U.S. Policy Toward Arab Transition Countries

Recommendations from Strategic, Political, and Economic Research Groups

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Executive Summary
This project aimed to research, analyze, and recommend a new strategic policy path for the U.S. in Arab transition countries specifically Egypt, Tunisia, Libya, and Yemen. Political and security conditions in these four countries have become increasingly complex. Tunisia remains the most stable state and demonstrates democratic progress as the result of the Arab Spring, yet it increasingly faces an internal extremist threat. While the Egyptian military continues to combat terrorism in the Sinai Peninsula, the government continues to suppress the remnants of the Muslim Brotherhood. Libya’s two governments create a polarized population, which further emboldens militia groups and the new ISIL threat. Yemen has deteriorated into a civil war, causing a severe humanitarian crisis, a defunct government in exile, and growing threats from AQAP.

Our objective is to provide actionable recommendations that will result in decisions to improve current conditions in the region while promoting America’s values and interests. The paper is divided into three research sub-groups: strategic, political, and economic. The strategic group focused on how the U.S. could improve security and counter-terrorism efforts in the region. The political group assessed the potential for the U.S. to increase diplomatic relations and build up civil society. The economic group focused on how U.S. policies could help states maximize financial opportunities to sustain and enhance development. Each group employed an

Methodology
The practicum was charged with the task of analyzing current conditions in four Middle Eastern transition countries, including Egypt, Tunisia, Libya, and Yemen, and to make recommendations to provide a strategic path forward for U.S. policy. The practicum was divided into three research sub-groups: strategic, political, and economic. Based on the shifting dynamics of the region, recommendations were often adjusted throughout the course to fit the new environment. Due to limitations on travel in the region, we interviewed subject-matter experts throughout the Washington, D.C. area.
analysis of daily news and interviewed several key experts in the Washington, D.C. area to help shape their policy proposals.

The following information represents overarching recommendations by each sub-group. We believe that any reforms or U.S. policy changes can only take place when the security environment improves.

**Strategic Group—Enhance technology, weapons, and border security to combat terrorism.**

1. Increase military aid to Egypt with a USD250 million counter-terrorism package, which will provide additional counter-terrorism assets and counter violent extremism (CVE) in the Sinai.

2. Reinstate and expand the Operation Bright Star program in Egypt to focus more on counter-terrorism

3. Increase border security in each country

4. Libya—Work towards a ceasefire by working with regional actors to stem oil smuggling.
   a. Oil subsidy program for Malta and Tunisia to stem Libyan oil smuggling activity.

5. Tunisia—Increase military aid for counter-terrorism.
   a. Form an intelligence-sharing program similar to Five Eyes

6. Work towards ceasefire in Yemen.
   a. Promote a regional dialogue on Yemen to include Iran if the P5+1 is able to achieve a nuclear agreement.

**Political Group—Increase political engagement and bolster civil society.**

1. Establish political stability in the short-term by mitigating conflict and fostering cooperation between key political actors.

2. Facilitate political reform in the long-term by increasing funding for foreign assistance, and supporting political inclusivity.

3. Partner with international organizations for indirect regional engagement in Libya.
   a. The U.S. should provide a monetary or training incentive for Libya in the United Nations-led (UN) unity talks.
   b. Extend the current U.S. partnership with the African Union (AU) for peace enforcement in Libya.
c. Collaborate with the European Union (EU) and Italy in counter-terrorism efforts.

4. Increase funding for International Non-Governmental Organizations (INGO), domestic Non-Governmental Organizations (NGO), and Civil Society Organizations (CSO) to promote rule of law, democratic values, and women’s rights as a long-term goal.

**Economic Group — Maximize economic opportunities to enhance sustainable development.**

1. Revive U.S.-Egypt relations with USD 600 million loan to Egypt to be equally divided between rural development and job training, particularly in the Sinai Peninsula.

2. Leverage Western oil companies in Libya, which played a critical role in the economy, to pressure the two Libyan governments to negotiate a unity government that will promote oil production and help the Libyan economy.

3. Promote micro-financing to enable a greater portion of society to obtain access to venture capital, which will promote small business enterprises.

4. Work with regional actors involved in the Yemen crisis (i.e. Iran, Saudi Arabia, etc.) to ensure humanitarian assistance reaches citizens in order to mitigate suffering and the influence of radical groups.

Many of the proposals recommend increasing funding. We believe that Congress would be receptive to these increases based on increased terrorism in the region and the need to combat the threat of ISIL attacks. We believe that these recommendations provide a feasible path forward for U.S. policy that addresses the strategic, political, and economic issues in the region.
INTRODUCTION

The U.S. policy in Arab transition countries specifically Egypt, Tunisia, Libya, and Yemen has been largely reactionary, focusing mostly on counter-terrorism and democracy promotion, yet still misses the underlying problems. U.S. strategy, since the Arab Spring, has been disorganized and lacks a cohesive vision. With the rise of violent extremism and the prevalence of failed states in the region, it is necessary for the U.S. to reassess its approach going forward. The U.S. should consider new policies while continuing ongoing initiatives. We believe it is necessary to prioritize security and stability before working towards the long-term goals of promoting U.S. values of democracy and human rights in these four countries.

Despite current U.S. policy to combat violent extremism and promote liberal values and democracy, efforts so far have been inefficient addressing the primary issues in these countries. Yemen is in the midst of a civil war, and Libya is on the brink of one. Egypt is on the precipice of relapsing into authoritarianism, and Tunisia clings to fragile stability. Yemen is currently in chaos; its government is in exile, while the remains of the security forces clash with the Houthi rebels vying for control of the country. Two distinct governments rule Libya—the secularist government ruling from Tobruk and the Islamist government ruling from Tripoli—both of which have very different visions for Libya. While the UN is leading talks to try to reconcile the two governments, the situation is further complicated by multiple militias throughout the country that are often accountable to no one, making the security situation dire.

Egypt is currently under the control of a widely popular strongman, President Abdel Fattah al-Sisi. The regime has slowly eroded Egyptian civil liberties in the name of stability and security; the continued delay in legislative elections have left the Egyptian people with little voice in their government, and has left al-Sisi with full control of the country. Tunisia currently stands as a beacon of hope in the region for those clinging to the promise of the establishment of liberal democracies in the wake of the 2011 Arab Spring protests. Tunisia alone has been able to strike some balance between the Islamist and secularist factions in the country and boasts a stable democratic government as a result. However, Tunisia suffers from rising extremist views among its population and economic instability, woes it shares with many countries in the region, especially Egypt, Libya, and Yemen. The following report will detail our recommendations for future U.S. policies in the Arab transition countries.

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STRATEGIC RECOMMENDATIONS

Egypt
After the tumultuous events of the Arab Spring and July 2013, Egypt has largely returned to a state of stability and a Mubarak-era status quo. Despite potential misgivings over the current state of human rights in Egypt, evidence points toward an al-Sisi regime that has the support of a population that is both increasingly nationalistic and craving the stability of a strong leader. Egypt has both the will and the capacity to become a regional leader, and despite the chaotic transitions and uncertainty since the 2011 revolution, Egypt remains vital to U.S. interests, thus the two countries should work together to promote stability and solidify their long-term partnership. U.S. strategic interests in Egypt can be preserved by jointly addressing the problems within Egypt.

Current State of Affairs
To achieve this, focus needs to be placed upon the historically restive Sinai Peninsula. This area has suffered both economic and political neglect under past regimes, which has fostered negative attitudes toward the government. Combined with escalating militarism and extremism, these sentiments have helped to create a tenuous situation in the peninsula. Overall, terrorism has increased dramatically in Egypt following the 2013 ouster of Mohammed Morsi. According to a recent report from the Egypt Security Watch project at the Tahrir Institute for Middle East Policy, the number of terrorist attacks in the first quarter of 2015 was nearly equal to the total amount in 2014. Groups such as, Wilayat Sinai (formerly Ansar Bayt al-Maqdis) that recently allied with ISIL, have conducted major attacks in the Sinai and mainland Egypt, killing scores of military personnel and citizens. Such groups represent a growing threat that thrives on the instability in the Sinai and actively contributes toward it. This affects not only the Sinai, but also mainland Egypt and, if left unchecked, could take advantage of the growing turmoil in neighboring areas such as Libya and Gaza.

Assist Counter-terrorism Countering Violent Extremism (CVE) in the Sinai Peninsula
The U.S. should craft a new USD250 million per-annum counter-terrorism package specifically for the Sinai Peninsula. This package should come as a new program instead of an amendment to current aid package, as the Egyptian government would likely perceive any drastic alterations to existing aid negatively and be counter-productive to the overall relationship. As stated previously, this new aid package would be solely for counter-terrorism purposes: USD 200 million for counter-terrorism assets (including additional Apache helicopters, increased troop training, and increased border security); and USD 50 million earmarked for programs focused on CVE programs. These CVE programs would include general economic development, job training, and alternative programs for youth enrichment in conjunction with the economic recommendations outlined later in this paper. The combination of the

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increased focus on direct counter-terrorism and CVE programs would provide a two-pronged approach for combating not only terrorism, but also addressing the roots of extremism in the Sinai. A portion of the plan outlines funds specifically for development in the Sinai, and the implementation of the proposed counter-terrorism package could either rely on, or be independent of, the economic group’s policy recommendation.

Resumption of Operation Bright Star
The U.S. should reinstate the joint military training program Operation Bright Star as soon as possible. This bi-annual joint training program has been postponed the last two cycles; resuming it would be of vital importance to the U.S. strategic relationship with Egypt in both the long and short term. This training program boosts cultural, political and military ties between officers of every branch in their respective militaries. These ties are of continuing importance as Egypt works to assume a leadership role in the region. Additionally, this training program often includes other countries, many of which have valuable experience in directly combating extremist groups. The knowledge of these countries should be utilized by having a portion of the program focus on counter-terrorism, rather than conventional military exercises. As the military plays a pivotal role in all aspects of Egyptian society, continued ties between the Egyptian and U.S. militaries will ensure a continued strategic alliance between the two.

Justification
In pursuing these recommendations, the request for funding should touch upon the following points: First, the counter-terrorism package is meant to address the instability in the Sinai by both combating terrorism and addressing the underlying causes of extremism. Focusing on these elements is vital to the security of the Sinai, and thus the security and stability of Egypt. Increased security in the Sinai would also include other benefits: Israel—anther strategic ally of the U.S.—would be indirectly aided by increasing pressure on the extremist groups in the Sinai that both utilize and exacerbate the situation in the Gaza Strip and pose threats to Israeli security. Similarly, the U.S. can use this additional USD 250 million in funding to further compete with Russia and the Gulf Cooperative Council (GCC), which have recently given large sums of aid to Egypt. This funding could be seen as the U.S. offering competitive aid and assistance to an important strategic ally. Finally, by including funds for both military and economic aid within the package, it can be sold to various factions within the U.S. Congress by focusing on whichever aspect more aligns with their goals.

Tunisia
As it possesses an educated population, moderate-to-high GDP per capita, and relative security and political stability, Tunisia remains the nation with the most promise to achieve a stable and liberal democracy. The rest of the world looks to Tunisia as a model: if Tunisia cannot succeed, hope throughout the region may be lost for this generation. Currently, the threat of terrorism is Tunisia’s greatest concern and will likely remain its largest impediment to prosperity. As evident from the
recent terror attack that targeted Tunisia’s tourist industry, and it remains fragile and vulnerable to the ability of a few individuals to inflict costly damage. However, as demonstrated by the rallies the following week, Tunisians are overwhelmingly and passionately against terrorism. Looking forward, the U.S. can support Tunisia’s progress by offering assistance in several ways.

**Promote Stability and Security through Increased Counter-terrorism Efforts**

The U.S. should first and foremost support security and stability in Tunisia. In order to succeed and serve as a model throughout the Arab world, Tunisia must be stable and free from acts of terrorism. Given its historic progress since the Arab Spring, current U.S. policies need not be changed entirely, but rather enhanced and amplified. We propose several recommendations that would solidify previous progress and ensure long-term sustainability. Firstly, the U.S. should spearhead an international campaign to form a coalition of countries that will provide increased counter-terrorism assistance in order to ensure that political and economic progress can prevail. This increased support should come in several forms:

1. Increased funding (hiring more counter-terrorism related personnel, purchasing of counter-terrorism technologies, etc.);

2. Increased security cooperation and coordination (the sharing of intelligence assets, technologies, and tactics);

3. Creating a regional intelligence-sharing network similar to that of the Five Eyes that incorporates Israel (in addition to elevating the level of what the FVEY partners can share with Tunisia in regard to threats, suspicious persons, etc.);

4. Boosting other intelligence capabilities (enhanced collection assets, ISR technologies, facial recognition cameras, etc.).

Secondly, there should be a major focus upon military and intelligence relations between the U.S. and Tunisia. This can occur through increased Pentagon/IC official visits, improved liaison intelligence-sharing junctions, and amplified joint officer training programs that sponsor promising Tunisian military cadets to attend U.S. military academies, as well as sending U.S. military members to train Tunisian security forces. Finally, this increased support should help Tunisia bolster border protection to stop the smuggling of goods, weapons, oil, and, potentially, the influx of fighters from Libya and to Syria and Iraq. These recommendations require increased U.S. focus and money, but will go a long way in improving Tunisian security and stability, sustaining a successful liberal democracy.

**Libya**

The conflict in Libya has been exacerbated by oil smuggling, which is a major financial source for numerous militias throughout the country. All armed actors in Libya—including ISIL and the two governments in Tobruk and Tripoli—are smuggling oil out of the country and selling it abroad in
places like Tunisia, Malta, Niger, and Chad. This is highly profitable because oil is very cheap in Libya (USD 40 cents per gallon) and much more expensive abroad (up to USD 5 per gallon in Tunisia and Malta). This illicit oil trading has been funding the on-going conflict and increasing extremism throughout Libya; this has become especially worrying in the wake of ISIL’s recent gains in Sirte, which has access to a great deal of oil, as well as ports to ship it from.

**Combat Oil-Smuggling and Illicit Trade**

The primary U.S. objective in Libya should be to mitigate the conflict by combatting the oil smuggling that is funding it, while also incentivizing the two Libyan governments to reconcile so that they can effectively combat ISIL. This should hamper the fighting capabilities of all parties—with fewer resources and weapons to contribute to the conflict, it will be easier to engage in peace talks and aim for reconciliation. Cutting out oil smuggling is a short-term solution. In the long-term Libya’s own domestic oil subsidies must be phased out to make smuggling less lucrative.

Only recognized oil companies should be allowed to transport and sell oil, which will diminish the finances and arms supplies of ISIL and the various militias. To combat oil smuggling, the U.S. should work with Italy and the EU to enforce a blockade on Libya’s coast so that smuggled oil cannot be exported by sea. This level of cooperation might be more feasible in the wake of the migrant trafficking crisis in the Mediterranean. The U.S. should also work with Libya’s land neighbors, especially Egypt, Tunisia, Niger, and Chad, to better patrol their borders with Libya. The U.S. should provide these countries with higher-grade border surveillance equipment and training to prevent oil being smuggled into their countries. The U.S. should reallocate contributions toward African Union (AU) troops in Niger and Chad in an anti-smuggling/border patrol capacity. Greater cooperation with North Atlantic Treaty Organization and AU could further strengthen this improved land and sea border patrol.

We also recommend the U.S. formulate an oil-subsidy program for Malta and Tunisia, as those are two of the most lucrative and easily accessible markets for smuggled Libyan oil. If the U.S. can pay part of the difference on oil imports to those countries, then smuggled Libyan oil would become less cost-effective, undercutting the smuggling market. By debilitating oil smuggling with a blockade and making the buying of smuggled oil less cost-effective in its two most lucrative markets, the U.S. can address both the supply of and demand for smuggled oil. Selling this type of program to Congress might be difficult because of American sensitivity to their domestic gasoline prices; therefore, the U.S. should offer to pay for about 10 percent of those countries’ oil costs.

**Yemen**

Two important considerations should guide U.S. foreign policy in Yemen: Firstly, a marked feature of Yemen’s trajectory since the Arab Spring consists of efforts by the former regime to return to power; and secondly, Yemen has become another hotspot for sectarian conflict and regional rivalries.
**Remnants of the Old Regime**
The success of the alleged alliance of convenience forged by former president Ali Abdullah Saleh and his son Ahmed with the Houthi rebels speaks to Saleh’s continued influence over events in Yemen. Saleh’s penetration of Yemen’s government and security forces seems to have been a decisive factor in contributing to the flight of President Abd Rabbo Mansour Hadi in the face of the Houthi onslaught.

There is no doubt that Saleh is a major threat to any potential democratic transition in Yemen, and that as long as his power base remains intact, any such transition is likely to face insurmountable obstacles. At the same time, Saleh is likely to remain an enduring feature of Yemeni politics unless the old regime is completely dismantled.

Whether it is even possible to dismantle the old regime without irreparably damaging Yemen is another question entirely. In Libya, Iraq, and Syria, attempts to eliminate the influence of former regime figures through war (waged internally or by an external power) have rarely succeeded completely, and have often lead to a security vacuum that has resulted in the proliferation of armed militias and general lawlessness. This is not an environment where democracy or stability can take root.

**Regional Rivalries**
More than any other transition country, Yemen is now a locus of rivalry between Saudi Arabia and Iran. This is a recent development and not irreversible, but it provides another layer of complexity that policymakers must grapple with. Under the current conditions, the sectarian dimensions of the conflict in Yemen are likely to develop further, to the benefit of Al Qaeda in the Arabian Peninsula (AQAP) and other religious extremists on both sides.

**Stabilize the Situation on the Ground**
The first priority for the U.S. in Yemen should be to re-establish stability. Counter-terrorism operations against AQAP are very difficult in the midst of a war, especially a sectarian war that feeds AQAP’s narrative of violence and extremism. The U.S. should work to de-escalate the situation in Yemen by calling for a ceasefire, in which Houthi-forces withdraw north of Aden and President Hadi returns to Aden.

One challenge to enacting this policy is that Hadi’s support on the ground is weak to non-existent and provides little leverage for negotiating such a withdrawal. In this sense, the ongoing Saudi blockade and bombing campaign in Yemen, while counter-productive as an overall strategy for dealing with the Houthis, may prove a useful bargaining chip – if the Saudis are willing to use it as such.

While the U.S. is not entirely a neutral party in this conflict, it may be able to act as a mediator between the various parties involved – the Houthis, Saudi Arabia, and Iran – especially in light of the thaw in U.S.-Iranian relations that has accompanied the April 2 Framework Agreement on Iran’s nuclear
program. Lending too much support to the Saudi offensive in Yemen could erode the U.S. capacity to mediate.

**Keep Fighting AQAP**
The fight against AQAP will continue regardless of the situation on the ground in Yemen, but it will be less effective as long as the current instability persists. If the U.S. is able to orchestrate a ceasefire, counter-terrorism efforts will benefit – particularly if the parties are able to reach a power-sharing agreement as outlined in the Political group’s section on Yemen, page 18.

**Monitor Military Hardware Transfers**
Any transfer of military hardware or material to a reconstituted Yemeni government will need to be subject to more stringent transparency regulations in light of the disappearance of USD 500 million in U.S. military hardware that was given to the previous regime. If military aid resumes and U.S. advisors are brought back to Yemen to train local officers, and more stringent regulations are implemented, these regulations may stand a better chance of being followed.
POLITICAL RECOMMENDATIONS

Egypt

The regime of President al-Sisi has made efforts to improve and maintain Egypt’s standing and stability, but the regime has also moved to consolidate its power through the brutal persecution of members of the Muslim Brotherhood. The regime has also worked to curtail the liberty and rights of the population through laws and physical acts of repression. The environment in Egypt is such that it is difficult for the U.S. to work or exert much influence with the al-Sisi regime, as evidenced by the recent sentencing of the reporter Mohamed Soltan, a dual U.S.-Egyptian citizen. Only 10 percent of the Egyptian public view the U.S. favorably, a figure undoubtedly aided by anti-American smear campaigns in the state-run media. Further obstructing U.S. and international efforts to work with the Egyptian people and civil society is the NGO Law (Law No. 84 of 2002 on Associations and Foundations), which requires all “all entities conducting civil society activities’ in Egypt to be registered with the Ministry of Social Solidarity; this law has allowed the government to restrict and ban “…organizations and individuals that have crossed the government’s ‘red lines’ in pushing for social reform and political liberalization.” In order for the U.S. to be able to engage with the Egyptian people and leverage our association with Egypt for its support in the region, the U.S. will need to first engage and support the al-Sisi regime.

Engage with the al-Sisi Regime

The U.S. should support the al-Sisi regime in order to better advance U.S. interests and be able to re-engage with civil society. The United States government needs to work with the regime of President al-Sisi moving forward. The administration and Congress have already demonstrated a willingness to work with the al-Sisi regime by releasing the holds on military assistance and hardware, but there are understandable concerns about supporting the al-Sisi regime due to the regime’s human rights violations. However, keeping with the administration’s policy of engaging with difficult governments, the United States must work with the al-Sisi regime in order to operate within Egypt. Al-Sisi currently has the support of the majority of Egyptians; even those that do not completely support al-Sisi seem to favor stability over efforts to improve democracy in Egypt. Even if the U.S. would prefer another leader in Egypt, there is no outstanding oppositional figure who is a viable alternative at this stage. In any event, it is up to the Egyptian people to decide whom their leader should be.

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3 “Opinion of the United States: Do you have a favorable or unfavorable view of the U.S.?,” Pew Research Center Global Indicators Database, last modified September 2014, accessed April 12, 2015, http://www.pewglobal.org/database/indicator/1/country/64/
Increase Funding toward Police Capacity-Building

As evidenced by the regime’s efforts against extremists in the Sinai (and the Muslim Brotherhood, which the Egyptian government views as an extremist group), “…law and order in Egypt is Sisi’s top priority.”8 In line with the strategic recommendation for Egypt, we recommend that the U.S. work with the al-Sisi regime to improve Egyptian stability by building the capacity of the police force to better and more humanely keep order in Egypt.

In the wake of reports of abuses and deplorable conditions at detention centers, the Prosecutor General of Egypt has called for increased and random site inspections of police and detention facilities.9 The U.S. should take this opportunity to show cooperation with the al-Sisi regime by working with the Ministry of the Interior on building the institutional capacity of the Egyptian police. To accomplish this, we recommend reallocating USD 13 million (one percent of the total U.S. security aid to Egypt) from the current aid package. During the Arab Spring protests, the Egyptian police were the major implementers of violence against the protesters of the Mubarak regime; the actions of the police since then indicate that there has been little change, which has played some small part in galvanizing the extremist element in Egypt.10 As an unruly and cruel police force reflects poorly on Egypt, the U.S. could leverage this concern to work with the Ministry of the Interior to improve the training of local police forces. Akin to similar programs enacted around the world, the focus should be on improvements in policy and training to work from the top down to instill “…better police practices,” such as more humane and alternative interrogation methods.11 While strengthening the capacity of the police could ultimately strengthen the al-Sisi regime and make the police a more deadly force, a more likely scenario is that a force trained in more humane police practices would be less likely to abuse the civilian population.

Increased Investment on Infrastructure Projects

Al-Sisi’s domestic agenda includes numerous infrastructure programs such as the Suez Canal development project or the lavish plans to build a new capital city. While al-Sisi has put an emphasis on infrastructure, the regime cannot fully fund the projects on its own.12 As the regime will need outside investment for these projects to proceed, the U.S. could provide additional funding in the form of an increase of USD 1.2 million (one percent of the total U.S. economic aid to Egypt in 2015) and technical expertise to help al-Sisi realize at least one of his ambitious projects. The U.S. should either contribute to the Suez Canal development project or the National Roads Project, focusing in particular on the Sinai Peninsula in concert with the recommendations put forward in the strategy and economic

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8 Ibid, 7
sections. Support would be conditional upon Egypt stabilizing the Sinai so that the infrastructure development can contribute to creating a sustainable peace in the peninsula. Investment in infrastructure not only serves the people of Egypt, but can also stand as a testament to the positive influence of U.S. investment in Egypt, working as a public diplomacy effort to improve opinions of the U.S. among the Egyptian people.

**Tunisia**

The ISIL attack on foreign tourists in Tunis has changed the concerns of many in Tunisia. The fighters who were responsible were Tunisians, but trained in Libya, and were able to cross the border due to its porous nature. In response to the attacks, Tunisia has increased funding to its security agencies and repaired ties with the Assad regime in hope of stemming the tide of youth leaving Tunisia to fight for ISIL. An over-focus on security risks neglecting the other potential areas for improvement and could hinder U.S. interests in the country. Currently, the secular Tunisian party, Nidaa Tunis, has been working effectively with the religious party, Ennahda. However, it is notable that the more extreme elements in the country have been facilitating Tunisians joining ISIL in Syria and Iraq. The root causes of the terrorist activity and the factors that encourage youth to join ISIL must be addressed. Recent research on motives for Tunisian youth joining ISIL or other violent extremist groups has found that many of the cases have common themes: most recruited youth are average to high achieving students, are nearing graduation from university, or are unemployed. However, simply providing economic opportunities is not enough — political representation and corruption must be addressed as well. It is important to note that despite the recent attack Tunisia has mostly been stable since the ousting of Ben Ali.

**Engage Domestic NGOs and CSOs**

The U.S. should engage with NGOs and CSOs to improve the implementation of women’s rights and engage women in civil society. Women were a decisive factor in the 2011 Revolution and have been moving towards a more equal society; however, despite legal and constitutional victories, many of the pro-women’s rights laws written since 2011 have not been implemented effectively in the daily lives of Tunisians. NGOs and CSOs are currently working in Tunisia to address many of these issues, but are limited by their financial resources.

The U.S. should increase indirect funding to NGOs and CSOs in Tunisia. All new policies should be implemented in a manner consistent with local cultures and customs; increased funding to NGOs will ensure that implementation of these policies will feel more natural to the local environment. In order to

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prevent Tunisians from joining ISIL, women (especially mothers) should not be overlooked in their ability to combat violent extremism. The effectiveness of women combatting violent extremism has been acknowledged by the State Department through its funding of initiatives such as the Sisters Against Violent Extremism. Specifically in Tunisia, the U.S. should encourage the establishment of new organizations and funding existing organizations that empower women, particularly those that assist mothers and women in recognizing and addressing extremist ideology in their communities.

During the 2015 CVE Summit, the White House listed civil society and community-led intervention as two factors that help combat extremism. According to a United States Institute of Peace (USIP) report, women “…can, uniquely, help build the social cohesion, sense of belonging, and self-esteem that youth might need to resist the appeal of a violent group. Community engagement in CVE requires the participation of women to be successful.” To promote cooperation between the extremist and secular elements the U.S. should also support organizations that promote youth political engagement to ensure that they do not feel disenfranchised, which has led some to join extremist groups. In addition, organizations supported by the U.S. can promote rule of law around Tunisia, especially in cases of religious or gender biases. Furthermore, the U.S. should help support collaborative efforts between Ennahda and Nidaa Tunis. The U.S. must increase its funding of these types of programs to prevent escalations of violence in what has been a model of democracy in the region.

### Libya

**Engagement of International Organizations**

The U.S. should engage international organizations including the UN, the EU, and the AU to respond to the Libyan conflict more directly. The complications in Libya echo the larger regional challenge, as it currently faces governmental disunity, domestic and regional terrorism—including the new ISIL threat—and multiple militias that represent numerous groups. These growing issues have direct consequences for U.S. national security if not rapidly contained. Yet, Libya’s disillusionment with the role of the U.S. after the ousting of Gadhafi compels our administration to take an alternative approach to reinstating stability in the country and the region in order to start rebuilding trust for future relations. The new U.S. policy toward Libya should be that of strategic backchannel engagement. The UN, the AU, and the EU all have direct stakes in Libyan stability, and the U.S. should take action through these organizations to contain the growing conflict. Organizational linkages already exist

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17 Source at the United States Institute of Peace


20 Global center [Ibid.]
within Libya, and the role of the U.S. should be to implement security and stabilization through these connections.

United Nations
First, the U.S. must do everything in its power to support the UN unity talks to join the two conflicting governments. At the beginning of 2015, the UN initiated unity talks in an effort to join the split governments of Tobruk and Tripoli. The efforts of unification have been marred by numerous militia attacks from both governments making the prospect for integration all but lost. It is possible that the two governments have not yet found an incentive to stop fighting. This is where the U.S. has a role.

U.S. aid has remained at around USD six million per fiscal year; this sum is minimal compared to other countries in the region. Therefore, one option for the U.S. is to provide a monetary incentive during the unity negotiations. Furthermore, the U.S. could offer additional governmental, military, and civil society organizational trainings over a pre-arranged period of time to help re-establish its credibility in the country, as well as incentives for the factions to unite.

African Union
Second, the U.S. should increase funding for training and equipment for AU peacekeepers to extend operations in Libya and develop a plan for border security. The African Leaders Summit in Washington, D.C. last summer agreed upon new terms for how the U.S. can support AU peacekeeping forces including rapid-response programs, training peacekeeping forces, supporting AU efforts to respond to conflict, and UN-AU coalitions in peacekeeping in eight locations in Africa. As the biggest donor to the AU and peacekeeping in the continent, the U.S. has a unique interest for security and stability in the region. Africa still remains engulfed in conflict in numerous regions of the continent, and use of AU peacekeeping is stretched. Two obstacles that such forces faces are the lack of funding and lack of training.

The U.S. announced a USD 110 million plan over 3-5 years to carry out the AU’s peacekeeping initiatives. Libya was not originally included in the list to support; however, with Libya’s rapid decline, the U.S. must re-evaluate its presence and support in the country by diverting/increasing funds to save lives. One model of recommendation could be the Somali AU Peacekeeping mission that began in 2007. However, it is important to note that in the case of Libya, the operation would be directed as a peace enforcement mission as Libya’s security conditions continue to deteriorate. Additionally, the UN and AU have a long history of coordinating peacekeeping operations, and it would benefit the U.S. to support both organizations in Libya.

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European Union

Third, the U.S. should engage the EU to take on a larger role based on its growing immigration and counter-terrorism interests. Italy and neighboring countries have received thousands of refugees and immigrants from Libya in the past few years.

“While roughly 170,000 migrants over the past 14 months have reached Italy or been rescued and brought to Italy, according to United Nations High Commission for Refugees (UNHCR) and Eurostat figures, very few of them are applying for asylum in Italy. Eurostat data through November 2014 indicate approximately 25,200 asylum applications from all nationalities were filed in Italy during the first six months of 2014; the number increased to approximately 27,000 during the period July-November 2014.”

These numbers cause fear for both Italy and the EU especially after the Charlie Hebdo attacks, as the questions remain, ‘who are we letting into the EU?’ After immigrants access one EU country, they may easily travel to other EU member-states through the Schengen Agreement. The U.S. maintains excellent, long-term relations with both the EU and Italy—which have been strategic allies since WWII—and therefore has the ability to appeal to their interests of security. As Libya struggles with new terrorist threats from ISIL, the U.S. has undeniable interests in countering the risk. Therefore, the U.S. should engage Italy directly to support efforts to block illegal immigrants and resume stability in Libya. If security continues to deteriorate, a second option may be to employ the use of NATO working with AU peacekeeping forces also mirrored with the case of Somalia.

Yemen

Yemen a country wrought with geopolitical and humanitarian complexities. Rapid population growth and poor resource allocation policy has left the country in a predicament where over half of the population (USD 13.1 million) does not have access to safe drinking water and sanitation, and the country, as a whole, has to rely on foreign assistance for over 80 percent of its national food consumption. Over the past six months, the situation in Yemen has continued to deteriorate, where the intensifying conflict between Houthi insurgents, state military forces, and AQAP (along with the new threat of Saudi-led airstrikes) have made the humanitarian crisis even more severe, with well over 60 percent in need of humanitarian assistance that the UN estimates will require USD 272 million in

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immediate funding. In addition, governance institutions continue to weaken as the current President Hadi continues governing in exile, while the former president Saleh remains the country.

The security and political situations on the ground are culminating in something dangerously close to a civil war that will only further exacerbate a dire humanitarian crisis. In sum, U.S. policy should be grounded predominantly in assistance, conflict resolution, and political stabilization, taking a two-pronged approach that balances short-term need with long-term prevention. In the short term, the United States should focus on political stability, conflict resolution, and humanitarian aid, while understanding that it is an increasingly complex and fluid situation, and will require some flexibility on the part of foreign benefactors.

**Limit Foreign Actors**

The United States must dissuade, to the best of its ability, foreign actors from directly involving themselves in the conflict by leveraging its current relationships with Iran and Saudi Arabia. A number of different foreign actors—the U.S. included—have been heavily involved in Yemeni politics, which has been damaging to political accountability and trust between the people and their government. Iran is accused of funding the Houthi rebellions, and lately it is possible that even Saleh has a hand funding them as well. Foreign involvement has recently been overtly damaging as well. Saudi Arabia has recently intervened militarily by way of airstrikes and is threatening a land invasion should it garner enough regional support. The Saudi intervention has already led to hundreds of civilian deaths and the displacement of tens of thousands. It has also prevented the delivery of much needed humanitarian assistance.

**Support Hadi Government**

The United States must stand behind a legitimate government and prepare for a post-conflict Yemen without Hadi at its head. Currently, the United States views Hadi as the legitimate leader and should continue to support him. This will at least create a facade of political stability and will help strengthen his relationship with the U.S. if he returns as the country’s leader. However, the appointment of widely popular Khaled Bahah to the role of Vice President suggests the possibility that a post-conflict government could immediately be one of power sharing. Therefore, the U.S. must be prepared to stand accountable for their small role in the Saudi airstrikes and help to repair the country by way of increases in foreign assistance. To do so, they should maintain their current budget for FY2015 of USD 105.6 million, and plan to increase this number for FY2016. In an effort to prevent future conflict, the United States should be prepared to fund civil society strengthening programs as well as support a more inclusive and Yemen-centric political system once the violence ceases.

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Support Inclusive Civil Society Organizations
The U.S. should support socially accountable CSO development that is inclusive and considerate of Yemen’s ethnic and tribal divides, primarily addressing illiteracy and gender inequality. The Yemeni people are resilient and capable, but have been victims of corruption, weak institutions, and conflict. By strengthening civil society, the Yemeni people will be able to combat these problems from the ground up, holding governing institutions accountable, as well as helping to facilitate democratic transition.33

Prior to the recent violence, Yemen clearly demonstrated progress in terms of their civil society capacity.

Facilitate Political Reform with Creation of Regional Organization
The United States should help facilitate political reform by working through a regional organization, similar to the Gulf Cooperation Council, to help rebuild a federalist system that is more inclusive and considerate of tribal and ethnic lines, looking to — albeit loosely — the federalist models in post-Apartheid South Africa,34 19th century Venezuela,35 and the ethno-centric example in Ethiopia.36 In terms of political stability and reform, the pathway to democracy is present: “The constitution, approved by referendum, appeared as particularly liberal, granting civil society and opposition parties a wide range of rights and a share of the exercise of power.”37 The issue has always been in the operationalizing of this governance structure, primarily due to corruption among political elites, external interference (whether actual or perceived), and tensions between tribal and sectarian groups. Regime stability, and consequently the future of good governance, relies on the successful integration of various political (especially Islamist) or social (particularly tribal) groups into public institutions, predicated by an understanding and respect for the rule of law.38

34 Thomas O. Hueglin and Alan Fenna, Comparative Federalism: A Systematic Inquiry (Toronto: University of Toronto Press, 2006), 20-22.
37 Laurent Bonnefoy and Marine Poirier, “Civil Society and Democratization in Contemporary Yemen: Enhancing the Role of Intermediate Bodies,” Knowledge Programme Civil Society in West Asia, no. 3 (November 2009), 1-4. https://www.academia.edu/832840/Civil_Society_and_Democratization_in_Yemen_Enhancing_the_Role_of_Intermediate_Bodies
38 Ibid., 7.
ECONOMIC RECOMMENDATIONS

Egypt
It is our recommendation that the U.S. focus its economic policy on Egypt, as it has significant influence in other Arab transition countries. Currently, Egypt and Tunisia both suffer politically, economically, and socially because of the continuing division and unrest plaguing Libya. The al-Sisi administration in Egypt wields great influence in Libya due to historic economic ties, as well as their closeness with the Tobruk administration.

Grant Egypt a Loan Guarantee to Facilitate Economic Growth and Stability in Libya
As the United States recently decided to unfreeze its military assistance to Egypt, this is an ideal time for the U.S. to reinvigorate U.S.-Egyptian relations, which have been under stress after the events of July 3, 2013. We recommend the United States pledge a loan guarantee of at least USD 600 million to Egypt. The loan guarantee is three times the current economic aid the U.S. provides Egypt and four times what is proposed for FY2016. A loan guarantee will be far more amenable to Congress than traditional economic assistance. The loan guarantee will be divided between rural development, and education, and vocational training for the Egyptian public. Acknowledging the new Higher Education Initiative, we believe that the loan guarantee may bolster the efficiency of scholastic funding.

Ultimately, this loan guarantee should serve as a gesture of goodwill to better enable the U.S. to pressure al-Sisi to bring the warring sides in Libya to the table. With the growing strength of radical groups on his border with Libya, the interests of the al-Sisi administration, and Egypt as a whole, should be in a stable Libya. It is in the mutual interest of the United States and Egypt to have a stable and secure Libya, and the Libyan leadership will be in a much better position to confront radical threats such as ISIL with a unified government.

In coordination with the proposals of the political and strategic subgroups, half of the loan guarantee (at least USD 300 million) would be earmarked for rural infrastructure development, with at least a third of that (USD 100 million) to be used specifically for development in the Sinai. Radical groups in Egypt have drawn their support almost exclusively from the impoverished rural areas of Egypt, especially in the Sinai. This threat cannot be countered by military means alone: the Egyptian government must do more to ensure social services and job opportunities for its people. The other half will be allocated for public education and vocational training in order to lower the persistently high

unemployment rates, particularly among youth. Over time, this should negate the lure of radicalism, as people will no longer see themselves as neglected by their government.

After these policies have taken hold, we also recommend greater levels of American/European foreign direct investment (FDI) in Egypt to further ameliorate the problems of unemployment and to promote greater economic integration between the United States and Egypt. The U.S must also apply pressure on al-Sisi to deregulate the Egyptian economy to promote a better business atmosphere.

**Libya**

Libya’s central bank is almost entirely funded by the sale of oil. The revenues generated are then disbursed to the rival governments vying for control of the country. As the only plausible solution for a durable peace in the country exists in joining the opposing governments, the U.S should focus on using economic incentives to bring the parties to the table.

Libya is a member of the Organization of the Petroleum Exporting Countries (OPEC), the holder of Africa’s largest proved crude oil reserves, and an important contributor to the global supply of light, sweet crude oil. The country’s National Oil Corporation (NOC) has emphasized the need to apply enhanced oil recovery techniques to increase crude oil production at maturing oil fields. Before the 2011 civil war, the NOC claimed that capacity additions of around 775,000 barrels per day (b/d) were possible from existing oil fields. Libya’s oil production was disrupted for most of 2011 due to the civil war, but it recovered by the fall of that year following the cessation of most hostilities. The country’s oil sector slumped again in mid-2013 as widespread protests led to a sharp deterioration of the security environment at oil facilities and the closure of loading ports, oil fields, and pipelines. Most loading ports have since re-opened, but sporadic protests continue to affect oil production.

Today Libya is producing about 500,000 b/d, earning around USD 52 a barrel; at its peak it was producing 1.5 million b/d. A one million barrel drop per day is a huge loss in revenue for Libya and the private gas companies operating there. The U.S. should pursue three key policy objectives that can foster both political reconciliation and economic growth.

**Three Policy Objectives**

1. Bring major oil and gas companies into the unity government negotiations. As key drivers of Libyan revenues, major oil and gas companies can leverage their influence to bring the two rival governments together for the future of Libyan prosperity.

   a. Primary companies include: ConocoPhillips, Hess, Marathon, Eni, and Total.

2. If the governments can come together to form a unity government we propose the U.S. offer military and economic assistance to help overcome the extremist groups operating there and to help secure the oil operations in the country. Currently, the U.S. provides Libya with USD 6 million in economic assistance; this needs to be bumped up to approximately USD 400 million.
This money would be contingent on a unity government forming so that its disbursement would be properly implemented, and possibly used at the incentive to close talks.

3. Once oil fields are secured, the U.S. and its allies should assist the fledgling government and gas companies to make the drilling and extraction process more efficient, implementing many of the recommendations of the NOC to pump up production levels to approximately 2.3 million bbl/d. Increasing Libya’s oil output capacity will allow the international community to take a step back and let the unity government begin to operate autonomously, using the funds generated from oil production to help keep the country on a sustainable path.

**Tunisia**

Tunisia still faces economic challenges even though it is considered the most successful of the Arab transition countries. Tunisia’s registered an economic growth of 2.8 percent in fiscal year 2014, which falls below the 2012 level of 3.7 percent and is too low to help achieve substantial progress in terms of solving issues of unemployment and poor living standards.42

Reform and liberalization of the structural and business environment should attract foreign firms and appeal to domestic companies. This is a key initiative. The Tunisian government has implemented some reforms, however, the government continues to control a significant portion of the economy and the facade industrial policy created by the previous government was merely a vehicle for rent creation for the former President and his family.43 While a new government is in place, the former regime’s regulatory structure is still entrenched with the public sector continuing to dominate all strategic sectors of the economy (e.g., energy, transport, telecommunications, pharmacy, collection and trade of basic food, etc.) and controlling basic commodity prices (which represents one third of the Consumer Price Index).44

The three major state-owned banks represent 36 percent of the country’s banking sector and Tunisia’s banking system is burdened by too many non-performing loans. A 2014 Standard and Poor report described Tunisia’s banking sector as fragile and not supportive of investment.45 Comprehensive reform and transparency in the banking system, along with a modern tax code, customs structure, a public-private partnerships law (to reduce red tape for international investors), and liberalization of the labor market will help attract private capital and foster domestic development; however, reform initiatives will take considerable time.

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Promote Micro-Financing

The promotion of micro-finance\textsuperscript{46} will be a key component of the U.S. economic strategy towards Tunisia that should mitigate and address the banking needs of the public until reforms are initiated. Only around one third of people living in Tunisia have a personal bank account.\textsuperscript{47} This situation limits business opportunities, especially for small businesses. In addition to lacking access to credit, above all in rural areas, methods of building up savings or accessing insurance benefits in cases of emergency remain unavailable. Micro-entrepreneurs, low-income households, small and medium enterprises (SMEs), and women will benefit from micro-financing. In addition, micro-financing can adhere to Islamic banking principles, a feature that differs from traditional banking arrangements and removes an obstacle that deters many Muslims in the region from engaging in the traditional financial system. To promote these two key economic initiatives—micro-financing and reform—we propose that the U.S. provide Tunisia with USD 20 million in aid to promote micro-financing conditioned upon the Tunisian government implementing true institutional reforms through market-oriented initiatives.

Promote Vocational Training and Entrepreneurship

Unemployment, particularly among the educated youth, is a serious concern in the country. Micro-financing can alleviate the unemployment rate but the primary issue is the skills gap in the country. Business owners lament that a university education simply does not prepare students for the jobs that are available, as students lack the technical skills that business-owners desire. Vocational and entrepreneurship training should be strengthened and developed to accommodate youth. Entrepreneurship and vocational training can take place at universities, banks, NGOs, etc. where student will learn desired skills, how to acquire loans, and how to develop small businesses. The Tunisian Ministry of Employment should expand youth awareness concerning the advantages that vocational schooling can provide. Furthermore, the Tunisian government and businesses in the country should cooperate to provide students with apprenticeships through the vocational schools to provide knowledge of theory and practice.

Shift in Focus on Trade

Trade is another key sector that requires some reorientation. Europe remains Tunisia’s largest trading partner but, with the current economic state of European countries and their largely non-reliance on Tunisian trade, Tunisia should shift its economic interest towards less developed but fast growing countries in the region. The U.S. should encourage new trade agreements between Tunisia and foreign governments, as well as advance a U.S. free-trade agreement with Tunisia.

\textsuperscript{46} Microfinance includes a wide range of financial services such as the micro-credits, the small savings, the micro-insurance and the money transfers, which are aimed at the impoverished populations.

\textsuperscript{47} German Federal Ministry for Economic Cooperation and Development (BMZ) Promotion of the microfinance sector https://www.giz.de/en/worldwide/19710.html.
Yemen

Continue Humanitarian Aid

Yemen—the poorest nation in the Arab region—has one of the highest population growth rates in the world and is one of the most food insecure countries in the world. Approximately 45 percent of the population is food insecure and Yemen’s scarce water resources are rapidly dwindling. While the international community has supported efforts to restore viability and sustainability to Yemen’s economy, the escalating conflict in Yemen hinders international development programs and will impose substantial costs on the domestic economy. Political stability is necessary for restoring economic ties with other countries and resuming investments. In the short term, the U.S. should continue its humanitarian assistance (food, nutrition support, health care services, and emergency relief) to the conflict-affected areas in Yemen. In addition, the State Department should coordinate with key private-sector actors and players involved in the conflict (i.e. Saudi Arabia, the Houthis, the Hadi government, Iran) to ensure humanitarian assistance can continue to reach the country through established supply routes and ports.

Invest in Infrastructure Development and Address the Impending Water Crisis

Should Yemen’s political situation stabilize in the near future and a government is established, with which the United States can engage, U.S. aid could be allocated to make investments in infrastructure—such as roads, reliable electricity provision, and access to water and basic services—particularly in rural southern Yemen. Water is a key issue that must be addressed. If current trends continue, by 2025 the 4.2 million inhabitants of Sana’a will become water refugees. Furthermore, water is crucial for Yemen’s agricultural sector, which employs over half of the country’s active workforce. Improving irrigation efficiency, reducing qat production (which consumes roughly 70 percent of groundwater extracted), with incentives to farm other crops, and increasing state capacity are potential solutions to Yemen’s water crisis. In addition, micro-financing can have a key role towards economic development as discussed in the prior section on Tunisia. Furthermore, in economically turbulent times, micro-finance has been shown to be a more stable business than commercial banking.

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50 As exhibited during Indonesia’s 1997 financial crisis and the Bolivian Banking crisis where commercial banking portfolios deteriorated but loan repayment among micro clients barely declined.
CONCLUSION

The recommendations listed above highlight a new strategy for these Arab transition countries. We believe it is important to focus on security and stability in Egypt, Tunisia, Libya, and Yemen before we can focus on promoting long-term goals of U.S. values of democracy and human rights. Strategically we hope to enhance technology, weapons, and border security to combat terrorism. Politically, we hope to increase political engagement with allies and host governments and bolster civil society. Economically, we seek to maximize economic opportunities to enhance sustainable development. In Egypt we aim to reengage with President al-Sisi to address economic and security issues, especially in the Sinai Peninsula, and hopefully over time focus on democracy and human rights issues. In Tunisia, it is vital that the U.S. strengthens counter-terrorism efforts, and also work with NGOs and CSOs to promote the inclusion of women to address the root causes of violent extremism. The key to successful U.S. policy in Libya is first getting the two rival government to unite. In order to support this effort in the short-term, the U.S. should partner with international organizations, and reduce the illicit oil trade. While the situation continues to deteriorate in Yemen, the U.S. should encourage a ceasefire in order to promote stability by cooperating with key regional actors to ensure the delivery of humanitarian aid. These recommendations outline a feasible and proactive strategy to strengthen U.S. foreign policy to combat terrorism and address the root causes of extremism to prevent conflict in the region.
Annex 1: Increased Budget Proposal

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| Tunisia                |                      |          |
| **Strategic**          |                      |          |
| Counter-Terrorism Assets/Equipment | $XXX                |          |
| **Economic**           |                      |          |
| Microfinance           | $XXX                 |          |
| Total                  | $XXX                 |          |

| Libya                  |                      |          |
| **Strategic**          |                      |          |
| Oil Subsidy (10%)      | $XXX                 |          |
| Counter-Terrorism Assets/Equipment | $XXX     |          |
| **Economic**           | Assistance           | $400     |
| Total                  | $XXX                 |          |

| Yemen                  |                      |          |
| **Political**          | Humanitarian Assistance | $XXX  |
| **Economic (if)**      | Infrastructure        | $XXX     |
| Total                  | $XXX                 |          |

| Total                  |                      | $XXX     |
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