

## AFRICA RISK CONSULTING

### Egypt Briefing August 2020

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#### Egypt Summary 18 August 2020

*President Abdel-Fattah al-Sisi (2014-present) ratifies legal amendments that bar retired army officers from running for presidential, parliamentary or local elections without prior consent from the military, further entrenching his one-man authoritarian grip on power. Egypt takes possession of fighter jets in a controversial deal with Russia that threatens ties with the United States and may trigger sanctions. Egypt signs a maritime deal with Greece amid ongoing tensions with Turkey over Eastern Mediterranean energy resources and Libya.*

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#### Sisi makes changes that bar former military officers from running in elections

President **Abdel-Fattah al-Sisi** (2014-present) has approved legal amendments that bar retired army officers from running for presidential, parliamentary or local elections without permission from the **Supreme Council of the Armed Forces**.<sup>1</sup> Restrictions on entering politics or standing for election without permission from the army previously only applied to serving officers.<sup>2</sup> The amendments further extend military control over civilian life, while simultaneously ruling out any serious contenders who might dare to challenge the president electorally.<sup>3</sup> The move comes as Sisi, a former field marshal who ousted his democratically elected predecessor in a military coup, has sought to stifle all criticism and stem the potential for any opponents to challenge his tight grip on power.

Just as Sisi amended the laws that govern appointments of editors of key state publications and judges, blocking former military personnel represents an even more drastic step to curb any potential opposition. Given the respect that ex-officers occupy within the government and the public, they represent the most credible challenge to his rule. Former military chief-of-staff **Sami Anan** was arrested in 2018 after the military accused him of seeking to run in presidential elections without permission.<sup>4</sup> **Ahmed Shafik**, a prominent general under former president **Hosni Mubarak** (1981-2011), came close to winning **Egypt's** first democratic election in 2012, but withdrew his bid under strange circumstances.

In terms of the new amendments, the army's role in political life will be further expanded with the defence minister also appointing a military adviser for each governorate.<sup>5</sup> The army will be able to weigh in on proposed constitutional amendments and bills related to political rights, elections and national security.<sup>6</sup> The government has claimed the changes aim to control the spread of "national secrets" entrusted to military personnel during their service. However, critics argue that the move is intended to threaten opposition contenders and avoid the potential embarrassment associated with the last election.

The army has already expanded its role in civilian life and throughout the economy, to the dismay of private enterprise, holding a significant monopoly over areas including construction, food production and manufacturing. This latest move by the president is seen by the business establishment as another grim attempt by a paranoid leader to secure what many see as his aspirations for lifetime rule. There is growing discontent about the already outsized role the military has in the economy, a

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<sup>1</sup> Official Gazette, July 2020.

<sup>2</sup> Al Ahram, 31 Jul 2020.

<sup>3</sup> ARC Egypt analyst

<sup>4</sup> The Guardian 23 Jan 2020.

<sup>5</sup> Youm7, 30 Jul 2020.

<sup>6</sup> Youm7, 30 Jul 2020.

role that President Sisi has increased tenfold. Business leaders frequently talk privately about the difficulties of doing business under this government, as well as the numerous benefits afforded to military companies who use free conscript labour and avoid paying tax or having civilian oversight over their operations. They see such moves as part of an ongoing attempt to create a new oligarchy where business opportunities are afforded primarily to those who demonstrate loyalty to the government.

### Egypt receives aircraft from Russia amid controversial deal at odds with US

Russian media outlets reported on 27 July that a first batch of **Sukhoi** fighter jets were being delivered to Egypt under a \$2 billion agreement made in 2019, over which the **United States (US)** threatened sanctions last year.<sup>7</sup> In November, the **Wall Street Journal** obtained a letter sent by US secretary of state **Michael Pompeo** and defence secretary **Mark Esper** to Egyptian defence minister **Mohammed Ahmed Zaki**, an unusual rebuke of Egypt, which has been a key ally in the region. President **Donald Trump** (2017-present) has worked to build close ties with Sisi personally, calling him “my favourite dictator”<sup>8</sup> (see *ARC Briefing Egypt November 2019*). In the letter, Pompeo and Esper were quoted:

*“Major new arms deals with Russia would – at a minimum – complicate future US defense transactions with and security assistance to Egypt.”<sup>9</sup>*

The most recent reports published in Russian media come at a time of heightened tension as Egypt pushes back attempts by **Turkey** to dominate its western borders (see *ARC Briefing Egypt July 2020*). Sources cited in the report indicated that these “heavy and long-range fighter jets would give the Egyptian army superiority in the regional sky, which is why the US strongly objected.”<sup>10</sup> Major General **Hamdi Bakhit**, a member of the parliamentary defence and national security committee, also hinted at the **Libya** connection, saying that the Sukhoi fighters are an important addition to the **Egyptian Air Force** in light of the present threats to the region.<sup>11</sup>

Major General **Nasr Salem**, former head of the Egyptian army's reconnaissance department and professor of strategic studies at the **Nasser Higher Military Academy**, in media interviews reasserted Egypt's right to diversify its sources of arms with a comparison to **Israel**, alluding to the widely held opinion in **Cairo** that Egypt is treated by the US as a second-tier ally when compared to the military aid given to its neighbour:

*“Why doesn't the US supply Egypt with the F-35 fighters that it supplied Israel with, since it is objecting to the Russian Su-35 fighters deal?”<sup>12</sup>*

In 2017, the US, aiming to punish Russia for actions including its annexation of **Crimea** and alleged election interference in the US, placed secondary sanctions on countries that do business with Russia's defence and intelligence sectors.

The US has long been a major supplier of weapons to Egypt, but Russia has been aggressively expanding its influence in the **Middle East** and more recently in **Africa**, bolstering the regime of **Syria's** President **Bashar al-Assad** (2000-present), aiding the government of the **Central African Republic** with weapons and security personnel and building ties with Turkey.<sup>13</sup>

Sources have previously raised concerns over Egypt's closer ties to Russia, which is increasingly seen as a new source of instability in the region, with its growing stakeholder role in conflict zones such as Syria and Libya, as well as with its nuclear power partnership with Egypt.

<sup>7</sup> RT Arabic, 27 Jul 2020.

<sup>8</sup> Wall Street Journal, 13 Sep 2019.

<sup>9</sup> The Wall Street Journal, 14 Nov 2019.

<sup>10</sup> RT Arabic, 27 Jul 2020.

<sup>11</sup> Al Monitor, 3 Aug 2020.

<sup>12</sup> Al Monitor, 3 Aug 2020.

<sup>13</sup> The Economist, 26 Oct 2019.

## Egypt's maritime agreement with Greece stokes tension with Turkey

Egypt and **Greece** signed an agreement on 6 August designating an exclusive economic zone in the **Eastern Mediterranean Sea** between the two countries, an area containing promising oil and gas reserves.<sup>14</sup> The new deal comes in response to a border agreement in December made between Turkey and Libya's prime minister of the **Government of National Accord (GNA)**, **Fayez al-Sarraj**, which Greece, **Cyprus** and Egypt condemned, claiming the accord was contrary to international law.<sup>15</sup> In response, Greece expelled the Libyan ambassador over the deal.<sup>16</sup> The **European Union (EU)**, already angered by Turkey's attempts to drill for gas off Cyprus, has said it

*"...unequivocally reaffirms its solidarity with Greece and Cyprus regarding these actions of Turkey."<sup>17</sup>*

Egypt's foreign minister, **Sameh Shoukry**, pointed out that the new agreement paves the way for more regional cooperation between the Egyptian and Greek sides in the field of energy, with the two countries being members of the **Eastern Mediterranean Gas Forum**.<sup>18</sup>

Speaking to reporters in Cairo, Greece's foreign minister, **Nikos Dendias**, in a defiant show of strength intended to stoke tensions with Turkey, said that the agreement with Egypt:

*"... is the absolute opposite of the illegal, void and legally unfounded memorandum of understanding that was signed between Turkey and **Tripoli**. Following the signing of this agreement, the non-existent Turkish-Libyan memorandum has ended up where it belonged from the beginning: in the trash can."<sup>19</sup>*

Turkey is refusing to acknowledge the deal, saying it considers the agreement null and void and that it violates Libya's maritime rights.<sup>20</sup> Turkey's foreign minister claimed on the same day the Egypt-Greece deal was signed that the deal is moot because it falls in the area of Turkey's continental shelf. Tensions were already high between Greece and Turkey over the exploration of energy in the area. Just days earlier Egypt warned Turkey that its planned seismic survey in the eastern Mediterranean would intrude into maritime territory claimed by Egypt, and would constitute "an assault" on Egypt's sovereignty.

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<sup>14</sup> Al Ahram, 7 Aug 2020.

<sup>15</sup> Al Ahram, 7 Aug 2020.

<sup>16</sup> The New York Times, 28 Nov 2019

<sup>17</sup> Associated Press, 12 Dec 2019.

<sup>18</sup> Youm7, 7 Aug 2020.

<sup>19</sup> Press release, 6 Aug 2020.

<sup>20</sup> Egyptian Streets, 7 Aug 2020.

## Planner

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

## Chronology

18 Aug 2020 **Cairo (Egypt)** *Menabytes*. Egyptian electronic payments company **Fawry** now has a market cap of over \$1 billion;

17 Aug 2020 **Cairo (Egypt)** *Associated Press*. Egyptian envoys leave **Gaza** after a bid to ease **Israel** tensions;

17 Aug 2020 **Cairo (Egypt)** *Finance Minister*: Egypt has started disposing of abandoned and dangerous materials at ports after the massive explosion in **Beirut's** port;

17 Aug 2020 **Cairo (Egypt)** *Egypt Today*. Egypt's unemployment rate records 9.6% in Q2 2020;

17 Aug 2020 **Cairo (Egypt)** *Al Borsa*. Prime minister **Moustafa Madbouly** urges precautionary measures to avoid **coronavirus** resurgence;

17 Aug 2020 **Cairo (Egypt)** *Press release*. Egypt has sold €605.3m (\$722m) in one-year Euro-denominated treasury bills;

15 Aug 2020 **Cairo (Egypt)** *Associated Press*. **Pope Francis** calls for dialogue between Egypt, **Ethiopia** and **Sudan** over Ethiopia's **Grand Ethiopian Renaissance Dam** on the **Nile River**;

13 Aug 2020 **Cairo (Egypt)** *Al Ahram*. The **International Monetary Fund (IMF)** says the impact of the **coronavirus** pandemic is being felt on Egypt's main hard-currency earners;

14 Aug 2020 **Cairo (Egypt)** *Associated Press. Egyptian Streets*. Egypt increases **Cairo Metro** fares for the second consecutive year;

11 Aug 2020 **Cairo (Egypt)** *Egypt Independent*. Egyptians vote for revived upper house of Parliament, similar to President **Hosni Mubarak**-era legislature;

5 Aug 2020 **Cairo (Egypt)** *Forbes*. **Egypt** risks facing **United States** sanctions in the near future for purchasing advanced **Russian** military hardware;

4 Aug 2020 **Cairo (Egypt)** *Enterprise*. **Australian**-owned gold mining company **Centamin's** first-half earnings jump on strong gold prices and higher Egypt mine output;

4 Aug 2020 **Cairo (Egypt)** *Arab Investment and Export Credit Guarantee Corporation*. Egypt was the top destination for foreign direct investment in the **Arab** world in the past five years, attracting \$124.5 billion-worth of project commitments between January 2015 and December 2019;

4 Aug 2020 **Cairo (Egypt)** *Al Arabiya*. Egypt warns **Turkey** that its planned seismic survey in the eastern **Mediterranean** would intrude into maritime territory claimed by Egypt, and would constitute "an assault" on Egypt's sovereignty;

3 Aug 2020 **Cairo (Egypt)** *Al Ahram*. **Egypt, Ethiopia** and **Sudan** have restarted technical talks to **discuss** remaining sticking points during the second meeting of a new round of **African Union**-sponsored **Grand Ethiopian Renaissance Dam (GERD)** negotiations;

30 Jul 2020 **Cairo (Egypt)** *Reuters*. Egypt signs a \$639m loan with the **Arab Monetary Fund**;

29 Jul 2020 **Cairo (Egypt)** *Press release*. Egypt's budget deficit falls to 7.8% in FY 2019/20.

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