

AFRICA RISK CONSULTING

Egypt Monthly Briefing September 2023

Egypt Summary 20 September 2023

Egypt is among the six countries invited to join a bloc of emerging economies known as the BRICS during the organisation's annual summit in South Africa on 24 August. President Abdel Fattah El Sisi (2014-present) tells the audience at the Global Congress on Population, Health and Development on 5 September that unregulated population growth in Egypt is a catastrophe and must be regulated to avoid disaster. United States President Joseph Biden (2021-present) and the leaders of Saudi Arabia, the United Arab Emirates (UAE), India, France, Germany, and Italy announce a historic deal on 9 September to establish the India-Middle East-Europe Economic Corridor. The corridor is a new trade route that will connect India to the Middle East and Europe through railways and ports.

Egypt becomes a member of BRICS economic group

Egypt was among the six countries invited to join the **BRICS (Brazil, Russia, India, China and South Africa)** economic bloc during the organisation's annual summit in **South Africa** on 24 August. Egypt will join **Saudi Arabia**, the **United Arab Emirates (UAE)**, **Iran**, **Ethiopia**, and **Argentina** as new members of the group.¹ The move comes amid ongoing power struggles in the Middle East (MENA) with China, Russia and the **United States (US)** competing for influence.

The addition of these new members will increase the bloc's share of global trade from 26% to 30% and the inclusion of Saudi Arabia, Iran and the United Arab Emirates will mean that BRICS members control 43% of global oil production, up from 20% currently.² Egypt already joined the **BRICS New Development Bank (NDB)** in April, allowing the country to access finance from the bank for development projects.³

The expansion is symbolic of the complex balance of power in the MENA region and the vying interests that seek to upend the existing order. China did not attend the Group of Seven (**G7**) meeting this year, and Chinese officials told the **United Kingdom**-based **Financial Times** that the expansion of BRICS would give the group political influence if the group "accounts for a similar portion of world GDP as the G7, then our collective voice in the world will grow stronger".⁴ The paper reported that there was disagreement between China and India over whether the group should represent the economic interests of developing nations or be a political body that challenges the West. President **Abdel Fattah El Sisi** (2014-present) echoed this sentiment of expanding the group's focus saying he hoped the group would work "toward strengthening economic cooperation among us and raise the voice of the Global South."⁵

The arrangement, although potentially ambitious, is not without its complexities. Egypt and **Ethiopia** are still at odds over the **Grand Renaissance Dam (GERD)** and Iran is viewed with suspicion by the **Gulf** countries and Egypt despite new overtures to foster cooperation. Egypt is also still a large recipient of aid from the **International Monetary Fund (IMF)**, the **World**

¹ Al Ahram, 28 Aug 2023

² Bloomberg, 24 Aug 2023

³ Bloomberg, 24 Aug 2023

⁴ Financial Times, 20 Aug 2023

⁵ Al Ahram, 24 Aug 2023

Bank and most importantly the largest receiver of annual military aid from the US, after Israel, leaving it closely tied to the US at least in the near term.

Finance minister **Mohamed Maait** said he expects Egypt will benefit from boosts to foreign investment and exports.⁶ One of the key issues for members is concern over the domination of the **US** dollar in global trade. Maait added that membership could help Egypt with its foreign currency shortage by rationalising its hard currency spending on imports, relieving pressure on the budget, specifically pointing to the burden of US dollar-denominated wheat and fuel imports.⁷

Egypt has been in talks with India, Russia, and China about trading in local currency since March, though no agreements have yet been finalised. Egypt watchers have generally been positive about the country's push to diversify economic relationships and strengthen its trade ties with emerging economies.

For Egypt, there is also a clear advantage in strengthening ties with China in the hope that they might provide much-needed foreign currency investment. Chinese President **Xi Jinping** (2012-present) in a meeting with African nations during the BRICS summit said that his country will launch new initiatives to promote industrialisation and food self-sufficiency in Africa. A Chinese official said on 22 August that African leaders want China to pivot from infrastructure financing towards developing countries' manufacturing sectors.⁸

A source told **Africa Risk Consulting Briefing (ARC Briefing)** that there is enormous domestic pressure on the government to prove it can bring the country out of economic turmoil and that that pressure is increasing by the day:

*"Egypt is no longer seen as a driver of events, but rather as evidence of a failed junta, a nation scrambling to curry favour with new allies who might consider investing."*⁹

However, a second source told ARC Briefing that the short-term impact is likely to be little given the weakness of Egypt's domestic position and that inclusion in BRICS cannot alleviate the immediate crisis of a foreign currency shortage.¹⁰

Sisi calls Egypt's population growth catastrophic

President Abdel Fattah El Sisi told the audience at the **Global Congress on Population, Health and Development** on 5 September that unregulated population growth was a catastrophe and must be regulated to avoid disaster.¹¹ Sisi praised China's former one-child policy and said Egypt must lower births each year by 80% to 400,000, from the recent rate of 2 million, to provide jobs and social services to all citizens.¹² Since 2000, Egypt's population has increased by 40 million and currently stands at 105 million. In 2022, as many as 2.193 million babies were born, up by 0.4% compared with 2021.¹³

Sisi, who is seeking a third presidential term, has repeatedly blamed Egyptians for the country's problems, which currently include a crippling economic crisis, rolling blackouts due to government mismanagement, inflation and associated problems securing the country's food supply. Sisi has been repeatedly criticised for spending huge amounts of money on megacities like the **New Capital** and infrastructure projects while not spending enough on healthcare and

⁶ Al Mal, 25 Aug 2023

⁷ Enterprise, 25 Aug 2023

⁸ Reuters, 22 Aug 2023

⁹ Source, former diplomat, United States

¹⁰ Source, economist, United Kingdom

¹¹ Bloomberg, 5 Sep 2023

¹² The National, 5 Sep 2023

¹³ The National, 5 Sep 2023

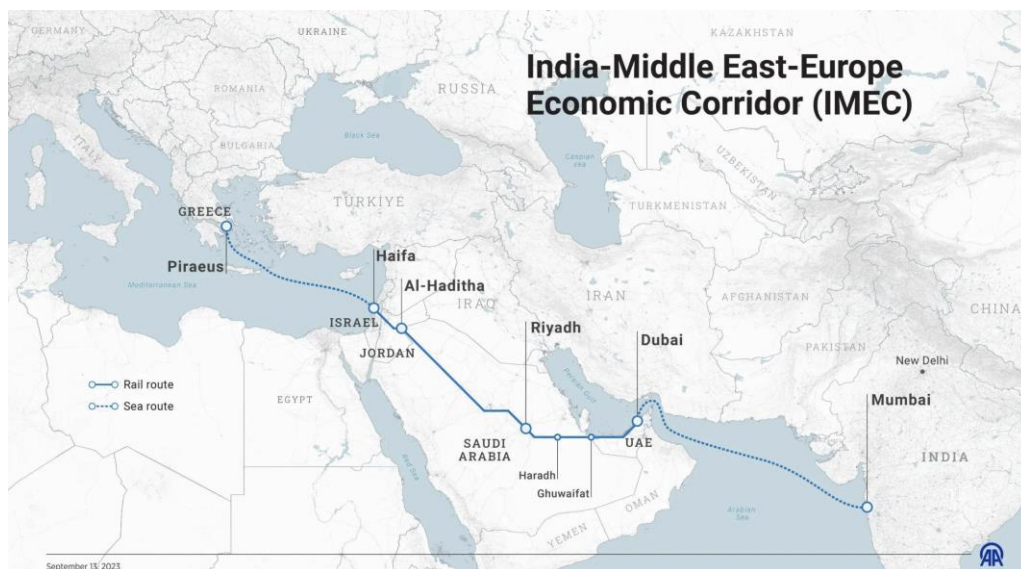
education or focusing on strategies to create jobs. Health minister **Khaled Abdel Gaffar** echoed Sisi's comments at the summit, stopping short of suggesting state-imposed regulation but calling population growth "*the biggest obstacle to economic growth*".¹⁴ Housing minister **Asem El Gazzar** said earlier this year that Egypt must build 600,000 homes annually to keep up with population growth. The government has spent approximately EGP 1.1 trillion (\$56 billion) on housing projects over the past 10 years.¹⁵

Sisi's comments have been viewed as another opportunity to deflect blame onto citizens for the problems plaguing the country. Successive governments have failed to formulate strategies to address the birth rate. However, despite the problems Sisi attributes to Egypt's burgeoning population, business views Egypt's consumer market and young workforce as a potential asset. The crucial factor is whether the government can address birth rates and the country's vulnerability to climate change instead of blaming millions of poor, under-educated citizens who lack basic access to family planning for putting a strain on public resources.

Historic India, Middle East trade route raises questions about Suez Canal

US President **Joseph Biden** (2021-present) and the leaders of Saudi Arabia, the UAE, India, **France, Germany, and Italy** announced a historic deal on 9 September to establish the **India-Middle East-Europe Economic Corridor**, a new trade route that will connect India to the Middle East and Europe through railways and ports.

The new route will involve two corridors - one that will connect India to the **Arabian Gulf** and one that will connect the Gulf to **Europe**. The new route is an attempt by the US to leverage its historical influence in the region and simultaneously counter China's **Belt and Road Initiative (BRI)**, a trillion-dollar infrastructure project launched ten years ago to connect the country to the globe via trade. In August, Biden called China's BRI a "*debt and noose agreement*," which the US and G7 nations hope to counter with alternatives.¹⁶



Source: Anadolu Agency

Multiple television hosts in Egypt were quick to respond to the news of the deal saying that the **Suez Canal** is not threatened by the trade link but did list the many potential problems with the

¹⁴ Al Ahram, 5 Sep 2023

¹⁵ The National, 5 Sep 2023

¹⁶ Bloomberg, 11 Aug 2023

project including the that it will be costly and will take years to be operational. Insufficient infrastructure and financing do remain crucial hurdles as the financing although not yet announced is expected to be private sector funded.

Yoel Guzansky, a senior researcher at Israel's **Institute for National Security Studies (INSS)** specialising in Gulf politics and security told several news outlets that a reduction in "*the dependence of Europe and India on the Suez Canal is likely to be a critical blow to Egypt.*"¹⁷ Analysts have been divided on what the project will ultimately mean for Egypt, but some reports have suggested goods could reach Europe from Mumbai via the route 40% faster than the Suez Canal and cut the cost by 30%, which presents a problem for Egypt which earned revenue from the Suez Canal amounting to \$9.4 billion in the fiscal year 2022-2023, up from \$7 billion the previous year.¹⁸

For Saudi Arabia and the UAE, the deal comes just days after the two were invited to join BRICS and after it was revealed that Saudi Arabia was weighing a Chinese bid to build a nuclear facility.¹⁹ Saudi Arabia has previously requested US assistance in developing a domestic nuclear programme as part of the terms of a normalisation agreement with Israel with which Saudi Arabia currently has no official diplomatic relations.²⁰ The inclusion of the two nations in the new trade route serves two purposes - bringing two historical rivals closer to agreeing on a deal, and at the same time excluding China (who recently mediated a reproach between Saudi Arabia and Iran) by tightening the US's grip on key Arabian waterways the **Bab el Mandeeb Strait** and the **Strait of Hormoz**, crucial to global trade. In contrast to Egypt, which has struggled under Sisi to be relevant both regionally and internationally, Saudi Arabia, has used the ongoing rivalry between global powers as opportunities for diversification in terms of allies and trade. The oil-rich nation maintains favourable relations with the US and has managed to capitalise by increasing its economic relations with China and maintaining favourable oil prices amidst US-Russia tensions.

Planner

Sep 2023 **Cairo (Egypt)** *Al Mal*. A **Japanese** trade delegation, including representatives of 30 companies, will visit Egypt to meet local business leaders and officials to discuss potential investment in renewable energy and green hydrogen industries;

27 Sept 2023 **Cairo (Egypt)** *Al Mal*. Deadline for bidding in the fifth phase of the investment map offered by the **Industrial Development Authority (IDA)**;

2 Oct 2023 **Cairo (Egypt)** *Enterprise*. Government meeting with investors to investigate liberalising electricity grid;

8 Nov 2023 **Cairo (Egypt)** *Enterprise*. **Turkish-Arab Economic Forum 2023**;

Q4 2023 **Cairo (Egypt)** *Enterprise*. **Egyptian Stock Exchange (EGX)** to launch a new futures exchange;

Q4 2023 **Cairo (Egypt)** *Enterprise*. **Egyptian Stock Exchange (EGX)** to launch a Shariah-compliant index;

2023 **Cairo (Egypt)** *Enterprise*. Government to sign agreements with a consultant for the **EuroAfrica** electricity interconnector.

¹⁷ Middle East Monitor, 13 Sep 2023

¹⁸ Middle East Monitor, 13 Sep 2023

¹⁹ The Wall Street Journal, 25 August 2023

²⁰ The Wall Street Journal, 25 August 2023

Chronology

17 Sep 2023 **Cairo (Egypt)** *Al Ahram*. President **Abdel Fattah El Sisi** instructs the government to introduce further measures aimed at alleviating the impact of the economic crisis on vulnerable households;

17 Sep 2023 **Cairo (Egypt)** *The New York Times*. **United States** approves \$235m in military aid for Egypt withholding only \$85m as a result of the country's repressive policies;

14 Sep 2023 **Cairo (Egypt)** *Bloomberg*. Egypt is considering holding presidential elections before the end of 2023 as the country continues to grapple with its worst economic crisis in years;

11 Sep 2023 **Cairo (Egypt)** *Al Ahram*. **Ethiopia** has completed the fourth and final phase of filling the reservoir of the **Grand Ethiopian Renaissance Dam (GERD)** without resolving the long-running conflict over water share with neighbouring Egypt;

10 Sep 2023 **Cairo (Egypt)** *Al Masry Al Youm*. President **Abdel Fattah El Sisi** leads a delegation to **New Delhi (India)** to join **G20** leaders for the 2023 leaders' summit. Egypt is among the non-G20 countries invited by India to attend the events this year;

1 Sep 2023 **Cairo (Egypt)** *Reuters*. **United States** is backing US oil and gas giant **Chevron's** plans to develop **Cyprus's** massive **Aphrodite** natural gas field — which include building a pipeline linking the field to Egypt;

29 Aug 2023 **Cairo (Egypt)** *Press statement*. **United Kingdom**-based **British Petroleum (BP)** will invest \$3.5 billion on exploration and production operations in Egypt over the next three years. BP with its partners currently produce around 60% of Egypt's gas. The company was awarded two exploration blocks — **Northwest Abu Qir and Bellatrix-Seti East** — in the **Eastern Mediterranean** last year;

28 Aug 2023 **Cairo (Egypt)** *Al Ahram*. Delegations from Egypt, **Ethiopia**, and **Sudan** met in Cairo to begin a new round of talks to find a solution to their long-running dispute over the **Grand Ethiopian Renaissance Dam**. The three-way talks mark the first direct negotiations in over two years to try and resolve the GERD dispute;

28 Aug 2023 **El Alamein (Egypt)** *Sky News Arabia*. General **Abdel Fattah Al Burhan**, head of the **Sudanese** army and the country's de facto leader meets with President **Abdel Fattah El Sisi** in **El Alamein** for talks;

22 Aug 2023 **Cairo (Egypt)** *Enterprise*. Government is in talks with emerging markets private equity firm **Actis** to up its bid for the 580-MW **Gabal El Zeit** wind farm to between \$600 and \$800m;

22 Aug 2023 **Cairo (Egypt)** *Press statement*. **United States** oil producer **Apache** plans to invest \$1.4 billion in exploration and production in Egypt in 2024. The company, Egypt's largest oil producer, is also interested in exploring for gas in the **Mediterranean**;

21 Aug 2023 **Cairo (Egypt)** *Asharq Business*. **Emirates National Oil Company's (ENOC)** subsidiary **Dragon Oil** wants to purchase a stake of at least 20% in the **Nargis** offshore concession in the eastern **Mediterranean** from **United States**-based **Chevron**. This would be the Emirati company's first acquisition of an Egyptian gas asset. Currently, **Chevron** and **Italy's Eni** each own a 45% stake in the concession, while state-owned **Tharwa Petroleum** holds the remaining 10%;

17 Aug 2023 **Cairo (Egypt)** *Press statement.* **Singapore's Changi Airport** is set to help upgrade **Cairo International Airport** under two consultancy agreements with **Cairo Airport Company**;

20 Aug 2023 **Cairo (Egypt)** *Mada Masr.* **Ahmed Douma**, a prominent political activist during the 2011 revolution, has been released from prison after spending almost a decade in prison;

15 Aug 2023 **Cairo (Egypt)** *Press statement.* Diplomats from **Egypt, Syria, Saudi Arabia, Jordan, Lebanon, and Iraq** met in Cairo for a round of talks aimed at bringing an end to Syria's 12-year civil war;

15 Aug 2023 **Cairo (Egypt)** *Press statement.* The **Central Bank of Egypt (CBE)** sells EUR 626.4m (\$669.5m) in one-year euro-denominated T-bills. The issuance was more than 30% oversubscribed, with investors lodging bids worth EUR 806.4m (\$861.17m), selling the bills at an average yield of 4.0%, more than double the 1.7% rate in a similar issuance last August.

15 Aug 2023 **Cairo (Egypt)** *Press statement.* Egypt signs a \$500m agreement to purchase wheat from **Emirati** agribusiness **Al Dahra** over five years, with the **Abu Dhabi Exports Office (ADEX)** providing the financing;

14 Aug 2023 **Cairo (Egypt)** *Press Association.* **United Kingdom** citizens are booking more than twice the number of summer trips to Egypt compared to pre-pandemic levels. The combination of the strengthening pound and the weaker Egyptian pound, which has almost halved in value since March 2022, is making Egypt particularly attractive amid a global rebound in tourism;

14 Aug 2023 **Cairo (Egypt)** *Enterprise.* **United States**-headquartered **S&P Global** expects the Egyptian pound (EGP) will weaken in September or October, a development that could drive inflation higher in tandem with the delayed **International Monetary Fund** review of Egypt's \$3 billion loan programme. The financial services firm sees the EGP ending the year at 37 to the US dollar;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistle-blower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)