a permanent recipient of US foreign aid. The US foreign aid to Egypt became more intense over time, especially in the 1950 period until the signing of the Camp David Accords. However, at first, US foreign aid was not easily accepted by Egypt. Apart from domestic factors at which the time Egypt had great resistance to the West, especially during the Arab-Israeli conflict, fluctuating relations between the two countries during the Arab-Israeli conflict also affected the rise and decline of US aid to Egypt.³¹

In the Arab-Israeli conflict, Egypt stood as a country that had a strong bargaining power in the region. Besides Egypt's geopolitical factors in the Region, Egypt has main access to the Suez Canal which is a vulnerable point for conflicts of interest among the superpowers. Meanwhile, the US has strong bargaining power in the Middle East, especially after Britain and France slowly reduced their dominance. These two conditions helped determine the situation of relations between Egypt and the US in 1950 until the Camp David Accords. The position of the US and Egypt as big countries and having a significant influence in the Middle East region increases resistance to each other. Moreover, in the 1950s, the most important US national interest in the Middle East which was to undermine the influence of the Soviet Union, at several stages, also became stagnant because of Egyptian sentiment over the domination of US policies.

The power transition in Egypt from Gamal Abdel Nasser to Anwar Sadat had major implications for the bilateral relations between the US and Egypt, including foreign aid from the US to Egypt. The key factor, in this case, was the presence of Sadat as which was seen by the US and Western countries as a "changemaker" in Egypt and the Middle East. Henry Kissinger even praised Sadat as the greatest in history.³² Such assumptions and simplification among the US and the West on Anwar Sadat's figure were solely based on his openness during his reign, especially after the Yom-Kippur War in 1973. Sadat's open-door policy to the US and Western countries was seen to bring changes both for Egypt and for the progress of the dialogue between Western states and Egypt. Sadat's popularity had a positive impact on Egypt for the resumption of intensive

³⁰ Robin Barlow, "Economic Growth in the Middle East, 1950–1972," *International Journal of Middle East Studies* 14, no. 2 (May 1982): 129–57, <https://doi.org/10.1017/S0020743800000623>.

³¹ Rose McDermott, *Risk-Taking in International Politics: Prospect Theory in American Foreign Policy*, Paperback ed (Ann Arbor: University of Michigan Press, 2001).

³² William J. Burns, *Economic Aid and American Policy toward Egypt, 1955-1981* (Albany: State University of New York Press, 1985).

foreign aid by the US. The amount of aid was even said to be fantastic and exceeded The Marshall Plan for Western Europe.³³

The normalization of US-Egypt relations began with President Sadat's preference for the US and the withdrawal of approximately ten thousand Soviet military officers from Egypt.³⁴ The negotiations and diplomacy between Egypt and the US improved relations between the two countries and this means that Egypt had another opportunity to obtain foreign aid from the US. 1973 was the first year that food aid was granted through the PL 480 Title II program to Egypt after six years of suspension of any food aid from the US. In terms of policy, the US amended the law related to foreign assistance, the Foreign Assistance Act in 1973. The amendment altered the direction of US foreign aid policy by focusing on the supply of food and nutritional needs and the quality-of-life improvement of the citizens.³⁵ Food aid during this period was managed by USAID through the ESF (Economic Support Fund), which provided aid in the form of project or program-based assistance. Basically, this type of assistance was mostly financial support through CIP (Commodity Import Program) or in the form of direct cash transfers to recipients.³⁶ Egypt has received this kind of aid since 1973 and was able to make a significant difference in its economic recovery during the crisis.

Under President Nixon and through Henry Kissinger's diplomatic capacity, the US was able to restore Egypt's confidence. To maintain the good relations that had existed and ensure Egypt sides with the U.S., Kissinger offered aid to Egypt in 1974. Kissinger offered economic assistance to Egypt to help Egypt rebuild its economic sectors and cities after the conflict in the Suez Canal. Right after Egypt signed the Sinai Accord I, the US immediately granted up to 85 million USD in economic aid. This was increased with the US aid for Egypt in March 1974 for the 1975 budget allocation, reaching 250 million USD.³⁷ The US economic aid, which rose significantly at the beginning of Sadat's administration, had a positive effect on the economic improvement and growth of Egypt and become one of Sadat's considerations in negotiating efforts to achieve peace with Israel.

The increase in US foreign aid to Egypt had made Egypt become more aligned towards the West and the US on one hand and made Egypt's relations with the Soviet Union deteriorate on the

³³ Burns.

³⁴ Burns.

³⁵ USAID, "Brief Chronology and Highlights of the History of U.S. Foreign Assistance Activities," 2022, https://pdf.usaid.gov/pdf_docs/PCAAB438.pdf.

³⁶ Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics* (Chicago: University of Chicago Press, 2008).

³⁷ Burns, *Economic Aid and American Policy toward Egypt, 1955-1981*.

other hand. To appreciate this achievement, the US under President Gerald Ford increased the amount of foreign aid to Egypt by 1 billion USD per year during the 1976 - 1977 fiscal period.³⁸ This assistance was given as an appreciation and reflected the trust of the US in Egypt. Negotiation efforts under President Gerald Ford went well. This was also affected by the good relations between Egypt and the US. In 1976, the US and Egypt signed the Sinai Accord II, which further raise the possibility of Egypt-Israeli peace. After the Sinai Accord II, the US again provided foreign aid to Egypt as promised in the preceding year. Assistance in the form of grants and concessional loans of USD 750 million and food assistance through the PL 480 Title I program with a total of USD 200 million.³⁹ Within a year, the expansion of US foreign aid rose very rapidly, in line with Egypt's cooperative attitude towards every negotiation effort made by the US to bring Arab-Israeli peace into reality. The PL 480 food aid during this period was the third largest segment in the series of US foreign aid programs to Egypt. With this aid, Egypt managed to fulfill the domestic food supply amid improving agricultural policies which had been hampered during the Nasser Administration.

US foreign aid to Egypt rose significantly after the Camp David Accords. During the Jimmy Carter Administration, the US initiated several negotiations and diplomacy efforts with Egypt to persuade Egypt to become a pioneer in realizing peace in the Middle East between Arabs and Israel. Through President Carter's consistent effort 1979 became a historical period in which Egypt and Israel, mediated by the US, signed the Camp David Agreements for Middle East Peace, 1979. With the ratification of the Camp David Accords, the direction of the Arab-Israel peace become presumably clearer with Egypt's proximity, as the most influential country in the Middle East, to Israel. The normalization of bilateral relations between the two states also was inseparable from the supervision and direction of the US as a mediator in the peace dialogue.

Economic Liberation in Egypt

The major implication that shaped the direction of Egypt's policy under President Sadat which also marked a major historic step for Egypt was the introduction of the Infitah policy initiated by President Anwar Sadat. The Infitah policy emerged because Egypt slowly began to fully align with the US and the Western Bloc's alignment with efforts to improve the economy compared to the Soviet Union. In 1974, President Anwar Sadat proclaimed the Infitah, or open-door policy which marked Egypt's openness to the West.⁴⁰ Egypt's Infitah policy was ruled under Public Law 43 which

³⁸ Burns.

³⁹ Burns.

⁴⁰ Burns.

was passed in June 1974 and amended in 1977, ensuring foreign companies apply import tariffs properly, invest in agricultural production, and allowing the entry of the International Monetary Fund.⁴¹ The Infitah policy brought US-Egypt relations to a higher stage, one of which was marked by the increasing allocation of the US foreign aid budget to Egypt. The US is increasingly loyal to providing economic assistance and other project assistance, reaching a total of USD 750 million. US foreign aid helped Egypt overcome the foreign exchange deficit through food aid programs, financing the food industry and providing industrial raw materials, and partly being allocated for the Suez Canal reconstruction project. These agendas became a priority for the US and Egypt to ensure the economic sustainability of Egypt. In terms of Politics, the US also wanted to ensure that the Arab-Israeli peace would last through foreign aid.⁴²

For developing countries, the presence of foreign investors, manufacturing industries, and multinational companies (MNCs) plays a major role in national economic development. To enhance investment trends and economic growth the countries usually adopt more open economic policies toward the global markets. This policy was also introduced by Egypt through the Infitah policy. Egypt tried to recover its slumping economy due to Nasser's closed nationalist economic policies. However, at the time at which Egyptian Infitah was introduced, Egypt's domestic economic condition was very poor, and involvement of multinational companies and foreign investment were minimal in the country, thereby providing suboptimal results.⁴³

The trend of providing foreign aid to Middle East countries, especially Egypt is part of the efforts of the US to extend its influence beyond its territory. Foreign aid is an important and inseparable part of US foreign policy at the global level. Foreign aid is the main instrument of the US and makes up a large percentage of the formulation of the national budget. US foreign aid to Egypt from the conflict to the signing of the Camp David Accords reflected the US's consistency in strengthening its influence in the Middle East region. Egypt is the main and strategic goal if the US wanted to exert its influence and strong relations in the Middle East region. As a country with a strong influence among Arab countries, Egypt has a very strategic position for the influx of US influence in the Middle East.

The process of how the US exerts its influence on Egypt, one of which is through foreign aid, from a liberal perspective is called Transnationalization. It is a situation where the state in the context of foreign policy as well as an actor spreads their values, either social, economic, or political

⁴¹ Marvin G. Weinbaum, "Egypt's 'Infitah' and the Politics of US Economic Assistance," *Middle Eastern Studies* 21, no. 2 (1985): 206–22.

⁴² Weinbaum.

⁴³ Aulas, "Sadat's Egypt: A Balance Sheet."

values to influence another country. Among sociologists and anthropologists, transnationalism is related to social formations that cross boundaries.⁴⁴ In the context of foreign aid consistently provided by the US, Lancaster also described it as a form of US "globalization". This description arose because the US is noted to have a large allocation for foreign aid and involves various relevant ministries in preparing the agenda for providing foreign aid.⁴⁵ This shows that the US has a clear commitment and purpose in bringing its values beyond its national boundaries. This commitment is manifested in the form of national interests that underlie the provision of foreign aid.

From the closer relations between Egypt and America after Camp David Accords and driven by a large amount of foreign aid to Egypt, the businessman viewed that Egypt underwent a transition towards an increasingly liberal economy. The economic policy following a close tie between Egypt and America was very different compared to Gamal Abdel Nasser's socialist economic approach. One of the impacts that business actors felt the most at that time was that they could easily bring import products from abroad. To a certain extent, this condition was considered very profitable for entrepreneurs because the state was no longer too restrictive with the outflow of goods from Egypt.

According to Mohamed Baraka, an Egyptian businessman, Camp David Accords had a significant contribution to maintaining the liberalization stream and stability that has been going on in Egypt since 1974 (Baraka, 2022). It is undeniable that the peace created by the Camp David Accords played a major role in regional and domestic stability in Egypt, thereby boosting the economy. Baraka also continued, although insignificant, the existence of Camp David and the Infitah policy made Egypt's domestic market flooded with European products, and thus the increase in job opportunities has made everyone employed.⁴⁶

A shift in the 'qibla' of the economy and Egypt's proximity to the Western bloc were seen by the entrepreneurs to have a significant effect on changing lifestyles of the Egyptian people. Although the change did not seem too obvious, it is well known that people were getting used to some western products, and the product become an integrated part of their lives, especially food. In the era of the emergence of fast-food restaurants, companies from America such as KFC and McDonald's have been among the most accepted by the public since then until today.

⁴⁴ Vertovec, "Conceiving and Researching 'Transnationalism.'"

⁴⁵ Lancaster, *Foreign Aid*.

⁴⁶ Mohamed Baraka, Interview with Mohamed Baraka, August 2022.

CONCLUSION

The US had sufficient power to make changes in the direction of Egypt's economic policy. The US exerted its influence on Egypt through several stages and processes called America's transnationalization. Finally, it was not only America that won the competition for influence over Egypt, but also Egypt managed to create a new equilibrium in the Middle East and change its economic system towards a more liberal direction. The influx of America's influence on Egypt was achieved through a peace treaty with Israel and the reward for this agreement by granting foreign aid. Egypt also welcomed the presence of the World Bank and the International Monetary Institution. Although it did not produce a massive outcome in economic progress, it did change the direction of Egypt's economic policy since then to be more in line with the West.

With its close tie with America, the Infitah or the open economic policy that Anwar Sadat started has accelerated to push the Egyptian economy towards a more liberal direction. This phenomenon illustrates how a superpower country can influence other countries, especially during the Cold War when superpower countries were competing for influence. The increasing liberalization of the Egyptian economy can be seen in the increased outflow of goods from Egypt. Entrepreneurs took more benefits because the state no longer restricted imports. On the other hand, the Egyptian people also welcome products from the West, especially food which to this day has become an inseparable part of their lives.

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