

EU-Egypt Strategic and Comprehensive Partnership

European Commission President Ursula von der Leyen met with President Abdel Fatah al-Sisi of Egypt, in Cairo on 17 March 2024, joined by the prime ministers of Austria, Belgium, Cyprus, Greece and Italy. This meeting sealed the €7.4 billion EU-Egypt Strategic and Comprehensive Partnership (the Partnership) to help boost Egypt's faltering economy and avert another migration crisis in Europe. Critics have raised concerns over the declared urgency of disbursing funds under this partnership without the approval of the European Parliament, as well as over Egypt's poor human rights record and the dubious effects of such partnerships on irregular migration.

Current situation

Egypt signed an [Association Agreement](#) with the EU in 2001, and implements the [Partnership Priorities for 2021-2027](#). The three-year [Partnership](#) involves €5 billion in concessional loans as macro-financial assistance, €1.8 billion to support private investments, and €600 million in grants, including €200 million for migration management. The new agreement recognises a 'strategic and comprehensive partnership' between the EU and Egypt, as well as the country's 'unique and vital geo-strategic role as a pillar of security, moderation, and peace' in the Middle East and North Africa (MENA). It also aims to intensify political dialogue, with an EU-Egypt Summit once every two years on top of the annual [EU-Egypt Association Council](#). Among the most important projects supported through the Partnership is the [Nexus of Water, Food and Energy](#), as part of Egypt's climate strategy. Green transition and [climate change policies](#) are important stated priorities for Egypt, which is considered to have [successfully](#) hosted the [COP27](#) meeting in November 2022.

The Partnership was prepared well ahead of the terrorist attacks in Israel by Hamas, which occurred on 7 October 2023. Nevertheless, the dire [humanitarian situation](#) in the Gaza Strip, which is on the brink of an '[entirely man-made famine](#)' in the words of UN Secretary-General António Guterres, risks creating additional population movement, including irregular flows towards Egypt via the Sinai peninsula, thus potentially accelerating pressure on the EU. Currently Egypt is [host](#) to some 9 million international irregular migrants, in particular from Sudan, and around 480 000 registered refugees and asylum-seekers. In the past, [Egypt](#) has been an active mediator with Islamic terrorist groups in Gaza, including Hamas. However, it froze its mediation role in the conflict between Israel and Hamas after the assassination of Hamas's second-in-command, Saleh al-Arouri, in Lebanon in January 2024.

Political context

Egypt is a partner in the EU's [Renewed Partnership with the Southern Neighbourhood](#) and in the [Investment Plan for the Southern Neighbours](#). Adopted in 2021, the investment plan earmarks €7 billion for the southern Mediterranean in 2021-2027. The Partnership of 17 March closely follows the signature of a [Memorandum of Understanding](#) on an 'EU-Egypt strategic partnership on renewables' and the [Tripartite Declaration](#) (by the Commission, the European Bank for Reconstruction and Development (EBRD), and Egypt) on support to Egypt's Energy Wealth Initiative, signed on 16 November 2022. The Energy Wealth Initiative was launched by the Commission, the Egyptian government and the EBRD to implement the energy pillar of the Nexus of Water, Food and Energy, also by producing and exporting green hydrogen.

Furthermore, following the discovery of [natural gas in the eastern Mediterranean](#), Egypt has become a strategic production and transport hub for natural gas, with key liquefied natural gas terminals in Beheira (Idku) and Damietta. Egypt has the [largest natural gas reserves](#) (2.13 trillion m³) in the eastern Mediterranean, in particular due to the discovery of the Zohr gas field. Although modest globally (around 3.5 % of MENA natural gas reserves, and less than 2 % of the world's reserves), the exploitation of these reserves has substantial consequences for the Egyptian economy as they generate foreign currency income and foreign investment. It also stabilises energy supplies to neighbouring Israel. An important tripartite MoU on securing security and energy supplies was [signed](#) on 15 June 2022 by the EU, Egypt and Israel.



Macro-economic situation

Due to geopolitical tensions in the region, particularly in Gaza, [Libya](#) and [Sudan](#), Egypt has struggled to attract large-scale foreign direct investment (FDI) outside the hydrocarbons sector. In 2023, net [FDI](#) stood at US\$10 billion (US\$11.4 billion in 2022). The country remained the [second-largest](#) recipient of [FDI in Africa](#) (US\$48 billion in 2023, US\$40 billion in 2022 and US\$80 billion in 2021) after South Africa. In 2023, Egypt ran a [trade deficit](#) of US\$37 billion (US\$48.66 billion in 2022). Since 2022, the Egyptian pound has [lost](#) more than two-thirds of its value against the US dollar in a series of staggered devaluations. Egypt's [external debt](#) has soared over the past two years, including some US\$25 billion [owed](#) to Russia for the construction of the [Dabaa nuclear power plant](#), which has an estimated capacity of 4.8 GW and construction costs of US\$30 billion. Russian [tourists](#) (1.5 million out of 14.3 million visiting Egypt in 2023) are the second most numerous after Germans (1.6 million) and ahead of Saudis (1 million). Russia is also Egypt's main arms supplier ([Carnegie Endowment for International Peace](#), 2021).

By securing Western loans and investment, either through the EU or the International Monetary Fund (IMF), Egypt seeks to [rebalance](#) its geopolitical position and to gain some margin of manoeuvre, not only with regard to its domestic audience and public finance, but also towards its international partners and creditors. On 8 March, the IMF [expanded](#) its US\$8 billion loan. The new agreement is an expansion of the US\$3 billion, 46-month Extended Fund Facility that the IMF struck with Egypt in December 2022, a key plank of which was meant to be a shift to a more flexible exchange rate system. Finally, traditional regional partners, such as the United Arab Emirates (UAE) have recently [provided](#) some US\$35 billion of investment deals.

Critical views

Some [critics](#) point out that the EU should release funds in exchange for internal reforms and that, considering recent investment and loan extensions by the UAE and IMF, the Commission should not be in any hurry to trigger [Article 213](#) of the Treaty on the Functioning of the EU (TFEU), which stipulates that 'when the situation in a third country requires urgent financial assistance from the Union, the Council shall adopt the necessary decisions on a proposal from the Commission', allowing the Commission to effectively bypass the European Parliament as the EU's budgetary authority. However, in a [letter](#) sent to Parliament President Roberta Metsola (and leaked to the press), President von der Leyen argued precisely in terms of urgency, on the basis that 'the current crises in Egypt and the region have exacerbated Egypt's financing needs, with a substantial overall financing gap in the upcoming fiscal year ... For reasons of utmost urgency and highly exceptionally, the recourse to Article 213 TFEU is considered as [the] appropriate legal basis for the first operation of €1 billion.'

Critics also [point out](#) that the Partnership came just days after the European Parliament adopted its [resolution](#) of 14 March 2024 on the 'Adoption of the special measure in favour of Tunisia for 2023', where it regretted that the Commission had not proactively alerted Parliament about the relevant details of a similar financing agreement with Tunisia [signed](#) on 16 July 2023. They have also noted Egypt's [poor human rights](#) record and the [dubious effects](#) of such partnerships on irregular migration. The European Ombudsman, Emily O'Reilly, [said](#) that the issue of human rights should be considered before finalising any such cooperation, including outlining redress in case of violations. O'Reilly also said that she was not taking concrete action on the Egypt agreement since her office had yet to receive any formal complaints, adding that she was considering launching a probe into a similar EU deal with Tunisia sealed last year.

Position of the Parliament

The above-mentioned [resolution](#) of 14 March 2024 contested the need for an urgent written procedure for this special measure and providing funds to Tunisia. It considered that 'the timing of the launch of this urgent written procedure demonstrates a lack of respect [by the Commission] for parliamentary scrutiny and for the comitology process'. Parliament has raised the dire human rights situation in Egypt on many occasions. The most recent [resolution](#) on Egypt, in particular the sentencing of Hisham Kassem, adopted on 5 October 2023, stressed the importance of holding credible, free and fair elections, and expressed 'deep concern over Egypt's restrictive electoral process that includes imprisonment of political opponents'. The [resolution](#) of 24 November 2022 on the human rights situation in Egypt deeply deplored 'the continued lack of basic political rights and freedoms in Egypt' and condemned 'in the strongest terms' the Egyptian authorities' censorship, harassment and intimidation of representatives of Egypt's civil society.

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2024.