

## AFRICA RISK CONSULTING

### Egypt Briefing February 2020

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#### Egypt Summary 18 February 2020

**President Abdel Fattah el-Sisi (2014-present) urges Palestinians to consider United States (US) President Donald Trump's (2017-present) "peace plan" as the international community labels it as unjust. Egypt makes progress in Washington (US)-mediated talks with Ethiopia and Sudan on the Grand Ethiopian Renaissance Dam. Egypt confirms its first case of Coronavirus, making it the first African country to be affected by the disease.**

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#### Egypt urges Palestinians to 'carefully consider' Trump's peace plan ...

**United States (US)** President **Donald Trump** (2017-present) announced on 28 January his long-awaited proposal to solve the **Israeli-Palestinian** conflict, coined the "*deal of the century*", calling it a "*great plan for Israel...a great plan for peace*".<sup>1</sup> The announcement was attended by **Arab** states including **Oman**, **Bahrain** and the **United Arab Emirates (UAE)**. The attendance of Arab leaders at the announcement alongside Israel's prime minister, **Benjamin Netanyahu** (1996-1999; 2009-present) marks a significant deviation of support away from the Palestinian cause, a watershed issue in the region's history.

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>2</sup> Under the plan, Palestinians would be accorded small parts of the West Bank and some villages on the outskirts of Jerusalem, while Jerusalem would be the singular capital of Israel. Israel would also take control of the land bordering the **Jordan Valley**.<sup>3</sup> International donors, chiefly in Arab nations, would supply \$50 billion in investment to the **Palestinian Authority**. The US also reversed a decades-long precedent, in contradiction with international law, recognising Israeli settlements in the West Bank as legal.<sup>4</sup>

Palestinians have labelled the plan, which would all but eliminate their chance to self-govern, as a gross effort to undermine their decades-long struggle for political rights.<sup>5</sup> Palestinian leader **Mahmoud Abbas** called Trump's plan the "*slap of the century*":

*"I say to Trump and Netanyahu, Jerusalem is not for sale, all our rights are not for sale and are not for bargain. And your deal, the conspiracy, will not pass."*<sup>6</sup>

Egypt's President **Abdel Fattah el-Sisi** (2014-present) urged the Palestinians, who cut all ties to the US and Israel following the release of the plan,<sup>7</sup> to "*carefully consider*" Trump's proposal.<sup>8</sup> Sisi has fostered close ties with Trump, and his words were a significant deviation from Egypt's historical position on the issue, which has been support for a two-state solution based on pre-1967 borders with **East Jerusalem** as the capital.<sup>9</sup>

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<sup>1</sup> Associated Press 28 Jan 2020.

<sup>2</sup> The New York Times, 18 Jan 2018

<sup>3</sup> Reuters, 28 Jan 2020.

<sup>4</sup> Reuters, 28 Jan 2020.

<sup>5</sup> The Washington Post, 29 Jan 2020.

<sup>6</sup> The Washington Post, 29 Jan 2020.

<sup>7</sup> Bloomberg, 1 Feb 2020.

<sup>8</sup> Ahram Gate, 31 Jan 2020.

<sup>9</sup> Al Ahram, 28 Jan 2020.

The airing of an interview with the government's key mouthpiece, **Amr Adib**, on his show, **Al Hakaya**, and Trump's **Middle East** adviser, **Jared Kushner**, the plan's chief architect and an ardent **Zionist**, echoed this shift. Kushner told Adib that he sees a "very high probability" the Palestinian leadership will "blow" their chance at accepting the plan, which would end up hurting the Palestinian people and the region.<sup>10</sup> Such an interview being aired in Egypt would have been unthinkable under the leadership of former president **Hosni Mubarak** (1981-2011). Mubarak himself commented on the potential of such a plan to destabilise the region, saying in a television interview in March last year:

*"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>11</sup>


Egypt's generally positive stance on the plan, which included the government issuing directives to local media to refrain from engaging in criticism of the deal,<sup>12</sup> has led some sources to speculate that Egypt is being incentivised to support Trump's plan with assistance from **Washington** (US) on vexing talks with **Ethiopia** over the operation of the **Grand Ethiopian Renaissance Dam (GERD)** (see below) and potentially with more financial aid.<sup>13</sup>

Sources point to the further destabilising effects on Egypt, particularly in the restive **Sinai Peninsula**, should Palestinian **Sunni-Islamic** fundamentalist militant organisation **Hamas**, which governs the besieged enclave of **Gaza**, choose to respond with rocket fire and a renewed build-up of arms in the area in response to unilateral pushing through of key parts of the plan by Israel. Pre-empting this, the **Arab League** rejected the proposal as "unjust" following a meeting of foreign ministers in Cairo on 31 January saying that it would not cooperate with the US in any attempts to implement the plan.<sup>14</sup> The League also warned Israel against unilaterally putting the plan into action, which the organisation said would be an infringement of international law.

#### The 22 Member States of the Arab League

\* Founder States

Member State	Admission	Member State	Admission
 Algeria	16-08-1962	 Bahrain	11-09-1971
 Comoros	20-11-1993	 Djibouti	04-09-1977
 Egypt *	22-03-1945	 Iraq *	22-03-1945
 Jordan *	22-03-1945	 Kuwait	20-07-1961
 Lebanon *	22-03-1945	 Libya	28-03-1953
 Mauritania	26-11-1973	 Morocco	01-10-1958
 Oman	29-09-1971	 Palestine	09-09-1976
 Qatar	11-09-1971	 Saudi Arabia *	22-03-1945
 Somalia	14-02-1974	 Sudan	19-01-1956
 Syria *	22-03-1945	 Tunisia	01-10-1958
 United Arab Emirates	06-12-1971	 Yemen *	05-05-1945

 Eritrea joined the Arab League as an observer in January 2003.

Source: Nations Online

### Latest round of Washington-mediated GERD talks end in agreement

Egypt, Ethiopia, and **Sudan** have reached an agreement over the most pressing issues related to the Grand Ethiopian Renaissance Dam (GERD), including the timeline for filling the dam's reservoir in stages following US-mediated talks in Washington.<sup>15</sup>

The talks revolved around trying to negotiate key differences over the annual flow of water that should be guaranteed to Egypt and how to manage flows during droughts. Ethiopia and Sudan assert

<sup>10</sup> Al Hakaya, 1 Feb 2020.

<sup>11</sup> Al Anba, 19 May 2019.

<sup>12</sup> Source, journalist, Cairo

<sup>13</sup> Source, journalist, Cairo

<sup>14</sup> Press release, 1 Feb 2020.

<sup>15</sup> Press release, 31 Jan 2020.

their right to exploit the **Nile** waters to further develop their economies while Egypt sees any loss of Nile water as an existential threat.

The three countries' foreign and water resources ministers also agreed on the dam's filling and long-term operation during periods of drought and "*prolonged dry years*", according to a statement released by the **US Treasury Department**.<sup>16</sup> However, Egypt was the only country of the three to sign an initial agreement drafted at the end of the talks, which outlined the points that were accepted during the meeting. This led to speculation by local pundits that Egypt likely got its way in the talks.<sup>17</sup>

The details of the agreement reached between the three countries remain opaque. Ethiopia had initially planned to fill the dam's reservoir in 12 years, beginning this July.<sup>18</sup> The statements do not clarify whether this timeline has been changed. The agreement will also outline mechanisms for cooperation and dispute settlement over the dam, the statements say, without providing further information on what these mechanisms would entail. The three countries are expected to sign the final deal by the end of February, after the agreement is reviewed.<sup>19</sup>

The GERD, announced in 2011, has been positioned as the centrepiece of Ethiopia's push to become **Africa's** biggest power exporter, generating more than 6,000 megawatts. Egypt currently receives about 85% of its water from the Nile and is already anticipating a nationwide shortage of fresh water by 2025.<sup>20</sup> Egypt has previously said that without the concessions it has asked for, it would risk losing more than one million jobs and \$1.8 billion in economic output annually, as well as electricity valued at \$300m.<sup>21</sup>

### First case of Coronavirus in Egypt

Egypt announced the first case of Coronavirus on 14 February, with the health ministry confirming that it had placed a foreign national in quarantine.<sup>22</sup> This follows the previous evacuation and quarantine of Egyptian expats from **Wuhan (China)** where the outbreak of the coronavirus originated.<sup>23</sup> The ministry did not specify the person's nationality, although local papers suggested the person was a Chinese national.<sup>24</sup> The case is the first in Africa and makes Egypt the 28<sup>th</sup> country the virus has reached.<sup>25</sup>

While all flights by the national carrier **EgyptAir** have been cancelled, shipping lines are still operating but with severe delays.<sup>26</sup> Egypt is a major importer of Chinese goods, including plastic and acrylics. The **Cairo Chamber of Commerce** has called on the government for the release of imported Chinese goods that are being held in Egyptian ports due to a slowdown in Chinese paperwork saying that the delays threaten to drive up prices.<sup>27</sup> However parliamentarians have also discussed the potential of the virus to wreak havoc on Egypt's already fraught health system and are debating whether to restrict shipping activities, alongside the feasibility of doing random testing for the virus in schools, mosques and other places with large gatherings.<sup>28</sup>

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<sup>16</sup> Press release, 31 Jan 2020.

<sup>17</sup> Al Hayat, 1 Feb 2020.

<sup>18</sup> Associated Press, 1 Feb 2020.

<sup>19</sup> Press release, 31 Jan 2020.

<sup>20</sup> Quartz, Sep 17 2019.

<sup>21</sup> Reuters, Sep 16 2019.

<sup>22</sup> Press release, 14 Feb 2020.

<sup>23</sup> Press release, 14 Feb 2020.

<sup>24</sup> Youm7, 14 Feb 2020.

<sup>25</sup> Mada Masr, 14 Feb 2020.

<sup>26</sup> Al Mal, 15 Feb 2020.

<sup>27</sup> Enterprise, 16 Feb 2020.

<sup>28</sup> Al Masry Al Youm, 16 Feb 2020

## Planner

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

March 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**;

March 2020 **Cairo (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

18 Feb 2020 **Cairo (Egypt)** *Press release*. **United Arab Emirates**-based oil and gas company **Dragon Oil** plans to invest an additional \$650m in Egypt over the next five years by acquiring operating assets in the **Western Sahara**;

16 Feb 2020 **Cairo (Egypt)** *Press release*. **Canada**-based **Aton Resources** gets Egypt's first new gold exploration licence in 15 years;

15 Feb 2020 **Cairo (Egypt)** *Sky News Arabia*. The oil ministry signs memoranda of understanding with five international oil companies – **Royal Dutch Shell**, **Chevron**, **BP**, **Total**, and **ExxonMobil** – for deep-water oil and gas exploration and production off its western **Mediterranean** coast;

14 Feb 2020 **Cairo (Egypt)** *Press statement*. Egypt's foreign ministry confirms the first case of covid-19 (coronavirus) infection;

13 Feb 2020 **Cairo (Egypt)** *Enterprise*. **United Arab Emirates**-based **Dana Gas** will make a decision on Egypt asset sale by end of March, as they confirm the Egyptian government has not followed through on promise to pay outstanding arrears of \$111m by end of 2019;

12 Feb 2020 **Cairo (Egypt)** *Masrawy*. State-owned **Banque du Caire (BdC)** shares could start trading on the **Egyptian Exchange (EGX)** by the middle of April;

12 Feb 2020 **Cairo (Egypt)** *Press statement*. **Egyptian General Petroleum Corporation (EGPC)** has signed an agreement with **United States**-based engineering company **Bechtel** to establish a \$6.7 billion petrochemical plant and refinery in the **Suez Canal Economic Zone**;

12 Feb 2020 **Cairo (Egypt)** *Bloomberg*. Egypt is still in talks with the **International Monetary Fund (IMF)** over a post-loan structural reform agreement, which could focus on eliminating bureaucracy to clear a significant hurdle in attracting private sector investment;

11 Feb 2020 **Cairo (Egypt)** *Press statement*. Annual urban inflation rose for the third consecutive month in January;

11 Feb 2020 **Cairo (Egypt)** *Enterprise*. Government is considering whether to give property tax exemptions to state-affiliated factories and private-sector companies in a handful of "strategic" industries including oil, gas and steel;

9 Feb 2020 **Cairo (Egypt)** *Youm7*. Egyptian MPs want to raise taxes on anyone earning more than EGP 1 million (\$150,000) a year;

9 Feb 2020 **Cairo (Egypt)** *Al Jazeera*. Researcher and activist **Patrick George Zaki** is arrested at **Cairo International Airport** upon his arrival, in a move prompting condemnation by human rights groups;

5 Feb 2020 **Cairo (Egypt)** *Press statement*. Foreign minister **Sameh Shoukry** and **Russia's** foreign minister, **Sergei Lavrov**, talk resolving **Palestinian** crisis amid controversial **United States** plan;

4 Feb 2020 **Cairo (Egypt)** *Press statement*. Egypt takes its first step toward privatising some military-owned companies;

2 Feb 2020 **Cairo (Egypt)** President **Abdel Fattah El-Sisi** calls for direct **Palestine-Israel** talks as **Palestinian Authority** cuts off ties with **Washington** and **Tel Aviv** over President **Donald Trump's** peace plan:

3 Feb 2020 **Cairo (Egypt)** *Arab News*. Security sources and witnesses say armed men attack a gas pipeline in the north of **Egypt's Sinai Peninsula**, but gas imports through **North Sinai** from **Israel** are unaffected;

2 Feb 2020 **Cairo (Egypt)** *Partech Africa's 2019 report*. Egypt leapfrogs **South Africa** and **Nigeria** in startup investments as total startup funding in Egypt in 2019 rose 215% y-o-y to hit \$211m;

29 Jan 2020 **Cairo (Egypt)** *CGTN Africa*. **United Kingdom**-based telecom giant **Vodafone Group** strikes preliminary deal to sell its 55% stake in its **Egyptian** unit to **Saudi Arabia's** largest telecoms operator, **STC**, for \$2.4 billion;

27 Jan 2020 **Cairo (Egypt)** *Egypt Independent*. **High Administrative Court** approves **Cairo University's** decision to ban its professors from wearing the niqab, or face veil, ending a controversy over freedoms that began five years ago;

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

### About Africa Risk Consulting:

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