

AFRICA RISK CONSULTING

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Egypt Summary 16 April 2021

Egypt faces crisis as a massive cargo vessel, Japan-based Shoei Kisen's Ever Given, runs aground and blocks the Suez Canal, halting billions of dollars a day in maritime commerce amid the Covid-19 downturn. Talks between Egypt, Ethiopia and Sudan over the operations of the controversial Grand Ethiopian Renaissance Dam (GERD) fall apart in Kinshasa (Democratic Republic of the Congo), as the second dam filling looms. President Abdel Fattah El Sisi (2014-present) calls the threats to Egypt's water supply a "red line". Covid-19 cases grow at an increasing rate as the holy month of Ramadan begins and Egypt continues its Covid-19 vaccination programme.

Egypt claims \$900m for Suez Canal blockage

Egypt's Suez Canal Authority says it is demanding \$900m in compensation after Japan-based Shoei Kisen's container ship, **Ever Given**, blocked one of the world's most vital waterways at the end of March, clogging shipping traffic for over five days.¹ The vessel, bound for the **Netherlands**, ran aground in the **Suez Canal** on 23 March. The ship was unable to keep a straight trajectory due to strong winds and sandstorms that reduced visibility.² Salvage teams freed the **Ever Given** on 29 March, ending a crisis that had halted billions of dollars a day in maritime commerce.³

The Suez Canal is the shortest shipping route between **Europe** and **Asia**. Roughly 30% of the world's shipping container volume transits through the 193-km Suez Canal daily, and about 12% of total global trade of all goods.⁴ About 50 ships a day pass through the canal, and more than 442 vessels were held up by the blockage. Data from **Lloyd's List** showed the stranded ship was holding up an estimated \$9.6 billion of trade along the waterway each day, roughly \$400m and 3.3 million tonnes of cargo an hour, or \$6.7m a minute.⁶ The Egyptian government says it has seized the vessel that caused the blockage and expects to claim some \$1 billion in damages, which includes foregone revenues of around \$15m per day and damages to the canal from dredging the embankment to dislodge the ship.⁷

Litigation could be complicated, as the vessel is Japanese-owned, operated by a **Taiwanese** shipper, and flagged in **Panama**.⁸ In the meantime, the massive ship has been impounded by a court in **Ismailia**, as the authority pursues reparations. Suez Canal Authority head **Osama Rabie** said:

"The vessel is now officially impounded. They do not want to pay anything."

Following the freeing of the vessel, a triumphant President **Abdel Fattah El Sisi** (2014-present) said the incident had drawn global attention to the importance of the waterway as a vital corridor between Europe and Asia. The waterway has been of particular significance to Sisi, who ordered its expansion in 2015, at a cost of more than \$8 billion as part of his push for megaconstruction projects.⁹ However,

¹ Al Ahram, 13 Apr 2021

² Associated Press, 24 Mar 2021.

³ Reuters, 29 Mar 2021.

⁴ Reuters, 29 Mar 2021.

⁵ BBC, 28 Mar 2021.

⁶ BBC, 29 Mar 2021.

⁷ Ala Masouleety, 31 Mar 2021.

⁸ Reuters, 30 Mar 2021.

⁹ BBC, 15 Aug 2015.

Russia seized on the incident as an opportunity to highlight the safety of its **Northern Sea Route** and its *"reliability in comparison to alternative routes"*.¹⁰

Latest GERD talks fail amid rising regional tension

The latest round of talks between **Sudan** and Egypt with **Ethiopia** over the **Grand Ethiopian Renaissance Dam (GERD)** have ended without progress, putting the region on edge as a summer deadline for the dam's second filling looms.¹¹ The three countries met in **Kinshasa (Democratic Republic of the Congo)(DRC)** on 2 April in an effort to break a deadlock in talks over the dam, which Ethiopia says is key to its future economic development.¹² Egypt, already facing crucial water shortages, fears the dam will imperil its supply of **Nile** water, while Sudan is concerned about the dam's safety and water flows through its own dams.

Before the meetings began, Egypt said they represented the last chance to restart negotiations before Ethiopia begins to fill the dam for the second year in a row after seasonal rains begin this summer. Sisi had also issued a warning that Ethiopia will not be allowed to take *"a single drop"* of water from Egypt, and cautioned that further attempts to disrupt the Nile's flow will cause *"inconceivable instability"* in the region.¹³ Tensions have continued to grow as Ethiopia said it plans to go ahead with the second phase of filling the dam in July in the absence of an agreement with Egypt and Sudan.

Egypt and Sudan both blamed Ethiopian *"intransigence"* for the collapse of the talks. The countries have suggested inviting the **United States (US)**, **European Union** and the **United Nations (UN)** into the negotiating process and joining the **African Union (AU)** as a mediator in the dispute. Ethiopia rejects this option in favour of sticking with the AU-led process.¹⁴

Egypt's foreign minister, **Sameh Shoukry**, said Egypt could turn to the **UN Security Council** in an attempt to force the issue.¹⁵ Egypt last went to the security council in July 2020 before Ethiopia went ahead with the first filling of the reservoir. Shoukry said negotiations would be the last chance to reach an agreement before the second filling of the dam, an act that President El Sisi has described a *"red line"*.¹⁶

Against the backdrop of the ongoing stalemate, Egypt has been upping military cooperation with its **African** basin neighbours, signing a military intelligence sharing agreement with **Uganda**, which controls the source of the **White Nile** and has in the past opposed Egypt's attempts to influence power projects in the Nile.¹⁷ Egypt has also signed an agreement for military co-operation with **Burundi**.¹⁸ These agreements off the back of the latest round of failed talks are part of Egypt's significant push to bolster its ties with African countries and get international community backing on its position on GERD.

Covid-19 update

Egypt's health ministry reported 831 new **Covid-19** infections on 15 April, up from 823 the day before. Egypt has now disclosed a total of 212,961 confirmed cases of Covid-19 in its population of roughly 102 million people.¹⁹ The ministry reported 44 new deaths, bringing the country's death toll to 12,570. The second week of April's infection numbers mark a 22% week-on-week rise in the number of new Covid-19 cases across the region, with deaths also rising 17%.²⁰

¹⁰ Associated Press, 29 Mar 2021.

¹¹ Reuters, 8 Apr 2021.

¹² Reuters, 8 Apr 2021.

¹³ Al Masry Al Youm, 30 Mar 2021.

¹⁴ Al Ahram, 17 Mar 2021.

¹⁵ ExtraTv, 9 Apr 2021.

¹⁶ Youm7, 30 Mar 2021.

¹⁷ Reuters, 8 Apr 2021.

¹⁸ Egypt Today, 25 Mar 2021.

¹⁹ Press release, 15 Apr 2021.

²⁰ WHO, 14 April 2021.

Egypt has so far received nearly 1.6 million doses of different types of Covid-19 vaccines since December.²¹ These include 680,000 **Sinopharm** vaccines and 904,000 **AstraZeneca** vaccines. Egypt expects to receive a total of 5 million doses through the **Gavi/Covax** scheme by late April or early May. The first 854,000-dose batch of the vaccine landed on 13 April, but earlier reports suggested further deliveries could be interrupted as the manufacturer is struggling to keep up with global demand.²² Egypt placed a 40 million-shot order through Covax, which it expects to receive throughout the year.²³

Egypt was among 18 African countries that have purchased the 1 million AstraZeneca doses **South Africa** offloaded in March after a study showed the vaccine offered little protection against its local Covid-19 variant.²⁴ It remains unclear how many of these vaccine doses were earmarked for Egypt.

World Health Organisation East Mediterranean regional director **Ahmed Al Mandhari** said more than 30 million shots have been administered in 21 East Mediterranean countries so far, as the Covid-19 virus continues to spread among fears of an impending crisis over the coming month of Ramadan:

“Although progress has been made with starting vaccination around the world, there remains a shocking imbalance in the distribution of vaccines. This is especially true in our region.”

There are currently no restrictions on travel or movement in Egypt. Unlike many other countries, Egypt has not closed its borders to the United Kingdom, US, South Africa or **India**, all of which have struggled to deal with dangerous surges of a more contagious strain of the virus. While there was talk of imposing further restrictions over Ramadan, this has not taken place, leaving mandatory mask wearing in public transport (which is not enforced) as the only Covid-related restriction in place in Egypt.

Planner

2020-2021 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;

1 Jun 2021 **Cairo (Egypt)** *Al Bawaba*. The **International Monetary Fund (IMF)** will conduct a second review of targets set under the \$5.2 billion standby loan approved in June 2020;

Chronology

15 Apr 2021 **Cairo (Egypt)** *Al Ahram*. **Turkey** will send a delegation led by its deputy foreign minister to Egypt in early May, as **Ankara** ramps up a push to repair strained ties with Cairo after years of animosity;

13 Apr 2021 **Cairo (Egypt)** *The Guardian*. **Ever Given** ship insurer says Egypt is seeking \$916m over **Suez Canal** blockage;

13 Apr 2021 **Cairo (Egypt)** *Al-Ahram*. Egyptian government is demanding \$900m in compensation after the blockage of the **Suez Canal** at the end of March, and has seized **Japan-based Shoen Kisen's** container ship, **Ever Given**, that caused the blockade;

13 Apr 2021 **Cairo (Egypt)** *Reuters*. Egypt's current account deficit widened to \$4.8 billion in October-December;

13 Apr 2021 **Cairo (Egypt)** *Reuters*. Egypt and **Sudan** have rejected an **Ethiopian** proposal to share data on the operations of the **Grand Ethiopian Renaissance Dam** on the **Blue Nile** after negotiations between the three countries in **Kinshasa (Democratic Republic of the Congo)** ended without progress.

9 Apr 2021 **Cairo (Egypt)** *Al Ahram*. **Uganda** and Egypt have signed a military intelligence

²¹ Al Masry Al Youm, 12 Apr 2021.

²² Ahram Gate, 15 Apr 2021.

²³ Al Masry Al Youm, 12 Apr 2021.

²⁴ Bloomberg, 2 Apr 2021.

sharing agreement against a backdrop of rising tensions between Egypt and **Ethiopia** over the **Grand Ethiopian Renaissance Dam** on the **Nile** river;

8 Apr 2021 **Cairo (Egypt)** *Bloomberg*. Egyptian digital payments provider **Paymob** raises \$15m in a second tranche of its Series A funding round;

8 Apr 2021 **Cairo (Egypt)** *Reuters*. Health minister says Egypt aims to produce up to 80 million **Sinovac** vaccine doses annually;

7 Apr 2021 **Cairo (Egypt)** *AA*. President **Abdel Fattah al-Sisi** says he will not allow **Egypt's Nile** water supply to be disrupted, warning that all options are open to deal with the **Grand Ethiopian Renaissance Dam** crisis;

6 Apr 2021 **Cairo (Egypt)** *Business Insider*. **Egyptian** official says Egypt could try to collect \$1 billion in compensation to cover the costs of helping to free the **Ever Given** ship from the banks of the **Suez Canal**;

6 Apr 2021 **Cairo (Egypt)** *Egypt Independent*. Investment management firm **Sawari Ventures** reaches a \$69m final close for its **Egypt**-focused fund, which will invest in early-stage and growth-stage tech companies in Egypt;

5 Apr 2021 **Cairo (Egypt)** *Enterprise*. Public enterprises minister **Hisham Tawfik** says two or three state-owned companies will sell shares on the **Egyptian Exchange (EGX)** in Q3-2021, reviving the long-dormant state-privatisation programme;

5 Apr 2021 **Cairo (Egypt)** *Enterprise*. Finance minister says Egypt expects growth of 2.8% in the financial year ending June;

1 Apr 2021 **Cairo (Egypt)** *Youm7*. The first 854,000-dose batch of **Oxford / AstraZeneca** vaccines from the **Gavi/Covax** programme lands in Egypt; the shipment, which was initially expected to carry 5 million doses, is the first delivery from a 40 million-shot order Egypt placed for the vaccine through Covax;

1 Apr 2021 **Cairo (Egypt)** *Enterprise*. Egypt received 500,000 tourists in the first three months of 2021 and earned tourism revenues of between \$600m and \$800m;

30 Mar 2021 **Cairo (Egypt)** *Middle East Eye*. President **Abdel Fattah el-Sisi** promises his government will buy equipment to prevent the **Suez Canal** blockage from happening again, as the waterway prepares to reopen following a blockage on 23 March;

29 Mar 2021 **Cairo (Egypt)** *Enterprise*. Egypt's relisting on **JP Morgan bond index** could attract \$4.8 billion;

29 Mar 2021 **Cairo (Egypt)** *Enterprise*. **Suez Canal Authority** says traffic in the channel has resumed after the stranded ship **Ever Given** was refloated;

29 Mar 2021 **Cairo (Egypt)** *Enterprise*. **Russia's** energy ministry says the stranded **Ever Given**, blocking Egypt's **Suez Canal**, has highlighted the safety and sustainability of its Northern Sea Route (NSR) and Russian energy pipelines.

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