

## AFRICA RISK CONSULTING

### Egypt Monthly Briefing February 2022

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#### Egypt Summary 15 February 2022

*Germany's foreign minister, Annalena Baerbock, says that human rights criteria will be at the centre of the new government's international arms sales policy during a visit to Cairo, as the German government signals its ambition to curb arms exports to countries outside of the European Union and North Atlantic Treaty Organization (NATO). Egypt has been closely observing mounting tensions between Russia and Ukraine amid concerns over the supply of wheat; a vital import given Egypt's status as the world's large importer. Scientific Committee to Combat the Coronavirus Pandemic chairperson Hossam Hosni attributes a recent upsurge in Covid-19 infections to the failure of citizens to abide by precautionary measures including wearing masks and maintaining hygiene.*

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#### Germany's foreign minister says Egypt's arms purchases are under scrutiny

Germany's foreign minister, **Annalena Baerbock**, said during a visit to **Cairo** on 12 February that human rights criteria will be at the centre of her new government's international arms sales policy. Baerbock met with President **Abdel Fattah el-Sisi** (2014-present) and Egypt's foreign minister, **Sameh Shokry**.<sup>1</sup> Germany exported a record €9.35 billion (\$10.6 billion) of weapons in 2021, of which €4.3 billion (\$4.8 billion) worth went to Egypt. Most of these purchases were authorised by Germany's former chancellor, **Angela Merkel** (2005-2021).<sup>2</sup> The new government has signaled that it is keen to curb arms exports to countries outside of the **European Union (EU)** and the **North Atlantic Treaty Organization (NATO)**.<sup>3</sup>

The German foreign minister's comments follow the announcement by the administration of **United States (US)** President **Joseph Biden** (2021-present) on 29 January that it would deny \$130m of military aid allocated to Egypt over the country's failure to comply with human rights conditions.<sup>4</sup> The announcement came before a 30 January deadline for the **US State Department** to announce plans for the funds, which are the remaining portion of a controversial \$300m tranche of aid that was split up in September 2021.<sup>5</sup>

Critics describe the withholding of a relatively small amount from the overall annual \$1.3 billion in aid, just days after it announced further new arms sales to Egypt, as largely a superficial ploy to appease some members of the **US Congress** who have been critical of the deteriorating political climate in Egypt. Sources also noted that they saw no overall disruption to the US-Egypt relationship, despite the decision to withhold aid, noting that Egypt continues to play a significant role in preserving the fragile ceasefire between **Israel** and **Gaza**.

Earlier in February, 175 **European** politicians signed a letter calling on the **United Nations (UN)** to scrutinise human rights in Egypt.<sup>6</sup> The lawmakers issued a statement calling on the **UN Human Rights Council** to establish a monitoring and reporting mechanism on Egypt at its upcoming highest-level meeting of 2022, set for 28 February:

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<sup>1</sup> Deutsche Welle, 12 Feb 2022.

<sup>2</sup> AP, 12 Feb 2022.

<sup>3</sup> Reuters, 24 Jun 2019.

<sup>4</sup> Reuters, 15 Sep 2021.

<sup>5</sup> CNN, 28 Jan 2022.

<sup>6</sup> AP, 3 Feb 2022.

*“We are extremely concerned about the international community’s persistent failure to take any meaningful action to address Egypt’s human rights crisis. This failure, along with continued support to the Egyptian government and reluctance to even speak up against pervasive abuses has only deepened the Egyptian authorities’ sense of impunity.”<sup>7</sup>*

The parliamentarians’ statement followed a speech by recently-freed Egyptian-**Palestinian** activist **Ramy Shaath**, addressed to the EU Parliament’s Human Rights committee, about his experience of “inhumane” living conditions in Egyptian prisons:

*“The legal system is politicised and not independent. Egyptian officers would say many times in prison ‘We are not subject to any law, we can take you, we can kill you, we can bury you, we can torture you, you are ours.’”*

### Tensions between Ukraine and Russia leave Egypt nervous over wheat supply

Egypt has been closely observing mounting tensions between **Russia** and **Ukraine** amid concerns over the supply of wheat; a commodity whose importance is highlighted by the fact that Egypt is the world’s largest wheat importer and the largest consumer of Ukrainian wheat.<sup>8</sup> In 2021 Egypt purchased the equivalent of around 14% of its total wheat needs from the eastern European nation.<sup>9</sup>

Russia, which opposes Ukraine’s inclusion into the **North Atlantic Treaty Organisation (NATO)** and has been pressuring Western nations to guarantee Ukraine’s exclusion from the organisation, has been amassing thousands of troops near the border with the former Soviet republic, raising fears that an invasion is imminent. Most Ukrainian wheat is grown in the east of the country, which is the area most likely to be affected by conflict, setting the stage for potential falls in production and supply shortfalls should tensions spill over.<sup>10</sup>

The **Black Sea** basin, where Russia has currently stationed dozens of its warships, is also one of the world’s most important areas for grain and agricultural exports.<sup>11</sup> The US-based **Middle East Institute** has noted that a conflict in or a blockade of the Black Sea would limit the agricultural products available to **Middle East and North African (MENA)** countries, giving rise to a potential food crisis.<sup>12</sup> Supplies from Ukraine would need to be replaced, which would result in a hike in prices, already at a 10-year high, reaching levels comparable to those during the **Arab Spring** (see *ARC Briefing Egypt Jan 2022*).

While Egyptian officials had previously said the country had enough wheat for five months’ supply, supply and internal trade minister **Ali El Moselhy** said on 13 February that the situation was causing “uncertainty” in the wheat market.<sup>13</sup> He added that a decision on whether to start hedging wheat could come by the end of March, and that the ministry is looking at diversifying wheat imports, having already purchased shipments in 2021 from **Latvia**, as well as exploring options to purchase from **France** and the US.<sup>14</sup>

Prices previously rose when Russian troops annexed the **Crimean Peninsula** from Ukraine in 2014. Moreover, the current crisis is taking place amid a global surge in commodity prices, particularly food staples, that is occurring as a result of post-Covid demand and ongoing supply chain issues. It also comes after the government announced in August that it was considering replacing a decades-old bread subsidy with cash payments for the poor to protect the budget from soaring wheat prices (see *ARC Briefing Egypt August 2021*). Finance minister **Mohamed Maait** previously noted that the surge in wheat prices would cost an additional EGP 12 billion (\$763m) out of the budget for this fiscal

<sup>7</sup> AP, 3 Feb 2022.

<sup>8</sup> Reuters, 13 Feb 2022

<sup>9</sup> Reuters, 13 Feb 2022

<sup>10</sup> The Economist, 3 Feb 2022.

<sup>11</sup> Middle East Institute, 7 Feb 2022.

<sup>12</sup> Middle East Institute, 7 Feb 2022

<sup>13</sup> Al Shorouk, 13 Feb 2022.

<sup>14</sup> Al Shorouk, 13 Feb 2022.

year.<sup>15</sup> However, with urban inflation rising to 7.3% in January 2022 from 5.9 % in December 2021 – recording its highest rate since August 2019 – it remains to be seen whether the subsidy changes will be feasible.

Food and beverage costs, which make up the primary indicator used to measure prices, rose at their quickest pace in 32 months, fueling the increase in the headline rate.<sup>16</sup> Bread remains a lightning rod issue in Egypt, having served as a catalyst surrounding the 2011 revolution that led to the ouster of former president **Hosni Mubarak** (1981-2011) after more than 30 years in power.

### Covid update

Egypt has experienced an upsurge in Covid-19 infections with the **Omicron** variant now the most prevalent strain. **Scientific Committee to Combat the Coronavirus Pandemic** chairperson **Hossam Hosni** has attributed the increase to the failure of citizens to abide by the government's suggestions of precautionary measures, including wearing masks and maintaining personal hygiene.<sup>17</sup> Egypt has reported a total of 457,081 cases of Covid-19 out of a population of 104 million since the **World Health Organization (WHO)** declared the pandemic on 11 March 2020. The country has recorded a total of 23,409 Covid-19-related deaths.<sup>18</sup>

Currently 29,159,423 people are fully vaccinated against Covid-19, while some 9.5 million people have received only their first shots, and 779,947 people have received booster shots. Hosni announced on 27 January that a new drug from US-based pharmaceutical company **Pfizer** will be used as part of Egypt's therapeutic protocol within the next two weeks.<sup>19</sup>

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<sup>15</sup> Bloomberg, 24 Jan 2022.

<sup>16</sup> Capmas, Jan 2022.

<sup>17</sup> Egypt Today, 27 Jan 2022.

<sup>18</sup> Press release, 16 Jan 2022.

<sup>19</sup> Daily News Egypt, 14 Feb 2022.

## Planner

Feb 2022 **Cairo (Egypt)** *Enterprise*. Egypt's second corporate green bond issuance expected to be announced;

Feb 2022 **Cairo (Egypt)** *Reuters*. **Lebanon** to receive gas from Egypt via a pipeline crossing **Jordan** and **Syria**;

22 Feb 2022 **Cairo (Egypt)** *Al Mal*. **Egyptian National Railway** forum to gauge public interest in its plans to delegate the management and operations of freight transport to the private sector;

Mar 2022 **Cairo (Egypt)** *Reuters*. Supply ministry expected to take final decision on bread subsidies by end of March.

## Chronology

13 Feb 2022 **Cairo (Egypt)** *MiddleEastEye*. **Germany's** foreign minister, **Annalena Baerbock**, says human rights criteria will play a role in her government's decision to sell arms to allies, including **Egypt**;

10 Feb 2022 **Cairo (Egypt)** *Enterprise*. Egyptian stock trading app **Thndr** has closed a \$20m series A round co-led by **Tiger Global**, **BECO Capital** and **Proses Ventures**;

9 Feb 2022 **Cairo (Egypt)** *Reuters*. **United States (US) Central Command** leader **General Frank McKenzie**, top US military commander in the **Middle East** region, visits Cairo in the wake of a decision by administration of US President **Joseph Biden** to cut \$130m in military aid to the country over human rights concerns;

9 Feb 2022 **Cairo (Egypt)** *Reuters*. **First Abu Dhabi Bank** has made an offer to buy a controlling stake in Egypt's largest investment bank, **EFG Hermes**, which values the **North African** lender at 18.5 billion Egyptian pounds (\$1.18 billion);

9 Feb 2022 **Cairo (Egypt)** *Reuters*. Egypt aims to sell around \$500m of **Japanese** yen-denominated bonds in Japan by the end of June as part of its debt diversification strategy;

9 Feb 2022 **Cairo (Egypt)** *CAPMAS*. Urban inflation rose to 7.3% in January from 5.9% in December, recording its highest rate since August 2019, while consumer prices went up by 0.9% on a monthly basis;

6 Feb 2022 **Cairo (Egypt)** *Markit's purchasing managers' index survey*. Non-oil business activity in Egypt contracted for the 14<sup>th</sup> consecutive month in January on the back of weaker demand and inflationary pressure;

5 Feb 2022 **Cairo (Egypt)** *AP*. Egypt detains media tycoon **Mohamed Amin** on charges of sexual assault;

3 Feb 2022 **Cairo (Egypt)** *AP*. **European** parliamentarians urge their governments to bring Egypt's "devastating" human rights situation under more global scrutiny in a statement calling on the **United Nations Human Rights Council** to establish a monitoring and reporting mechanism on Egypt at its upcoming first and highest-level meeting of 2022, set for 28 February;

25 Jan 2022 **Cairo (Egypt)** *Egypt Independent*. Government calls for resuming negotiations on the disputed **Grand Ethiopian Renaissance Dam** with **Ethiopia** as soon as possible;

18 Jan 2022 **Cairo (Egypt)** *Al Masry Al Youm*. President **Abdel Fattah el-Sisi** announces that the minimum monthly wage will rise to 2,700 Egyptian pounds (\$171.5), a 12.5% increase from the current 2,400 Egyptian pounds (\$152.5);

### About Africa Risk Consulting:

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