

## AFRICA RISK CONSULTING

### Egypt Monthly Briefing June 2019

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#### Egypt Summary 18 June 2019

*Egypt's only democratically elected president, Mohamed Morsi (2012-2013), dies during a court session in Cairo on 17 June. Former president Hosni Mubarak (1981-2011) uses his first interview in nine years to warn against the "dangerous" Middle East peace plan the the United States is championing. Egypt considers giving foreign investors citizenship in a bid to incentivise foreign investment. An improvised explosive device targets a tourist bus carrying 25 South Africans near the Giza Pyramids.*

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#### Ousted President Mohamed Morsi dies during court hearing

**Egypt's** only democratically elected president, **Mohamed Morsi** (2012-2013), who was deposed in 2013 on the back of mass protests, died during a court session in **Cairo** on 17 June. Morsi had been held in solitary confinement since 2013, having been denied access to both his family and lawyers during this time, and suffered from diabetes and hypertension.<sup>1</sup> His family had repeatedly appealed to foreign governments, including the **United Kingdom**, in an attempt to pressure the Egyptian government to allow him to have access to medical care.<sup>2</sup> Minutes before he died he requested permission to speak and said that he had secrets that could bring down the government.<sup>3</sup> Following this, he collapsed and was taken to hospital where he was pronounced dead on arrival.<sup>4</sup>

Morsi's death has once again focused attention on President **Abdel Fattah el Sisi's** (2014-present) regime's systematically cruel treatment of prisoners, as well as bringing back memories of post-revolutionary Egypt that saw the country elect a member of the deeply unpopular **Muslim Brotherhood** over the President **Hosni Mubarak**-era (1981-2011) prime Minister **Ahmed Shafik**.

A number of sources have quietly suggested that it is entirely possible that Morsi did not die of natural causes. The government's refusal to allow him to be buried in a family crypt has only further given credence to such theories. The government's response to his death also involved instructing all local news organisations to publish a 42-word statement that it had distributed to them via text message on the latter pages of their next day's editions.<sup>5</sup> Only one paper featured his death on the front page. Anticipating potential reprisals, the military and the interior ministry have mobilised to high alert.

Sources have suggested that it is hard to predict the response that the former leader's death will meet, considering that thousands of Brotherhood supporters remain in prison, and protests are all but impossible to organise with the intense security clampdown that the regime has overseen. They suggest that terrorist attacks, if they happen, are likely to be limited to **Sinai**, although considering attacks have already taken place in Cairo in recent

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<sup>1</sup> Source, official, Cairo

<sup>2</sup> Source, official, Cairo

<sup>3</sup> Source, official, Cairo

<sup>4</sup> Source, official, Cairo

<sup>5</sup> Mada Masr, 18 Jun 2019.

months, this could be a re-ignition of the frequent bombings and assassinations that began following Morsi's ouster.

### **Mubarak says Kushner-led "peace plan" is dangerous**

Former president Hosni Mubarak gave his first interview in nine years on 22 May with **Kuwaiti** TV host **Fajr Al-Said** and used the opportunity to criticise the **United States (US)** "peace plan" for the **Middle East**. In the interview, Mubarak criticised the so-called "*Deal of the Century*", the Middle East peace plan that US President **Donald Trump's** (2017-present) son-in-law and **White House** adviser, **Jared Kushner**, is driving. Mubarak said that if the US forces its plan on the region, it could lead to further violence and instability:

*"Any solution that would be imposed on the region based on the imbalance of power will not last, and will remain a temporary solution that could explode at any moment."*<sup>6</sup>

The plan builds on several controversial decisions made under the Trump Administration: the transfer of the **US Embassy to Jerusalem**, the recognition of **Israel's** sovereignty over the **Golan Heights**, and the continued expansion of settlements in the **West Bank**.<sup>7</sup> Mubarak stated that these moves are the groundwork that Israel and the US are laying towards other unilateral decisions they will take without consulting **Palestinian** officials.<sup>8</sup> The plan envisages an expansion of **Gaza** into parts of northern Sinai, under Egyptian control, while the Palestinians would be accorded small parts of the West Bank and some villages on the outskirts of Jerusalem, according to Palestinian officials.<sup>9</sup> Palestinians are labeling the blueprint, still in the drafting process, as a gross effort to undermine their decades-long struggle for political rights with economic incentives.<sup>10</sup>

During the interview Mubarak confirmed rumours that Israeli prime minister **Benjamin Netanyahu** (1996-1999, 2009-present) sought to move Palestinians to Egypt, saying that Netanyahu had proposed this plan to him in 2010.<sup>11</sup>

*"Netanyahu refuses the land for peace formula and will do everything in his power to undermine any meaningful peace deal."*<sup>12</sup>

The government of **Qatar** also expressed doubt over any plan that would fundamentally exclude Palestinians from being a part of decisions that would decide the fate of their decades-long fight for statehood.<sup>13</sup> Qatari foreign minister **Sheikh Mohammed bin Abdulrahman al-Thani** said:

*"As far as we see, right now there is a disconnect between the Palestinians and the US."*<sup>14</sup>

Egypt's President **Abdel Fattah el Sisi** (2014-present) has not explicitly denied plans to cede Egyptian land, instead saying that Egypt will not accept anything that the Palestinians do not want.<sup>15</sup> While sources close to the deal are saying that Egypt could accept large economic incentives to house Palestinians in North Sinai, (where an insurgency against **Islamic State-**

<sup>6</sup> Al Anba, 17 May 2019.

<sup>7</sup> Al Anba, 17 May 2019.

<sup>8</sup> Al Anba, 17 May 2019.

<sup>9</sup> Reuters, 3 Jun 2019.

<sup>10</sup> Reuters, 3 Jun 2019.

<sup>11</sup> Quoted in Al Anba, 17 May 2019.

<sup>12</sup> Quoted in Al Anba, 17 May 2019.

<sup>13</sup> Quoted in Reuters, 9 Jun 2019.

<sup>14</sup> Quoted in Reuters, 9 Jun 2019

<sup>15</sup> Reuters, 2 Jun 2019.

allied militants continues to rage) other sources have suggested that ceding land, particularly in lieu of a political solution to the Palestinian-Israeli conflict, is a non starter, especially after the outcry that followed Egypt's return of two uninhabited **Red Sea** islands to **Saudi Arabia** in 2017. Others have pointed out that there is also the potential that Saudi Arabia, which has been in a favour of the Kushner-led plan, believes that there needs to be a united regional front against **Iran** (which would include Israel), and this may push Egypt to back the plan.

Alongside Mubarak's concerns, Middle East watchers have also pointed to the destabilising effect on the region of any plan that excludes Palestinian consent, and the inclusion of crucial issues including the right of return, Jerusalem, and border sovereignty for a potential Palestinian state. The plan is of particular consequence in Egypt, where the memory of war with Israel and the ceding of land to the Israelis remains very sensitive.

*"The idea that a **Zionist** real estate heir from America with no political experience or knowledge of the Middle East could resolve one of the most intractable conflicts of the century with an investment conference and the support of his deranged father-in-law only serves to show how the Americans don't ever learn from their history of failed intervention in the region. Should Egypt agree to support such a travesty, the result will be grave."<sup>16</sup>*

### Egypt mulls law that would give foreign investors citizenship

Amendments to nationality laws that would allow foreign investors and asset holders to apply for Egyptian citizenship have received committee-level approval at the **House of Representatives**.<sup>17</sup> The legislative changes are in line with the recent **Investment Act** and government efforts to make Egypt's investment climate more appealing after complaints from foreign companies that Egypt's regulatory framework and political climate pose preventative barriers to potential investors.

Prospective applicants for citizenship based on investment would have to buy a state-owned or private property, set up a project in accordance with the Investment Act, or deposit currency.<sup>18</sup> An authority comprised of foreign, investment, and interior ministry officials would be set up to consider applications submitted online.<sup>19</sup> Applicants are to submit nationality requests with a payment of \$10,000, which can be refunded if the request is not approved.<sup>20</sup>

While a number of countries have used citizenship incentives to lure potential investors, in Egypt's case real challenges to the investment climate remain unaddressed despite a slew of legal reforms. The need for further regulatory reforms remains. Concern about the propping up of the Egyptian pound, as well as ongoing fears about the precarious political climate, are key barriers to foreign investment. Sources suggest that only further reforms and a lessening of concerns about the government's slide back toward dictatorship will drive up foreign interest. Until then investors will continue to exercise caution when assessing risk in the Egyptian market.

<sup>16</sup> Source, former diplomat, Cairo

<sup>17</sup> Egypt Today, 10 Jun 2019

<sup>18</sup> Egypt Today, 10 Jun 2019

<sup>19</sup> Egypt Today, 10 Jun 2019

<sup>20</sup> Egypt Today, 10 Jun 2019

## Explosive device hits tourist bus carrying 25

An improvised explosive device targeted a bus carrying dozens of **South African** tourists from **Cairo Airport** to the **Giza Pyramids** on 19 May.<sup>21</sup> The explosion comes as Egypt has been ramping up efforts to recover its crucial tourism trade. The sector has been recovering after tourist numbers dropped in the wake of a 2011 uprising and the 2015 bombing of a **Russian** passenger jet.<sup>22</sup> Police said the device containing nails and pieces of metal had been detonated remotely on the perimeter of the **Grand Egyptian Museum**, not far from the site of a roadside blast that hit another tourist bus in December, killing four.<sup>23</sup> The day after the roadside attack, the government announced it had killed 12 suspects in a series of raids on “terrorist hideouts” of the militant group **Hasm**, which they said its members were planning a series of attacks in the country to create an “atmosphere of chaos”.<sup>24</sup>

The attack took place as Egyptian security forces continue to wage war against an insurgency affiliated with the **Islamic State** in North Sinai, with spillover attacks periodically occurring in **Cairo** and other main cities over the past five years.<sup>25</sup> The most recent attack follows a pattern where tourist cities and/or Christian monuments are under-protected and thus attacked. The government responds with outrage and follows up with raids in which a large number of fatalities are recorded.

Egypt remains unstable, with a failing military campaign in the Sinai and mass imprisonment of youth on politically motivated charges, both of which make the country a ripe breeding ground for violence. A recent **Human Rights Watch** report commissioned on the military campaign in Sinai cited the area as having been subject to violations that amount to war crimes.<sup>26</sup> The report documents how the Egyptian military and police have carried out systematic and widespread arrests – including of children – enforced disappearances, torture, and extrajudicial killings, collective punishment, and forced evictions, as well as launching unlawful air and ground attacks that have killed civilians. The report alleges that the military have also recruited and armed local militias, who frequently have tortured fellow citizens, often exploiting their position to settle personal scores.

The government has attempted to conceal these abuses by banning reporters from entering the area since 2014. The **State Information Service** responded calling the report “lies”.<sup>27</sup> In a controversial interview with **CBS’s 60 Minutes** aired in January, President Sisi denied human rights violations under his regime and stated that Egypt had no political prisoners.<sup>28</sup>

## Planner

2018-2019 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;  
 17-18 June 2019 **Cairo (Egypt)** *Enterprise*. **Seamless North Africa** Conference;  
 25-26 June 2019 **Manama (Bahrain)** *CNN*. **Jared Kushner**-led conference on economic dimension of **United States** President **Donald Trump’s** **Mideast** peace plan;

<sup>21</sup> Reuters, 19 May 2019.

<sup>22</sup> Egypt Today, 11 May 2019.

<sup>23</sup> Associated Press, 19 May 2019.

<sup>24</sup> Reuters, 20 May 2019.

<sup>25</sup> Associated Press, 19 May 2019.

<sup>26</sup> BBC, 28 May 2019.

<sup>27</sup> Press statement, 3 Jun 2019.

<sup>28</sup> CBS, 6 Jan 2019.

June 2019 **Cairo (Egypt)** *Enterprise*. Egypt will host the first economic forum for **Union for the Mediterranean (UfM)** countries to promote trade and investment in the 43 member states;

June 2019 **Maputo (Mozambique)** *Al Ahram*. President **Abdel Fattah El Sisi** to attend **US-Africa Business Summit** in Mozambique.

### Chronology

17 Jun 2019 **Cairo (Egypt)** *Enterprise* Former president Mohamed Morsi dies after collapsing in a Cairo courtroom;

11 Jun 2019 **Cairo (Egypt)** *Enterprise*. Egypt-based construction firm **Hassan Allam** buys a majority stake in **German** water treatment company **Bioworx**;

11 Jun 2019 **Cairo (Egypt)** *Press release*. Standard Chartered forecasts Egypt will be the only oil-importing **Middle East, North Africa, and Pakistan (MENAP)** economy to see accelerating economic growth in the coming years;

10 Jun 2019 **Cairo (Egypt)** *Enterprise*. **House of Representatives** looks set to push ahead with capital gains tax reform;

10 Jun 2019 **Cairo (Egypt)** *Reuters*. Official statistics agency **Central Agency for Public Mobilization and Statistics (CAPMAS)** says Egypt's inflation increased to 14.1% in May, up from 13% in April;

5 Jun 2019 **Cairo (Egypt)** *Yahoo!* **United Kingdom**-based oil company **BP** divests its **Gulf of Suez** oil concessions to **Dubai**-based **Dragon Oil** and will focus on **Egypt**-based gas reserves;

3 Jun 2019 **Cairo (Egypt)** *Press release*. **United Kingdom**-based **Helios Investment Partners** and the **Egyptian-American Enterprise Fund (EAEF)** have acquired a 96.7% stake in **Misr Hytech**, one of the largest seed suppliers in the **Middle East and Africa**;

30 May 2019 **Cairo (Egypt)** *Al Shorouk*. Government-owned **Egyptian Natural Gas Holding Company (EGAS)** plans to put 11 natural gas exploration blocks in the western **Mediterranean** up for auction in 2020;

28 May 2019 **Cairo (Egypt)** *BBC*. Non-governmental organisation **Human Rights Watch** says war crimes are being committed in Egypt's **Sinai**;

29 May 2019 **Cairo (Egypt)** *Lighthouse Research*. The Egyptian pound is still "tightly managed" and will continue to appreciate;

29 May 2019 **Cairo (Egypt)** *Middle East Monitor*. Authorities re-arrest **Al Jazeera** journalist **Mahmoud Hussein** after releasing him on 25 May following almost three years in prison;

27 May 2019 **Cairo (Egypt)** *CTV News*. The government names **Canada**-based **Bombardier Transport** as the preferred bidder for a \$4 billion monorail contract;

27 May 2019 **Cairo (Egypt)** *Enterprise*. Five prominent business leaders are named as members of the sovereign wealth fund board;

23 May 2019 **Cairo (Egypt)** *Press release*. Government expects EGP 17 billion (\$1 billion) revenues from higher electricity prices;

21 May 2019 **Cairo (Egypt)** *Al Anba*. Ousted former president **Hosni Mubarak** claims **United States** President **Donald Trump's Middle East** peace plan as cause for concern;

21 May 2019 **Cairo (Egypt)** *Reuters*. Electricity minister **Mohamed Shaker** says electricity prices will rise 14.9% beginning in July;

21 May 2019 **Cairo (Egypt)** *Middle East Monitor*. A **Cairo** court suspends the trial of former President **Hosni Mubarak's** sons;

20 May 2019 **Cairo (Egypt)** *Middle East Monitor*. The interior ministry says it arrested 12 militants involved in planning to 'cause chaos' across Egypt;

19 May 2019 **Cairo (Egypt)** *BBC*. An explosion hits a tourist bus near the **Giza Pyramids**;

17 May 2019 **Cairo (Egypt)** *Bloomberg*. The **International Monetary Fund** reaches an agreement with **Egypt** and unlocks \$2 billion in aid;

14 May 2019 **Cairo (Egypt)** *Arab News*. The **Central Agency for Public Mobilization and Statistics** says unemployment was 8.1% in the first quarter of 2019, down from 10.6% year-on-year;

10 May 2019 **Cairo (Egypt)** *Middle East Monitor*. A court fines former interior minister **Habib Al-Adly** \$29 for abusing public funds, cancelling a former \$22m fine against Al-Adly and two other defendants;



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