



NATIONAL U.S.-ARAB CHAMBER OF COMMERCE

غرفة التجارة الأمريكية العربية الوطنية

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AT NUSACC EXPERT ROUNDTABLE, EGYPTIAN DEFENSE ATTACHÉ HIGHLIGHTS STRATEGIC COOPERATION AND THE ROLE OF EGYPT AS A REGIONAL LYNCHPIN

Major General Khaled Shawky: “Mil to Mil is the Core of Egypt – U.S. Relations”

Washington, DC – This week, as part of the Chamber’s Expert Roundtable Series, the National U.S.-Arab Chamber of Commerce (NUSACC) hosted Major General Khaled Shawky – Egypt’s Defense, Army, Naval & Air Force Attaché to the United States and Canada – for an exclusive off-the-record discussion with more than 20 U.S. companies. Discussion revolved around Egypt as a lynchpin in the Middle East and North Africa (MENA) region, the importance of the Egypt – U.S. strategic relationship, Egypt’s current military needs, and the rise of commercial competition for the United States, especially from China. General Shawky was joined by H.E. Al-Desouky Youssef, Minister Plenipotentiary, and Colonel Ayman Habib, Assistant Defense Attaché.



Major General Khaled Shawky (left), Egypt’s Defense Attaché, with David Hamod (right), NUSACC President & CEO.

During his welcoming remarks, David Hamod, NUSACC’s President and CEO, recognized Shawky as a “pioneer” for two reasons: First, because of the unique role that Shawky has played over the years in the Egyptian – American security relationship; second, because Shawky is the first defense official, appropriately, to lead a NUSACC Expert Roundtable. “Major General Shawky has been in the USA for only seven months in his current position, but his contributions to the robust U.S. – Egypt strategic relationship are well known,” Hamod said. “We are privileged to have him with us here today.”

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More than 20 NUSACC member companies participated in the Roundtable, including major U.S. defense firms.

Hamod went on to thank the Lead Sponsors of the Expert Roundtable, [The Boeing Company](#) and [Blumberg Grain](#), whose generous financial support made the Roundtable possible.

Security: The Heart of Egypt – U.S. Relations

Setting the tone for the Roundtable discussion, Shawky stated, “Mil to mil is the core of Egypt – U.S. relations.” He expressed appreciation for the longstanding security relationship between the two nations, and he suggested that this partnership has been getting back on track during the Trump Administration. He noted that this week, for example, the U.S. military is taking part for the first time since 2009 in the biennial joint military exercise with Egypt known as “Bright Star.”

Moreover, earlier this year, when President Donald Trump received President Abdel Fattah el-Sisi of Egypt, it marked the first Presidential visit since 2004 dedicated exclusively to Egypt. The two Presidents are scheduled to meet again very soon.

Shawky suggested that Egypt, in cooperation with neighboring countries, is the strongest bulwark to defend U.S. interests in the region. Without Egypt’s involvement, the Major General said, important strategic assets – like the Suez Canal, the Sinai Peninsula, and the Mediterranean itself – could be imperiled. He highlighted the need for surveillance technologies in particular that will enable Egypt to fight terrorism in the region.



H.E. Al-Desouky Youssef (left), Minister Plenipotentiary, with the Honorable Dwight Bush, Sr. (right), NUSACC Board Member and former U.S. Ambassador to Morocco.

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In addition to “hardware,” Shawky suggested, there is a need for “software” that will allow Egypt to defend against cyber threats. This includes cyberattacks on Egypt’s infrastructure, he noted. Such “soft power” has played an instrumental role in combating extremism among Egyptians, Shawky said, alluding to the fact that there are only 336 Egyptians who have been known to travel to the Levant to fight for ISIS and other extremist elements.

Human Rights and Congressional Concern

In recent months, in response to apparent human rights violations in Egypt, the U.S. State Department proposed a cut of \$95.7 million in military and economic assistance to Egypt while, at the same time, withholding an additional \$195 million in Foreign Military Financing that is subject to progress on human rights and democracy.

More recently, on September 7, a U.S. Senate subcommittee included in their bill a measure to cut military aid to the Government of Egypt. The Senate Appropriations Subcommittee on Foreign Operations moved to curtail military assistance to Egypt by \$300 million, in addition to cutting economic assistance to Egypt from \$112 million this year to \$75 million in FY 2018. The U.S. House of Representatives version of this bill, however, fully funds military aid to Egypt.

General Shawky and Minister Youssef argued that the human rights situation in Egypt is improving. In the aftermath of “two revolutions in three years,” they suggested, restoring stability in Egypt has been paramount.



From left to right: Philip Blumberg (left), Chairman & CEO, Blumberg Partners; Abigail Denburg, International Government Affairs, The Boeing Company; Colonel Ayman Habib, Embassy of Egypt. Blumberg and Boeing were Lead Sponsors of the Roundtable.

Proposing a cut in U.S. military assistance to Egypt, Shawky suggested, sends the wrong signal: It emboldens America’s enemies in the region, who are monitoring any divides between Egypt and the USA, and it discourages America’s friends in the region, who worry that the United States will not be there to support Egypt if push comes to shove. This is especially true for the youth of the region, Shawky noted, because they are not familiar with the long path that Egypt and the United States have walked together since the 1970s.

Competitors Vie for Business in Egypt

Egypt is America's third largest export market in the MENA region, with 2016 sales of \$3.5 billion. The top five exporting states last year were Texas, Louisiana, California, Georgia, and Virginia, and Egypt is a major recipient of U.S. food assistance.

In recent years, Egypt has been overhauling its laws to make the country a more attractive destination for trade and investment. Egypt's new investment law, for example, provides a range of new safeguards for prospective investors, including repatriation of compensation and profits, residency for investors, and National Treatment (and even preferential treatment) for foreign companies operating in Egypt. These improvements in the trade and investment climate have captured the attention of companies from around the world, prompting greater competition for market share in Egypt.

This issue surfaced during the Egypt Security Roundtable, when several U.S. companies talked about competing head-to-head in Egypt with China. China has a keen interest in Egypt, with a population approaching 100 million, and Chinese companies are investing aggressively in Egypt. This includes technology transfer and knowledge transfer, noted Youssef, which are bolstering Egypt's production facilities and helping to create jobs . . . one of Egypt's highest priorities.

Moreover, China's export credit agencies (ECAs) have very deep pockets to support Chinese exporters, discussants noted, while the U.S. Export - Import Bank can currently offer only limited support to U.S. companies. In the same vein, discussants pointed out, Chinese export licensing opens the door for Chinese companies, while strategic U.S. exports to Egypt, until very recent years, have been restricted.

Roundtable discussants concluded that all of this adds up to comparative and competitive advantages for Chinese companies, which are moving to crowd out U.S. companies in the Egyptian market whenever possible. U.S. companies - including defense firms - have a reputation for offering the best quality in the world. But if the final decision comes down to price, discussants agreed, American companies often find themselves at a disadvantage.



From left to right: Steve Brosnan, Raytheon International; Rep. Nick Rahall, former Member of the U.S. Congress; David Blumberg, CEO of Blumberg Grain, a Lead Sponsor of the Roundtable.

Shawky noted that Egypt is keen to build on its strategic relationship with the United States, but Egypt also needs to diversify its partnerships. “Egypt is working to attract more investment to enhance economic growth and create more jobs,” he said, “and that means Egypt must be open for business to prospective partners from all over the world.”



VIPs attending the Roundtable, from left to right. Front: Philip Blumberg, Blumberg Partners (Lead Sponsor); Major General Khaled Shawky; David Hamod, NUSACC; Abigail Denburg, Boeing (Lead Sponsor). Back: Colonel Ayman Habib, Embassy of Egypt; H.E. Al-Desouky Youssef, Embassy of Egypt; Ambassador (ret.) Dwight Bush, Sr.; David Blumberg, Blumberg Grain (Lead Sponsor); Amin Salam, NUSACC; Rep. Nick Rahall; Steve Brosnan, Raytheon International (NUSACC Platinum Plus Member).

The Bottom Line

Major General Shawky reiterated his strong support for Egypt – U.S. security relations, which he described as the bedrock of the bilateral relationship. But he also cautioned against taking Egypt for granted, or cutting assistance to Egypt at this critical time because “no country, not even Egypt, can face these threats alone.” He admonished the United States “not to come late, because if Egypt falls, then the whole Middle East will fall.”

Expert Roundtable Series

The NUSACC Expert Roundtable Series, held at the Chamber’s offices, provides NUSACC members and stakeholders with in-depth insights on commercial opportunities in the Middle East and North Africa. Roundtables are held periodically throughout the year.

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For more information on the benefits of membership in NUSACC, please click [HERE](#).

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