

## AFRICA RISK CONSULTING

### Egypt Briefing January 2020

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#### Egypt Summary 23 January 2020

*Foreign powers come together in Berlin, Moscow and Algiers to try to resolve the Libyan conflict that threatens to spill into a regional battle. President Abdel Fattah el-Sisi (2014-present) shuffles his cabinet amid major speculation over investment minister Sahar Nasr's departure and the government's ability to secure foreign direct investment (FDI) into the country. Protests remain an ongoing feature of political life in Egypt, despite government attempts to stifle civil unrest.*

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#### Regional powers meet again in last attempt to rescue Libya

The foreign ministers of **Egypt, Tunisia, Sudan, Chad, Mali** and **Niger** met in **Algeria** on 23 January to begin a new round of talks on the situation in **Libya**.<sup>1</sup> The talks follow previous meetings in **Berlin (Germany)** and **Moscow (Russia)** in recent weeks where leader of **United Nations (UN)**-recognised government (**GNA**) prime minister **Fayez Al Serraj** and **Libyan National Army (LNA)** military general **Khalifa Haftar** had failed to put an end to the ongoing war.<sup>2</sup> The war had escalated with the arrival of **Turkish** troops in the country and following a maritime co-operation agreement that the two countries signed (see *ARC Briefing Egypt December 2019*). The situation places Egypt in the precarious position of supporting a military solution that has thus far failed, or risking the loss of an ally should Haftar ultimately win the current political struggle.

Egypt has supported Haftar – a rebel leader who is regarded abroad as a volatile wildcard – and welcomed a truce, expressing support for a political settlement.<sup>3</sup> This comes after the head of the Eastern parliament (LNA), **Aguila Saleh**, said that Haftar would ask Egypt's President **Abdel Fattah El Sisi** (2014-present) for military assistance in his ongoing campaign since April 2019 to take the capital, **Tripoli**, as Egypt's rival, Turkey, has been controversially backing Serraj.<sup>4</sup> In comments aimed at Egypt's government, Saleh said,

*"I urge you to take a bold position ... We may be forced to ask for the involvement of the Egyptian armed forces if we face foreign intervention in our country,"*

The conflict has become increasingly volatile following Turkey's decision to deploy troops to the country to shore up Serraj's forces, as mercenaries from **Russia** have been sent, increasing the likelihood of a clash between regional powers in the country.<sup>5</sup> A brief ceasefire attempt failed just hours after Haftar's forces blockaded key oil ports, in what was seen as a show of strength to foreign powers embroiled in the conflict's outcome.<sup>6</sup>

In the leadup to talks hosted by German chancellor **Angela Merkel** (2005-present) in Berlin on 19 January, UN special envoy for Libya **Ghassan Salamé** commented on the effect of increasing foreign presence in the country:

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<sup>1</sup> Al Masry Al You, 23 Jan 2020.

<sup>2</sup> Egypt Today, 23 Jan 2020.

<sup>3</sup> Press release, 19 Jan 2020.

<sup>4</sup> Sputnik, 12 Jan, 2020.

<sup>5</sup> The Guardian, 19 Jan 2020.

<sup>6</sup> The Guardian, 20 Jan 2020.

*“All foreign interference can provide some aspirin effect in the short term, but Libya needs all foreign interference to stop. That’s one of the objectives of this conference.”<sup>7</sup>*

The concern regarding Libya for regional experts and especially for the political leadership of Egypt is that it is quickly becoming the next **Syria**, with a vacuum and lack of solution having allowed foreign forces to move in and carve up the country in pursuit of their own proxy conflict. **Chad’s** foreign minister, **Mahamet Zene Cherif**, also weighed in:

*“The **Sahel** is suffering from this crisis. Proliferation of arms in the region has facilitated the spread of terrorism.”<sup>8</sup>*

The presence of Turkish troops has only intensified existing tensions surrounding Turkey’s gas exploration activities in the Eastern **Mediterranean**, leading **Greece** and **Cyprus** to join with Egypt and **France** to lambast the UN-backed government.<sup>9</sup>

### Cabinet reshuffle sees minister Sahar Nasr out

The Egyptian government announced on 22 December that a long-speculated cabinet reshuffle had taken place, introducing 10 new ministers in different roles.<sup>10</sup> While key ministries of finance, petroleum, defence, foreign affairs and interior remained unchanged, the biggest shake-up was the removal of the investment and international co-operation minister, **Sahar Nasr**, from the post that she has held since 2015.

The move came as a surprise to some as Nasr is widely known to be a favourite in Sisi’s cabinet for her work ethic and ability to court foreign donors, having been a former **World Bank** official. Instead, the changes will see the ministry come directly under the purview of the prime minister, who has been charged with ramping up efforts to improve sluggish foreign investment in Egypt during Sisi’s term. Local papers cited that the government was disappointed that non-oil foreign direct investment (FDI) has never reached the \$10 billion target that was set back in 2016.<sup>11</sup> Private equity and venture investors have found Egypt to be attractive, but global strategic investment has seen limited interest.

However several sources noted that it was unfair to blame this on Nasr, whom foreign business perceived as an effective ally. Nasr had personally lobbied against moves by the government, including the data protection law and a resurgent **Competition Authority**,<sup>12</sup> that foreign investors had repeatedly claimed, alongside the repressive political climate in Egypt, were putting them off making long-term commitments to the country.

The changes mean prime minister **Moustafa Madbouly** will take on the role of investment minister, which includes oversight of the **General Investment Authority**. He will also be responsible for the administrative development portfolio. The international cooperation ministry will once again be its own ministry, having been taken back from the former ministry of investment and international cooperation. The investment and international cooperation ministry had a wide range of undefined authority, having been created by **Faiza Abou Naga**, a powerful figure in the Egyptian political and military establishment. Naga currently serves as Sisi’s personal national security adviser.

With parliament also prioritising fighting “fake news”, the cabinet shake-up saw the reintroduction of a ministry for information. **Osama Heikal**, briefly information minister in 2011, will re-occupy the post, but no information has been provided on what the role will entail.<sup>13</sup> For the business community in **Cairo** there has been significant talk about the unfairness of Nasr’s departure and whether the prime minister, given his current responsibilities, will be able to make meaningful strides in pushing

<sup>7</sup> The Guardian, 18 Jan 2020.

<sup>8</sup> Reuters 23 Jan 2020

<sup>9</sup> Arab Weekly, 8 Dec 2019.

<sup>10</sup> Al Mal, 22 Dec 2019.

<sup>11</sup> Youm7, 23 Dec 2019.

<sup>12</sup> Source, former diplomat, Cairo

<sup>13</sup> Al Ahram, 22 Dec 2019.

foreign investors to take what amounts to a significant gamble on Egypt, where the investment climate remains at best unpredictable.

### Protests continue

Protests remain an ongoing feature of political life in Egypt, despite government attempts to stifle civil unrest. Egypt witnessed an unprecedented outbreak of public protests in September with spontaneous demonstrations occurring in cities including Cairo, **Alexandria, Mansoura, Damietta** and **Suez** calling for President Abdel Fattah El Sisi to leave office.<sup>14</sup> While small and scattered, the eruption of public anger is unheard of since Sisi banned all forms of public assembly in 2013.<sup>15</sup> Those who have attempted previously to protest have faced long prison sentences and at times the death penalty.

A number of sources labelled last year's outburst of public anger as symbolic of a barrier of fear being broken for the first time in years, as well as being further evidence of the unsustainability of the current regime's means of governing. The protests, which have since ebbed, came after a former military contractor released a series of videos that accused the president and the military of systematic corruption.<sup>16</sup> It is widely known in political circles that Sisi believes the downfall of former president **Hosni Mubarak** (1989-2011) came because he allowed criticism of his government in public and popular culture, particularly in the last decade of his reign in which protests were allowed.

Sisi's government remains paranoid about the possibility of further outbreaks of public dissent. The ramp up to the yearly anniversary of the 25 January 2011 revolution sees tens of thousands of plain-clothes police and special forces on the streets of cities across Egypt, alongside thousands of home inspections across central Cairo. Reports of arrests, phone searches and random police detention for those walking the streets and looking suspicious have been reported.<sup>17</sup> These vicious campaigns by the government to suppress dissent occur every year over December and January. They peaked on 25 January 2016, when amidst heightened police paranoia in Cairo about the prospect of protests, **Italian** student **Guilio Regeni** was snatched on his way home by police at a metro station in Cairo, with his tortured remains found on a desert road nine days later.<sup>18</sup>

As Egypt continues to ramp up repression against citizens, while imposing harsh austerity measures, including the elimination of crucial food subsidies, the government will have to contend with the threat of civil unrest. Sources point to the government's desire to contain discontent, as it pursues further funding from international financial organisations and foreign investment, but they say that the government's ability to respond effectively to discontent by prioritising raising the standard of living for vulnerable citizens will be the key factor in its ability to maintain stability.

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<sup>14</sup> New York Times, 20 Sep 2019.

<sup>15</sup> Carnegie Endowment report, 2013.

<sup>16</sup> New York Times, 22 Sep 2019.

<sup>17</sup> Mada Masr, 20 Jan 2020.

<sup>18</sup> New York Times, 15 Aug 2017.

## Planner

2019-2020 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;

Feb 2020 **Cairo (Egypt)** *Al Mal*. The administrative court will look into an appeal by **Adeptio AD Investments** against a **Financial Regulatory Authority** to submit a mandatory tender offer for **Americana Egypt**;

Mar 2020 **(Egypt)** *Enterprise*. **The Middle East and North Africa Financial Action Task Force (MENAFATF)** will visit Egypt to assess the progress of actions taken to combat money laundering and terrorist sponsoring activities.

## Chronology

23 Jan 2020 **Algiers (Algeria)** *Reuters*. Foreign leaders meet to find a way forward as **Libyan** conflict expands to threaten region;

21 Jan 2020 **Cairo (Egypt)** *Mada Masr*. Egypt's administrative court orders the interior minister to disclose the location of former parliamentarian **Mostafa al-Naggar**, who has been missing for 16 months;

19 Jan 2020 **Washington DC (United States)** *CNN*. **United States (US)** Secretary of State **Mike Pompeo** expresses outrage to President **Abdel Fattah El Sisi** over death of US citizen;

19 Jan 2020 **Cairo (Egypt)** *United Nations*. Egypt's GDP is expected to grow at a 5.8% in 2020 and 5.3% in 2021, one of the highest in **North Africa**, according to the **United Nations' 2020 World Economic Situation and Prospects** report;

15 Jan 2020 **Cairo (Egypt)** *Press release*. **Israel** begins natural gas shipments to Egypt;

14 Jan 2020 **Cairo (Egypt)** *Al Hayah Al Youm*. **Libyan** ceasefire talks in **Moscow** collapse after Egypt-backed eastern military commander **Khalifa Haftar** refuses to sign a truce agreement with the head of the **United Nations**-recognised government **Fayez Al Serraj**;

13 Jan 2020 **Cairo (Egypt)** *Magnitt*. Egypt was the most active venture capital market in **MENA** last year with 25% of all transactions in the region;

12 Jan 2020 **Cairo (Egypt)** Egypt's inflation nearly doubles to 7.1% in December;

10 Jan 2020 **Cairo (Egypt)** *Egypt Today*. Egyptian officials blame **Ethiopia** for the failure of the latest round of talks on the construction of the \$4.6 billion **Grand Ethiopian Renaissance Dam** on the **Blue Nile**, which is around 70% complete;

6 Jan 2020 **Cairo (Egypt)** *Egypt Independent*. Foreign ministry says it will host a meeting with the foreign ministers of **France, Italy, Greece** and **Cyprus** to discuss ongoing developments in the **Libyan** crisis;

4 Jan 2020 **Cairo (Egypt)** *Youm7*. Egypt arrests tax authority chief on charges of receiving bribes;

3 Jan 2020 **Cairo (Egypt)** *Al Borsa*. New cabinet committee to work on attracting foreign investment;

31 Dec 2019 **Cairo (Egypt)** *Al Akhbar*. **United States**-based oil company **ExxonMobil** acquires more than 1.7 million acres for offshore exploration in Egypt;

29 Dec 2019 **Cairo (Egypt)** *Egypt Times*. **Egyptian Competition Authority** approves **United States**-based ride-hailing service **Uber's** \$3.1 billion acquisition of regional rival, **United Arab Emirates**-based **Careem**, after agreeing to a set of commitments to reduce harm to competitors;

24 Dec 2019 **Cairo (Egypt)** *Ashaq Al Aswat*. **Ethiopia** plans to start filling its **Grand Ethiopian Renaissance Dam** in July 2020;

23 Dec 2019 **Cairo (Egypt)** *Aljazeera*. Former military chief-of-staff **Sami Anan** is released from detention almost two years after his arrest following his plans to compete in the 2018 presidential election;

15 Dec 2019 **Cairo (Egypt)** *Egypt Today*. **Central Bank of Egypt** says it is increasing its financing package to help distressed tourism companies and investors from the current \$312m to \$3.1 billion;

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