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A stable Egypt for a stable region:

Socio-economic challenges and prospects

AFET



STUDY

A stable Egypt for a stable region: Socio-economic challenges and prospects

ABSTRACT

Seven years after the 2011 uprising in Egypt, a combination of domestic challenges, together with instability in the Middle East and North Africa region has stalled the country's ongoing transition. Stability in Egypt is key for the region, and the country's international partners such as the EU have a clear interest in helping move the country towards stability and prosperity. To that end, this study investigates the main challenges facing Egypt, focusing on social, economic, political and environmental challenges. The study analyses the implications of these challenges for Egypt's stability in the coming decades. The study then examines the key drivers of EU-Egypt relations and provides a number of policy recommendations on how the EU can support Egypt's longer-term stability. The study argues that the EU's economic and security engagement with Egypt should not come at the expense of supporting democracy, human rights and the rule of law. The study also argues that EU programmatic assistance to Egypt should focus on youth, women, education, and entrepreneurship. Finally, the study also argues that the EU's engagement is likely to be more successful if EU member states are more unified in their approach towards Egypt.

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List of Acronyms

AFTE	Egyptian Association for the Freedom of Thought and Expression
CAPMAS	Central Agency for Public Mobilization and Statistics
CIHRS	Cairo Institute for Human Rights Studies
CPJ	Committee to Protect Journalists
EBRD	European Bank for Reconstruction and Development
EMP	Euro-Mediterranean Partnership
GGGI	Global Gender Gap Index
ICG	The International Crisis Group
IMF	International Monetary Fund
ILO	International Labour Organisation
IRIS	French Institute for International and Strategic Affairs
MENA	Middle East and North Africa region
NEET	Individual not in Education, Employment or Training
PPP	Purchasing Power Parity
SCAF	Egyptian Supreme Council of the Armed Forces

Executive Summary

The Arab Republic of Egypt is a key partner to the European Union in facing a number of strategic challenges — controlling illegal migration across the Mediterranean Sea, combating terrorism and seeking to resolve major conflicts that have wracked Middle Eastern countries such as Libya, Syria and Yemen. At the same time, Egypt faces a host of socio-economic, political and environmental challenges of its own.

Ongoing population growth coupled with an over-extended education system has meant that Egyptian youth are increasingly unprepared to enter the job market. More and more Egyptians are seeking employment in an economy that is unable to fully absorb new entrants into the labour force. Subsidy reform has improved the government's balance sheet yet imposed significant costs on the poorest and most vulnerable in Egyptian society, with little guarantee that any new savings will be reinvested into crumbling infrastructure, from deteriorating highways and railroads to overcrowded schools and underequipped hospitals. The lack of inclusive economic growth calls into ever-further question the Egyptian government's quelling of political dissent, free expression and meaningful opposition within the country under President Abdel-Fattah el-Sisi. While ostensibly a means to maintain public order and provide the basis for some manner of economic reform, jailing journalists and shuttering NGOs has not proven a sufficient step towards ending an Islamist insurgency in the Sinai Peninsula or putting a halt to terror attacks within the Nile Delta — political violence that undermines any claim to political stability while helping to drive off much-needed tourists and foreign investors. Water scarcity, climate change and increasing energy needs are also likely to accentuate socio-economic problems.

There is much the EU can do to shore up Egypt's stability in the short term, yet if Europe seeks Egypt's cooperation in the long term, then a joint approach on the issues of the day can and should be paired with a measured but firm emphasis on inclusive economic growth and support for human rights and the rule of law. While there are certainly limits to the EU's democratising leverage over Egypt, taking a firm stance on particularly egregious abuses — something even the Trump administration has been capable of — is an important part of encouraging a degree of rational policymaking within the Republic, as opposed to the focus on regime security above all else as seen in recent years.

With some concrete steps in favour of the rule of law, the EU can cautiously proceed on a number of fronts to shore up Egyptian socio-economic and political stability and help secure broader European interests. These include contributing technical expertise and financing towards renewable energy and mitigating the effects of climate change, programming geared towards expanding employment opportunities (especially for women and young graduates), and supporting the development of Egypt as an eastern Mediterranean natural gas hub. Overall, the EU's engagement is likely to be more successful if EU member-states are unified in their approach towards Egypt.

Introduction

Seven years after the uprisings in Egypt, many of the demands of protesters young and old remain unmet. A combination of socio-economic, political and security challenges, against a background of regional instability, has served as a roadblock to a meaningful political and economic transition. Due to its geographic location, its large population, and its significant role in the politics of the Arab world, Egypt's challenges will have an ongoing impact on the Euro-Mediterranean region. To that end, Egypt's international partners such as the EU have a clear interest in helping move the country towards stability and prosperity.

This study is an in-depth analysis of the current challenges facing Egypt. It provides an examination of how these challenges may impact Egypt's socio-economic and political stability in the next two decades. The study also investigates EU-Egypt relations and concludes by proposing recommendations to the EU on how to better engage with Egypt and support its fragile transition.

The study is divided into two main parts. Part One will analyse the main challenges that Egypt faces, and Part Two will focus on EU-Egypt relations. While there are a multitude of challenges facing Egypt, the focus of the study is on those that will likely impact the country's long-term stability and prosperity. The individual challenges analysed are all inter-related, but for the sake of organisational clarity each section in Part One will focus on one broad category at a time — Social, Economic, Political and Environmental — while highlighting their relationship with the others. This forms an integrated analytical framework to assess drivers of instability in Egypt from a variety of angles.



Figure 1: Egypt's challenges

Section one will investigate social factors, with a focus on demographic pressures, education and health. Population growth and related demographic pressures will likely combine with chronic problems in the education system to inhibit the labour market from coping with a growing number of new job seekers.

Section two will focus on some of the main economic challenges facing Egypt. These include youth unemployment; inequality of economic opportunities, particularly for women; failure of traditional revenue streams; and the role of the military.

Section three will investigate political and security challenges. In addition to the socio-economic challenges, Egypt continues to experience a highly polarised and fragmented political system. Since the 2013 military coup, there have been restrictions on free speech as many activists and government opponents have been imprisoned. The ongoing Islamist insurgency in Sinai and in other areas has had a negative impact on the security environment and has hindered the return of tourism.

Section four will focus on the environmental challenges. Rising sea levels, water scarcity and mounting pollution will be a growing burden on agricultural production, the public healthcare system and the economy more broadly.

Part One

1 Section one: Social challenges

1.1 Demographics: More is not merrier

Egypt's population is growing at an explosive rate. Over the years, government efforts at family planning policies have not been successful in significantly curbing population growth. Data from the UN's 2017 World Population Prospects Report estimates that Egypt's current population is approximately 97 million people, 33 % of whom are under the age of 14. By 2050, the UN projects that Egypt's population will reach 150 million, and by 2100, a staggering 200 million¹.

Egypt has been undergoing a 'demographic transition', which is the shift from high mortality rates to low and from high fertility rates to low that developing countries experience as they grow. In such cases, the size of the population eventually stabilises as the fertility rate settles at around two births per woman (the replacement rate). Egypt has thus far bucked the trend; rapid population growth has not abated while the population has yet to fall to replacement-level fertility². The Egypt Demographic and Health Survey showed that the total fertility rate has actually *increased* from 3 children per woman in 2008 to 3.5 children per woman in 2014³.

This ongoing population growth is particularly problematic given the density of population centres. Although Egypt's land mass is approximately a million square kilometres, the population is concentrated in only 8 % of that area, in the Nile Delta and along the length of the Nile river. Egypt's population density — if divided by the total land mass — ranks it at 115 globally, but if divided by inhabitable area the ranking jumps to 14th globally, making Egypt's cities among the most crowded in the world⁴.

As the population grows, Egyptian urban centres will struggle even more to provide services such as housing, sanitation, health care and education. Productive, arable land will also be under pressure to yield ever-greater amounts of food and grain, exacerbating water shortages as the country increasingly feels the effects of climate change.

1.2 Youth: Demographic dividend or curse?

The demographic dividend describes the economic boost of the demographic transition and subsequent change in the age structure of the population. As fewer children are born, the country's youth population shrinks relative to the working age population, freeing government resources that would have been spent on a larger number of children. A country then has a window of opportunity for rapid economic growth, so long as the appropriate social and economic policies are in place to enable a young and educated population to enter the labour force and contribute to increased productivity and economic growth⁵. It is a small window, however, and is often followed by strain on the economy, as an aging population no longer has a proportionate young workforce to support them in their retirement.

¹ United Nations, Department of Economic and Social Affairs, Population Division, 'World Population Prospects: The 2017 Revision, Key Findings and Advance Tables', Working Paper No. ESA/P/WP/248.

https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf

² Hala Youssef, Magued Osman, and Farzaneh Roudi-Fahimi, 'Responding to Rapid Population Growth in Egypt', Population Reference Bureau, November 2014.

<http://www.prb.org/Publications/Reports/2014/egypt-rapid-population-growth.aspx>

³ 'Egypt Demographic and Health Survey 2014', Egyptian Ministry of Health and Population, September 2014.

<https://dhsprogram.com/pubs/pdf/PR54/PR54.pdf>

⁴ Baseera, 'Population Situation Analysis Egypt 2016 Report', UNDP, May 2017.

<http://egypt.unfpa.org/en/publications/population-situation-analysis-egypt-2016-report>

⁵ Youssef, 'Responding to Rapid Population Growth in Egypt'.

So far, Egypt has not been able to reap the benefits of a demographic dividend in the same way that East Asian states did during the 1980s, helping them to develop⁶. In fact, the opposite has been happening: population growth is undermining economic development. Egypt's youth population has increased from 13.3 million in 1988, to 17.4 million a decade later, and again to 22.2 million by 2006. Currently, Egypt's youth population is estimated by the World Bank to be one-third of its total population, approximately 33 million⁷. According to the United Nations Development Program (UNDP), 40 % of the Egyptian population is between 10 and 20 years old, while about two-thirds of the population is under the age of 29⁸. Demographic pressures not only strain public finances, but also increase the demand for jobs faster than the public and private sectors can generate them. The combination of demographic pressures and a challenging job market has meant that younger Egyptians are encountering increasing difficulties finding employment. The issues concerning youth unemployment will be discussed in the economic challenges section.

1.3 Education: The paradox

Since the Gamal Abdel Nasser era, the Egyptian government has provided nominally free education at the primary, secondary and tertiary level. Despite this generous offering, the quality of public education has deteriorated over the decades. Government expenditure for educational programmes stagnated while the population more than doubled. Similar to the food and fuel subsidies of the era, free and subsidised education became one of Nasser's most popular state-run programmes and a means of galvanising support for the regime. The motivation came from the idea that most graduates would work for the state after graduation, ensuring a steady stream of civil servants to work in the new government offices, doctors to work in public hospitals and engineers for public works projects. This led to higher rates of students enrolling in higher education, albeit at the expense of vocational training and trades. The increase in enrolment numbers with little change in funding for education resulted in a decline in the quality of graduates.

Following the Nasser era, successive Egyptian governments have sought to cut public sector positions, making post-graduate job placement uncertain, while at the same time the private sector has not been able to absorb the increase in graduates. This combination of factors has led to one of the paradoxes of the Egyptian educational system: the more educated Egyptian youth are, the more likely they will be unemployed (Figure 2)⁹.

⁶ See Edward Sayre and Tarik Yousef, eds., *Young Generation Awakening: Economics, Society, and Policy on the Eve of the Arab Spring*, (Oxford University Press, 2016).

⁷ Adel Abdel Ghafar, 'Educated but Unemployed: The Challenge Facing Egypt's Youth', Brookings Institution, Policy Briefing, July 2016. https://www.brookings.edu/wp-content/uploads/2016/07/en_youth_in_egypt-2.pdf

⁸ United Nations Development Program, 'About Egypt, UNDP in Egypt', accessed 13 August 2017. <http://www.eg.undp.org/content/egypt/en/home/countryinfo.html>

⁹ Abdel Ghafar, 'Educated but Unemployed', p. 2.

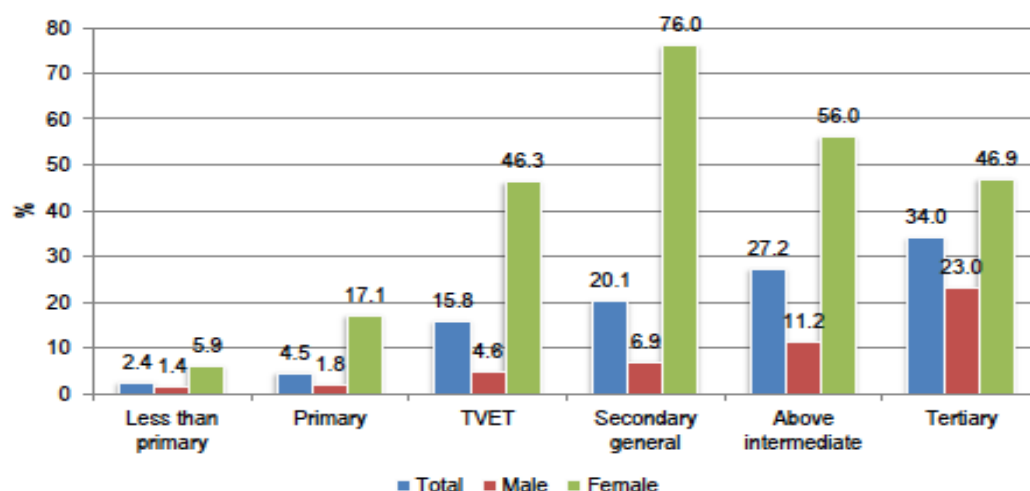


Figure 2: Youth unemployment rates by level of completed education and gender

As part of the ongoing economic reform programme, the el-Sisi government has gradually reduced state subsidies for food and fuel, with the intention of allocating some of the money saved for social programmes related to education and healthcare. This reallocation of resources has yet to have a meaningful impact. Even as Egypt's population continues to grow, government spending for education has declined continuously from 2004 to 2017. According to the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS), the percentage of the government's budget allocated for pre-university education decreased from 11.9 % to 7.4 % in this period. Similarly, the percentage of the state budget allotted for university education reduced from 3.5 % to 2.3 %¹⁰.

The ambitious reforms to the education programme that current Egyptian Minister of Education Tarek Shawki has proposed can succeed only with increases in funding¹¹. Despite having the largest public education system and one of the largest youth populations in the Middle East and North Africa (MENA), Egypt allocates one of the lowest amounts of state funding for education in comparison to other countries in the region¹². Teachers and professors receive inadequate salaries, which forces them to supplement income through private tutoring, encouraging them to underperform and teach less so that students will seek their assistance outside the classroom or lecture hall for additional income¹³. However, even supplemental instruction has not proven effective as Egypt still exhibits one of the highest illiteracy rates among children ages 15-24 in the MENA region¹⁴. Overall, Egypt's illiteracy rates stand at 14.4 % for males and 26 % for females¹⁵. A 2015 Millennium Development Goal (MDG) progress report issued by the UN showed that 35 % of Egyptian children in school do not know how to read or write¹⁶. Put simply, the public Egyptian schooling system is failing to prepare students for tertiary education and vocational training, thus disadvantaging them for life.

¹⁰ Center for Mobilization and Statistics (CAPMAS), 'Statistical Overview—Education', accessed 13 August 2017. http://www.capmas.gov.eg/Pages/StaticPages.aspx?page_id=7193

¹¹ Nadine El Sayed, 'The Power of Access to Knowledge', *Egypt Today*, 25 November 2017. <https://www.egypttoday.com/Article/15/34146/The-Power-of-Access-to-Knowledge>

¹² Sarah El-Sharaawi, 'Egypt's Generation Lost', *Foreign Policy*, 23 January 2015. <http://foreignpolicy.com/2015/01/23/egypts-generation-lost/>

¹³ El-Sharaawi, 'Egypt's Generation Lost'.

¹⁴ World Bank, 'Literacy Rate Youth Total (% of People Ages 15-24) Egypt', accessed 13 August 2017. <http://data.worldbank.org/indicator/SE.ADT.1524.LT.ZS?locations=EG&view=chart>

¹⁵ 'Egypt Illiteracy Rates Stand at 14.4 % for Males, 26 % for Females: CAPMAS', *Al-Masry Al-Youm*, 7 September 2017. <http://www.egyptindependent.com/egypt-illiteracy-rates-stand-14-4-males-26-females-capmas/>

¹⁶ 'Egypt's Progress Towards Millennium Development Goals', UNDP 2015, accessed 13 August 2017. <http://www.eg.undp.org/content/dam/egypt/docs/Publications/Docs%20MDGs/Final%20MDG%20English%202015.pdf>

1.4 Egyptian women: Disadvantaged from an early age

On the issue of gender equity, Egypt ranks poorly. According to the 2016 Global Gender Gap Index (GGGI), Egypt sits at 132 (out of 144 countries worldwide)¹⁷. The breakdown of this score demonstrates the uneven opportunities afforded to Egyptian women. According to the World Bank, the rate of youth not in education, employment or training (NEET) is approximately 40.7 %¹⁸. The NEET phenomenon disproportionately affects women, especially in rural areas. Figure 3 displays the gender and location gap in NEETs¹⁹.

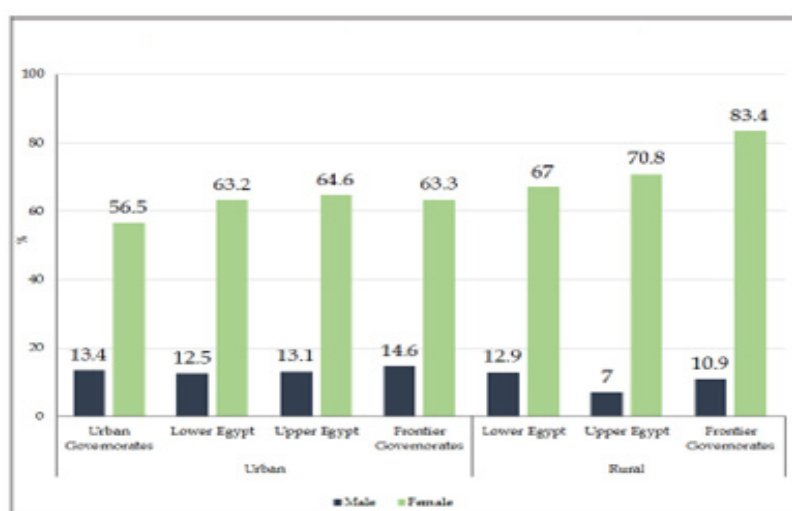


Figure 3: Youth NEET by region, rural-urban and gender

The structural bias against women starts from an early age, as fewer girls attend primary and secondary schools compared to boys²⁰. Even when women access education, this does not translate into opportunities in the job market following graduation with Egypt ranked 132 for equal economic participation and opportunity. The gender gap in Egypt has worsened since 2006 against these two sub-rankings. In 2006, Egypt was ranked at 108 for Economic Participation and Opportunity and 90 for Educational Attainment, with an overall ranking of 109²¹.

1.5 Inequality of educational opportunities

Income inequality directly impacts the quality of education received by students. While public primary and secondary schools remain nominally free, the low quality of the education received at these public institutions compels more affluent families to send their children to private schools, unaffordable to the overwhelming majority of the population. This enrolment trend flows through to tertiary education. According to CAPMAS, 93.1 % of Egypt's two million university students were enrolled in public universities, while only 6.9 % of university students were enrolled in private universities²². The low enrolment rate at private universities encapsulates the wealth disparity among Egypt's population, as only

¹⁷ 'Global Gender Gap Index 2016', World Economic Forum, accessed 25 August 2017.

<http://reports.weforum.org/global-gender-gap-report-2016/rankings/>

¹⁸ Tabea Dietrich, Amr Elshawarby, Tobias Lechtenfeld, 'Egypt's Youth Outside Work and Education', World Bank, December 2016.

<https://openknowledge.worldbank.org/bitstream/handle/10986/25784/BRI-MENA-Knowledge-Notes-series-PUBLIC-QN-162.pdf?sequence=1&isAllowed=y>

¹⁹ Dietrich, 'Egypt's Youth Outside Work and Education'.

²⁰ Abdel Ghafar, 'Educated but Unemployed', p. 5.

²¹ 'Global Gender Gap Index 2016'.

²² CAPMAS, 'Statistical Overview—Education'.

the urban, middle-class population have the means to send their children to superior primary and secondary schools at a cost of at least 5 000-10 000 Egyptian pounds a year, who are then able to also afford sending their children to private universities²³.

Furthermore, private schools offering high-quality education mostly exist in Alexandria, Cairo and Giza, with few, if any, in the impoverished areas of Upper Egypt²⁴. Yousry Abdallah, head of the Education Ministry's General Authority for Educational Buildings, stated in 2016 that 2 367 villages in Egypt do not have primary schools, 537 municipalities do not have secondary schools and 66 city centres do not have technical schools. Classroom density in some areas remains high and in order to bring classroom size to 45 students, Abdallah estimates that 52 000 classrooms need to be built²⁵. The bulk of the state's current education budget goes toward teachers' salaries at a rate of 82 %, while only 10.48 % goes toward the construction of new schools²⁶.

Stagnant education policy and funding constraints created the problems that Egypt's educational system faces today. The government actually *decreased* funding as the population grew at a rate of 2.017 %, nearly double the global average²⁷. The Egyptian Center for Economic and Social Rights (ECESR) notes that the privatisation of the education system widened social inequality, as it left economic policy that deals with the education budget in the hands of the private sector²⁸. Gradually, the public education system became incapable of providing a quality education and Egyptians from disadvantaged socio-economic backgrounds do not have the financial means to enrol their children in private education. The solution to Egypt's educational woes will not come solely from the private sector, as the majority of students are in the public system. Instead, the government has to take back control of the educational system, a process which should include significant investment and reform.

In order to break the pattern of high youth illiteracy and low-test scores, the government must build and refurbish classrooms, raise the salaries of its teachers, and provide better training for educators, particularly in rural Egypt. Without these changes, the government will doom a majority of Egypt's youth to a lifetime of struggle with little chance of reliable employment and opportunities for upward social mobility. Despite a historical focus on university education, Egypt — as a middle-income country — should look to invest more in secondary education, including general and vocational training. According to UNICEF, this type of education and training will have the most straightforward economic impact²⁹.

1.6 Health

Health care is not a luxury, it is a key component of sustainable development. The World Health Organization (WHO) argues that an ineffective and insufficient healthcare system will create negative economic consequences through losses in worker productivity³⁰. On the demand side, explosive population growth in Egypt has meant that the public healthcare system is coming under further strain. On the supply side, government expenditure on public healthcare has been abysmally low, amounting to

²³ Mai Shams al-Din, 'Will the Private Sector Save Egypt's Education Plea?', *Mada Masr*, 2 November 2016.

<https://www.madamasr.com/en/2016/11/02/feature/politics/will-the-private-sector-save-egypts-education-plea/>

²⁴ al-Din, 'Will the Private Sector Save Egypt's Education Plea?'.

²⁵ al-Din, 'Will the Private Sector Save Egypt's Education Plea?'.

²⁶ al-Din, 'Will the Private Sector Save Egypt's Education Plea?'.

²⁷ World Bank, 'Population Growth (Annual %) Egypt', accessed 13 August 2017.

<http://data.worldbank.org/indicator/SP.POP.GROW?locations=EG&view=chart>

²⁸ Egyptian Center for Economic Social Rights (ECESR), 'Leaking Exams: Signs of Egypt's Educational Collapse', 8 June 2016.

<http://ecesar.org/en/2016/06/08/leaking-exams-signs-of-egypts-educational-collapse/>

²⁹ 'The Investment Case for Education and Equity', UNICEF, January 2015.

https://www.unicef.org/publications/files/Investment_Case_for_Education_and_Equity_FINAL.pdf

³⁰ 'WHO Guide to Identifying the Economic Consequences of Disease and Injury', WHO, accessed 23 August 2017.

http://www.who.int/choice/publications/d_economic_impact_guide.pdf?ua=1

just 2.15 % of GNP in 2014 – low compared to the regional average of 3.12 % and the global average of about 6 %³¹.

Low government spending on healthcare persists despite article 18 of the 2014 constitution, which mandates a minimum healthcare expenditure of 3 % of GNP³². The minimal attention the government gives towards healthcare is another example of the inequality that runs through Egypt. Wealthier Egyptians, typically living in urban centres, are better positioned to access quality private healthcare because of their affluence, whereas poorer Egyptians, many of whom live in rural areas, cannot access private healthcare, and in some cases not even public healthcare.

Inadequate healthcare is directly correlated with population growth, and the lack of family planning in Egypt remains a key public health issue. In its 2016 Population Situation Analysis on Egypt, the United Nations Population Fund (UNFPA) reported that 58.5 % of married women of reproductive age used contraceptive methods in 2014 – a slight decline from 60 % in 2008. Within that number, there is a clear distinction between contraceptive use between communities in Upper and Lower Egypt, with 50 % usage in Upper Egypt compared with 64 % in Lower Egypt. UNFPA also reports an increase in the birth rate of mothers aged 15-19 years of age – from 47 of 1 000 women of this age group in 2003 to 56 of 1 000 in 2014 – preventing women from further accessing education and employment, as teenage mothers often drop out of school and forgo full-time employment³³.

³¹ World Bank, 'Egypt, Arab Rep.', 10 August 2017.

<http://data.worldbank.org/country/egypt-arab-rep?view=chart>

³² Mohamed Hamama, 'Egypt's Health Sector in the Shadow of Devaluation: All Roads Lead to Ruin', *Mada Masr*, 24 March 2017.

<https://www.madamasr.com/en/2017/03/24/feature/politics/egypts-health-sector-in-the-shadow-of-devaluation-all-roads-lead-to-ruin/>

³³ Baseera, 'Population Situation Analysis Egypt 2016 Report', p. 64.

2 Section two: Economic challenges

According to an assessment by the International Crisis Group (ICG), poor economic performance is the greatest threat to Egypt's stability over the next few years³⁴. During the political transition, first under the rule of the Supreme Council of the Armed Forces (SCAF), then under President Mohammed Morsi, no long-term coherent economic policy took shape. Since the ouster of Morsi in the 2013 coup, President Abdel-Fattah el-Sisi and his economic team have attempted to stabilise the economy through a measure of necessary but painful reforms.

Despite their efforts, Egypt continues to face a host of economic challenges. Even after the adoption of austerity measures and economic reform initiatives, the country still partially relies on aid and fuel shipments from Arab Gulf states, loans from the IMF and funds raised from international debt markets to steady its economy and shore up political stability. Unfortunately, this system of rent seeking will not sustain the Egyptian economy in the long term. If Egypt does not improve its economy in earnest by taking measures that encourage inclusive economic development, stability prospects over the next five years, and in the longer term (10-20 years), look bleak.

2.1 Ambitious reforms...

In an effort to encourage economic growth, the Egyptian government embarked on an ambitious economic reform plan after the 2014/2015 fiscal year. The motivation behind the plan was to demonstrate to the IMF and to Egypt's regional and international partners that the government had the proper mechanisms in place to reform and recalibrate the economy. Furthermore, the reforms seek to attract the return of foreign direct investment.

Due to political instability since 2011, GDP growth has averaged 2 %. However, after several years of sluggish growth, there are some reasons for optimism. Three reasons explain this newfound expectation of economic recovery. First, the flotation of the Egyptian pound lifted a major constraint on foreign currency liquidity and reined in the black market for foreign currency. Second, fiscal reforms have helped bring public finances under control. Third, the accelerated development of Egypt's gas reserves, including the giant Zohr field, will likely improve the trade deficit and ensure domestic supply of energy for the next 10 years, with potential for a lucrative export market in the future³⁵.

Subsidy reforms are key to the government's attempts to cut back on public spending. Successive Egyptian governments have attempted subsidy reform, albeit with limited success. In a developing country such as Egypt, subsidies are a key policy tool that acts as a social safety net to support low-income households, thereby helping to maintain political stability. Energy subsidies make up 73 % of all subsidies, approximately 21 % of Egypt's total budget³⁶. In theory, energy subsidies are designed to support the poor, but in reality, they also end up supporting households with higher incomes, as these families tend to consume more energy per capita³⁷.

Over the past two years, the government has made substantial cuts to subsidies. Since 2014, energy prices have increased by up to 50 % as part of the deal with the IMF³⁸. Prices of gasoline, gas and electricity for

³⁴ 'Keeping Egypt's Politics on the Agenda', International Crisis Group, 30 April 2017.

<https://www.crisisgroup.org/middle-east-north-africa/north-africa/egypt/keeping-egypts-politics-agenda>

³⁵ Pascal Devaux, 'Egypt: Impressive Economic Transition with Strings Attached', BNP Paribas Economic Research, July-August 2017. <http://economic-research.bnpparibas.com/Views/DisplayPublication.aspx?type=document&IdPdf=30137>

³⁶ Vincent Castel, 'Reforming Energy Subsidies in Egypt', African Development Bank, March 2012.

[https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ECON % %20Vincent % %20notes % %20mars % %202012_ECON % %20Vincent % %20notes % %20mars % %202012.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ECON_%20Vincent_%20notes_%20mars_%202012_ECON_%20Vincent_%20notes_%20mars_%202012.pdf)

³⁷ Castel, 'Reforming Energy Subsidies'.

³⁸ Staff, 'Update-3 Egypt Raises Fuel Prices by up to 50 percent under IMF Deal', *Reuters*, 29 June 2017.

<https://www.reuters.com/article/egypt-economy-idUSL8N1JQ1G5>

domestic and industrial consumption have all increased. In addition, domestic water tariffs have also increased by up to 50 %³⁹. These price hikes, combined with lower global oil prices, have helped the Egyptian government lower spending on subsidies.

2.2 ...But with negative consequences

An unfortunate consequence of the ongoing reforms is the increased economic hardship they place on the majority of Egypt's population. While floating the Egyptian pound did entice the return of some foreign investment, at the same time the currency lost more than half its value, sharply driving up the cost of living as prices for fuel, food and public utilities reached unprecedented levels. July 2017 saw the annual inflation rate rise to a record 34.2 %, with transportation costs rising by 36.7 %, healthcare by 24 % and food and beverage costs by 43 %.⁴⁰ The inflation rate has since dropped to 26 %, but the combination of high inflation with the 14 % value-added tax (VAT), common goods have become increasingly unaffordable for poor Egyptians⁴¹.

Egypt's Central Bank is fully aware of the economic consequences of the flotation and the austerity measures and has raised interest rates to combat higher inflation rates. However, this may not offset the financial hardship that most Egyptians will face over the next few years. The combination of the VAT, the flotation and cuts in subsidies are hitting the most socio-economically disadvantaged segments of society hard.

To alleviate some of these pressures and to maintain stability, the government has earmarked USD 18 billion in the recent 2017/18 budget for subsidies⁴². In the long term, the government views the removal of subsidies as a necessary measure to allow the economy to recover, but it also remains wary of public protests that might arise in opposition to this measure. The government has tightened eligibility rules for food subsidy cards, and at the same time has increased rations for remaining subsidy cardholders, an effort to cushion the most vulnerable against soaring prices⁴³. Fearing social unrest, the government also partially reversed an earlier decision to lower subsidies on bread⁴⁴. This subsidy is a potentially explosive issue, as bread is a key food staple in Egypt, and cuts to this subsidy directly affects millions of people.

2.3 Inequality of economic opportunities

Due to the economic favouritism that has benefited Egyptian elites over the years, the wealth inequality gap is significant and continues to grow. According to a recent study conducted by the French Institute for International and Strategic Affairs (IRIS), the wealth inequality present in Egypt places it as the 'eighth-worst country in terms of wealth distribution'⁴⁵. Furthermore, 'In 2014, the richest 1 % of Egyptians owned half of the wealth of all Egyptians, up from one-third in 2000'⁴⁶.

As previously outlined, subsidy reform and the flotation of the pound have significantly decreased the purchasing power of poorer Egyptians. Even if the economy absorbs the initial price hikes that occurred

³⁹ 'Egypt to Slash Subsidies in Water and Wastewater', GWI, 3 August 2017.

<https://www.globalwaterintel.com/news/2017/31/egypt-to-slash-subsidies-in-water-and-wastewater>

⁴⁰ 'Annual Overall Inflation Breaks April Record Reaching 34.2 % High in July', *Mada Masr*, 10 August 2017.

<https://www.madamasr.com/en/2017/08/10/news/u/annual-overall-inflation-breaks-april-record-reaching-34-2-high-in-july/>

⁴¹ 'Annual Overall Inflation', *Mada Masr*, 10 August 2017.

⁴² Staff, 'Egypt Sets \$18 Billions for Subsidies in FY 2017-18 Budget', *Reuters*, 5 June 2017.

<http://www.reuters.com/article/us-egypt-economy-subsidies-idUSKBN18W2FX>

⁴³ Staff, 'Egypt Tightens Eligibility for Food Subsidy Cards', *Reuters*, 8 August 2017.

<https://www.reuters.com/article/us-egypt-economy-subsidies-idUSKBN1A0134>

⁴⁴ Tarek el-Tablawy, 'Egypt Looks to Avert Bread Protests After Subsidy Cut', *Bloomberg*, 8 March 2017.

<https://www.bloomberg.com/news/articles/2017-03-08/egypt-defends-reduced-bread-subsidies-trying-to-avert-unreset>

⁴⁵ 'Egypt 2020: The Impact of Military Consolidation on Long-Term Resilience', IRIS, May 2017, p.5.

⁴⁶ 'Egypt 2020', IRIS, p. 5.

because of inflationary pressures, the next round of subsidy cuts is likely to affect Egyptians once again as food prices rise, despite predictions that inflation rates will decrease in 2018⁴⁷. The improvement of macroeconomic indicators does show some promise, as the austerity measures have facilitated the economy's rebound; however, this does not help Egyptians provide for their families in the short term.

An examination of the wealth disparity in Egyptian society reveals how two key variables preserve inequalities of opportunity in relation to either education or employment. A study by the European Bank for Reconstruction and Development (EBRD) showed that the socio-economic parental background and geographic difference — urban versus rural — contributed to inequality of opportunity, and thus wealth inequality, in Egypt in the pre- and post-2011 periods⁴⁸.

2.4 Failure of traditional revenue streams

Since 2011, the failure of Egypt to attract foreign investment has seriously inhibited economic growth. Fears of political instability and a government crackdown on political dissidents drove down tourist numbers, one of the Egyptian economy's main revenue streams. An ambitious plan to expand the Suez Canal — another major source of income for Egypt — has yet to generate the high increases in revenue promised by the government, despite the billions of dollars invested in the project⁴⁹. The case of the canal's expansion and rapid completion at the president's behest provided an alarming example of foreign aid and loans being allocated to grand projects that have strong political connotations but are to yield their intended economic results. Consequently, projects like the Suez expansion do little in the short term to improve the health of the economy.

The plan to build a new administrative capital — at an estimated cost of USD 300 billion⁵⁰ — unveiled at the Sharm el-Sheikh investment conference in 2015, provides another case in point⁵¹. More than two years after the conference, the project has faced some challenges, with disagreements between the Egyptian army and some of the developers. Work on the new capital is progressing but debate continues as to whether such a capital is needed, or whether Egypt would be better served by improving the existing infrastructure of the current capital and directing resources to much-needed investments in education and healthcare⁵².

Growing trade deficits have also contributed to the Egyptian economy's sluggish growth. While the country was undergoing a political transition, exports declined and the import bill increased substantially. As part of the IMF loan agreement, the government enacted a substantial tariff system to drive down imports and to encourage the population to depend more on locally sourced products. So far, these measures have proven beneficial as the trade deficit fell 26 % in the 2016/2017 fiscal year, bringing it to its lowest level in five years⁵³. Additionally, in the same fiscal period, imports decreased 14 % and exports grew 10 %, thanks in part to a renewed global interest in Egyptian agricultural products and the floatation of the currency⁵⁴.

⁴⁷ 'Inflationary Pressures Falling Down: EFG-Hermes', *Daily News Egypt*, 12 April 2017.

<https://dailynewsegypt.com/2017/04/12/621924/>

⁴⁸ European Bank of Reconstruction and Development, 'Transition Report 2016-2017', 4 November 2016.

<http://www.ebrd.com/transition-report>

⁴⁹ Ismael El-Kholy, 'One year on, are 'new' Suez Canal revenues sinking?' *Al-Monitor*, 10 August 2016. http://www.al-monitor.com/pulse/en_US/originals/2016/08/egypt-suez-canal-expansion-project-anniversary-revenue.html

⁵⁰ Eric Knecht, 'Egypt's Capital Project Hits Latest Snag as Chinese Pull Out', *Reuters*, 8 February 2017.

⁵¹ Jack Shenker, 'Sharm el Sheikh Rumbles with Grand Promises of the International Elite', *The Guardian*, 15 March 2015.

⁵² Khaled Fahmy, Chasing Mirages in the Desert, *Cairo Observer*, 14 March 2015.

<http://caiobserver.com/post/113543612414/chasing-mirages-in-the-desert#.VyhJSZN96uU>

⁵³ Ahmed Feteha, 'Egypt Budget Deficit Hits 5-Year Low After Cost-Cutting Measures', *Bloomberg*, 8 August 2017.

<https://www.bloomberg.com/news/articles/2017-08-08/egypt-budget-deficit-hits-5-year-low-after-cost-cutting-measures>

⁵⁴ Eric Knecht, 'Egypt Agricultural Exports Up 12.1 pct in First Half 2017', *Reuters*, 19 July 2017.

<http://www.reuters.com/article/egypt-exports-idUSL5N1KA4J1>

Another ongoing challenge is the existence of the ‘grey economy,’ or the informal small businesses that contribute to the economy yet fly under the radar of bureaucrats, regulators and tax collectors. Red tape helps keep these businesses in the shadows, where their potential tax-revenue contributions are entirely lost to the state – one estimate, by the African Development Bank, placed anywhere from 37 % to 68 % of the economy in the informal sector⁵⁵. One area for relatively easy gains is thus reforming Egypt’s arcane rules for business registration, making the costs of taxation and registration a worthwhile trade for informal businessmen to be secure in their property rights. Currently, Egypt ranks 128 out of 190 in the World Bank’s Ease of Doing Business ranking.⁵⁶

2.5 Economic role of the military

The private sector is key to any long-term reform plans, but increasingly finds itself in economic competition with the military. Historically, the military has participated in many economic activities, exhibiting a near monopoly in some commercial enterprises. Since 2011, the military has deepened its involvement in the economy, announcing its participation in several ventures in which it has secured contracts with the government or which it plans to launch itself. These include activities as diverse as cement production, the supply of medical items to hospitals, the establishment of fish farms and the manufacture of water meters⁵⁷. In 2015, President el-Sisi issued a law that allows the military to set up companies with the participation of domestic or foreign capital⁵⁸. The military enjoys special standing in the economy primarily because of its ability to keep the cost of production low — as unpaid conscripts are used as workers⁵⁹ —, which makes it challenging for private businesses to compete. The French think tank IRIS postulates that:

The primary objective of the military-led government is the consolidation of political space and particularly, the economy. Egyptian businesses face growing competition from military owned companies who are expanding and consolidating control over sectors of the economy. The production, manufacture and sale of food is particularly experiencing this impact. The livelihood-focused development strategies of international donors and NGOs will be challenged by these contradicting economic and power shifts, which will compete with private enterprise and could hinder project implementation, leading to static or worsening employment and poverty indicators⁶⁰.

Although economic reforms will renew foreign investment in Egypt, they fall short of engaging with the structural problems affecting the economy, which inhibit entrepreneurship and the development of the private sector. The military’s control over the Egyptian economy and polity will remain a fundamental problem that fosters corruption and cronyism if the government does not enact policy that encourages entrepreneurship, the growth of small and medium-sized enterprises (SMEs) and an inclusive economy that spurs the participation of everyone, not just certain segments of society.

⁵⁵ Jacob Kolster, ‘Addressing informality in Egypt,’ *Working Paper: North Africa Policy Series*, Africa Development Bank (2016). https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Working_paper_-_Addressing_informality_in_Egypt.pdf

⁵⁶ The World Bank, *Doing Business: Measuring Business Regulations*.

⁵⁷ Heba Saleh, ‘When the Egyptian Army Means Business’, *Financial Times*, 15 December 2016. <https://www.ft.com/content/49b5d19a-bff6-11e6-9bca-2b93a6856354>

⁵⁸ Saleh, ‘When the Egyptian Army Means Business’.

⁵⁹ Jamal Boukhari, Egypt’s Conscripts Serving the Army’s Economic Empire, *The New Arab*, 5 September 2017.

<https://www.alaraby.co.uk/english/Comment/2017/9/5/Egypt-conscripts-serving-the-armys-economic-empire>

⁶⁰ ‘Egypt 2020’, IRIS, p. 2.

2.6 A job market that disadvantages women

Another point of concern regarding the Egyptian labour market is the consistently low level of female participation in the work force. Over the past 30 years, female labour participation has increased annually at the paltry rate of 0.17 %⁶¹. The highest rate of female employment occurred in 2007, pre-Arab Spring, when only 19 % of Egyptian women looking for work could not find a job⁶². In Egypt today, about 24 % of women in the labour force remain unemployed, a figure that is likely to rise as more government positions are cut⁶³. In the Global Gender Gap Report (2016), Egypt ranks 132 (out of 144 countries) in equality of economic participation and opportunity⁶⁴. Figure 4 highlights Egypt's global ranking in key gender indicators⁶⁵.



Figure 4: Egypt gender economic score card

Egyptian women are also paid less than Egyptian men for the same work, with the wage gap between men and women sitting at 22 %⁶⁶. Egyptian women also tend to find work in gendered, low-paying jobs, often based in the informal sector with limited protections⁶⁷. According to CAPMAS, the industries that currently employ a majority of Egyptian women are the agricultural (38.4 %), educational (20.5 %), health and social services (8.5 %) sectors⁶⁸. This demonstrates a major lack of diversification of jobs for women, which alludes to the overarching theme of Egypt's economy: inequality of opportunity.

Women's lack of participation in the labour market is directly correlated to the country's explosive population growth. The World Bank suggests that the atypical increase in fertility rates that Egypt is experiencing is partially driven by higher female unemployment: as women are unable to find jobs, many choose to marry and reproduce at an early age⁶⁹.

⁶¹ Bessma Momani, 'Equality and the Economy: Why the Arab World should Employ More Women', Brookings Institution, Policy Brief, December 2016, p.4. https://www.brookings.edu/wp-content/uploads/2016/12/bdc_20161207_equality_in_me_en.pdf

⁶² World Bank, 'Unemployment, Female (% of Female Labor Force)' accessed 13 August 2017.

<http://data.worldbank.org/indicator/SL.UEM.TOTL.FE.ZS?locations=EG>

⁶³ World Bank, 'Unemployment, Female (% of Female Labor Force)'.

⁶⁴ 'Global Gender Gap Index 2016'.

⁶⁵ 'Global Gender Gap Index 2016'.

⁶⁶ Momani, 'Equality and the Economy', p. 4.

⁶⁷ Momani, 'Equality and the Economy', p. 5.

⁶⁸ CAPMAS, 'Statistical Overview—Labor', accessed 13 August 2017.

http://www.capmas.gov.eg/Pages/StaticPages.aspx?page_id=7193

⁶⁹ Jacob Goldston, 'Unemployment may Lead to a New Youth Bulge in Egypt', World Bank, 10 July 2014.

<http://blogs.worldbank.org/arabvoices/unemployment-may-lead-new-youth-bulge-egypt>

2.7 Youth unemployment

According to the International Labour Organization (ILO), 31.3 % of Egypt's youth (aged 15-24) remain unemployed⁷⁰. There are multiple factors contributing to youth unemployment. With the cutbacks in the public sector, the private sector has not been able to absorb the new entrants to the job market. This has created a manifestation of the 'luxury unemployment' phenomenon, in which the cohort of university graduates experiences a higher rate of unemployment than other less educated cohorts as many of these unemployed graduates choose not to work in jobs outside of their area of education⁷¹. The ILO conducted a labour survey in 2014 which found that 30 % of unemployed youth refused a job because they felt it 'did not match their level of qualification'⁷².

In addition, there is a clear education-occupation mismatch. The education system, with its multiple legacy issues previously outlined, has not properly prepared graduates for the 21st century job market. The protests by Masters and PhD holders throughout the past decade to gain employment in the public sector is a clear indicator of the education-occupation mismatch⁷³. These highly educated graduates, having received government funding to attain higher degrees, are not able to find jobs⁷⁴. The lack of job opportunities has contributed to a brain-drain, which has led the rate of Egyptians legally migrating or emigrating to rise sharply since 2011⁷⁵. As Egyptian youth find themselves increasingly economically disadvantaged, they are also becoming increasingly politically disenfranchised.

⁷⁰ ILO Statistics, 'Egypt', 10 August 2017.

⁷¹ Abdel Ghafar, 'Educated but Unemployed', p. 5.

⁷² Ghada Barsoum, Mohamed Ramadan, and Mona Mostafa, 'Labour Market Transitions of Young Women and Men in Egypt', *Work4Youth Publication Series* no. 16, International Labour Organization, June 2014, p.30.
http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_247596.pdf

⁷³ Peter Hessler, 'Egypt's Failed Revolution', *New Yorker*, 2 January 2017.
<https://www.newyorker.com/magazine/2017/01/02/egypts-failed-revolution>

⁷⁴ Islam Saeed, 'Masters' Holders Protest Outside Cabinet Demanding Jobs,' *The Cairo Post*, 5 March 2014.
<http://www.thecairopost.com/news/99743/news/masters-holders-protest-outside-cabinet-demanding-jobs>

⁷⁵ Menna Samir, 'Rate of Egyptians Leaving Country Increases 17 % % in 2014', *Daily News Egypt*, 6 July 2015.
<https://dailynewsegypt.com/2015/07/06/rate-of-egyptians-leaving-country-increases-17-in-2014/>.

3 Section three: Political and security challenges

3.1 Resurgent authoritarianism

Egypt's political transition since 2011 has been more turbulent than its economic one. The January 25th uprising raised the aspirations of millions of Egyptians, but due to domestic, regional and international dynamics, these aspirations remain unmet. Mohammed Morsi, Egypt's first (albeit brief) democratically elected head of state, failed to demonstrate his ability to lead effectively. He did not govern by consensus, reneged on many of his promises, and issued presidential decrees giving him wider powers and shielding his decisions from the High Court⁷⁶. Elements of the *ancien regime* (including business elites as well as current and ex-government officials), supported by regional powers harnessed the discontent against Morsi's rule. This led to his ouster in a 2013 coup that was backed by wide segments of society. President el-Sisi was elected in 2014 with a promise of economic prosperity and security. So far, he has yet to deliver on either front.

Under el-Sisi's rule, there has been an increase in repressive measures that the Economist described as 'worse than [under] Mubarak'⁷⁷. Thousands remain incarcerated with minimal due process or legal protections, including many youth activists who were at the forefront of the 2011 uprising. A 2015 report from Amnesty International argued that Egypt's 2011's 'Generation Protest' had become 2015's 'Generation Jail'⁷⁸. Human Rights Watch reported in 2015 that significant numbers of those jailed since the uprising have died in custody. Most of these deaths occurred under dubious circumstances and Egyptian jails are 'bursting at the seams' as a result of the widespread government crackdown on political dissent⁷⁹.

3.2 Attacks on freedom of expression

The el-Sisi government sought to re-establish control over the public sphere through the curtailment of press freedoms and the suppression of civil society groups. These attempts to regain control after the 2011 uprising started during the Morsi era and contributed to the public's growing disapproval of his administration. After Morsi assumed office, contrary to his campaign promises, additional controls were placed on mainstream media, as the Morsi government decided to retain 70 legal articles from the Mubarak era that were used to suppress the media⁸⁰.

President el-Sisi went even further in 2016, signing into law a new media regulatory framework that created three government-dominated supervisory bodies with sweeping powers over content and licensing, while providing few protections for the press⁸¹. The president was brutally honest about his opinion on alternative political views. In a televised speech in 2016, he clearly stated: 'Don't listen to anyone but me'⁸².

In a 2016 report on press freedom, the Egyptian NGO Association for Freedom of Thought and Expression (AFTE) reported 438 incidents of abuse against journalists, including judicial action, detention, physical

⁷⁶ Bassem Sabry, 'How Morsi and the Brotherhood Lost Egypt', *al-Monitor*, 4 July 2013.

<http://www.al-monitor.com/pulse/originals/2013/07/morsi-brotherhood-lost-egypt-bsabry.html>

⁷⁷ 'Worse than Mubarak', *Economist*, 2 May 2015. <https://www.economist.com/news/middle-east-and-africa/21650160-abdel-fattah-al-sisi-has-restored-order-egypt-great-cost-worse>

⁷⁸ 'Egypt: Generation Jail: Egypt's Youth Go from Protest to Prison, Amnesty International, 30 June 2015. <https://www.amnesty.org/en/documents/mde12/1853/2015/en/>

⁷⁹ 'Egypt: Rash of Deaths in Custody', Human Rights Watch, 21 January 2015. <https://www.hrw.org/news/2015/01/21/egypt-rash-deaths-custody>

⁸⁰ Sherif Mansour, 'Stifling the Public Sphere: Media and Civil Society in Egypt', National Endowment for Democracy, October 2015, p.6.

<http://www.ned.org/wp-content/uploads/2015/10/Stifling-the-Public-Sphere-Media-Civil-Society-Egypt-Forum-NED.pdf>

⁸¹ 'Freedom of the Press 2017-Egypt Profile', Freedom House, accessed 22 August 2017.

<https://freedomhouse.org/report/freedom-press/2017/egypt>

⁸² 'Don't Listen to Anyone but Me', *Mada Masr*, 24 February 2016.

<https://www.madamasr.com/en/2016/02/24/news/u/sisi-dont-listen-to-anyone-but-me/>

assault, unfair dismissal, censorship, security raids, closure and travel bans⁸³. The Committee to Protect Journalists (CPJ) ranked Egypt third globally for its rate of jailing journalists, behind only China and Turkey⁸⁴. Since the 2011 protests, the imprisonment of journalists continues to rise in Egypt (see figure 5)⁸⁵. As of 1 December 2016, CPJ reported the known imprisonment of 25 journalists in Egypt, with the actual number probably much higher⁸⁶.

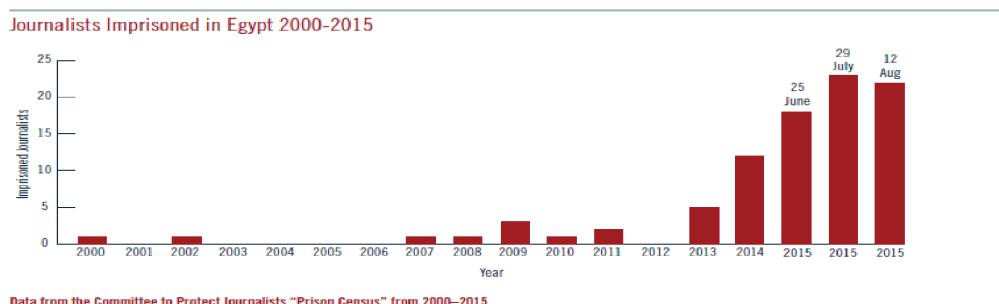


Figure 5: Journalists imprisoned in Egypt

The 2011 uprising was strongly supported by online activism and organisation, so it is no wonder that a key aspect of the government's efforts to re-establish control has been digital censorship. In an attempt to eliminate the country's last remaining sources of criticism and free expression, more than 40 websites were blocked throughout 2017 after being accused of illegal activity⁸⁷. No evidence was given for such illegal activities, merely claims that they contain content that 'supports extremism, terrorism and the spread of lies'⁸⁸. After Human Rights Watch issued a report in September 2017 arguing that torture has become standardised practice under the el-Sisi presidency, the government blocked their website, bringing the total number of blocked websites since el-Sisi assumed the presidency to 424 so far⁸⁹.

3.3 Strangling civil society

A new law drafted by the Egyptian parliament effectively inhibited the work of Egyptian NGOs by subjecting their work and funding to government control and, ultimately, the security apparatus⁹⁰. The legislation was debated behind closed doors and signed into law in November 2016⁹¹. The law was designed to formally legislate the crackdown on local and international NGOs operating in Egypt since 2011. In 2011, the security forces raided the offices of American and European NGOs, confiscating their

⁸³ Amira el-Fekki, 'Freedom of Expression in Egypt in 2016: an overview', *Daily News Egypt*, 18 February 2017.

<https://dailynewsegypt.com/2017/02/18/freedom-expression-egypt-2016-overview/>

⁸⁴ '2016 Prison Census: 259 Journalists Jailed Worldwide', CPJ, accessed 21 August 2017.

<https://cpj.org/imprisoned/2016.php>

⁸⁵ '2016 Prison Census', CPJ.

⁸⁶ '2016 Prison Census', CPJ.

⁸⁷ 'Dozens of News Sites Blocked as Egypt Ramps Up Digital Censorship', Amnesty International, 13 June 2017.

<https://www.amnesty.org/en/latest/news/2017/06/dozens-of-news-sites-blocked-as-egypt-ramps-up-digital-censorship/>

⁸⁸ 'Security Source: Blocking 21 Websites Including 'al-Jazeera' because they Incite Terrorism and Spread Lies', *al-Ahram*, 24 May 2017. <http://gate.ahram.org.eg/News/1518565.aspx>

⁸⁹ 'We do unreasonable things here': Torture and National Security in al-Sisi's Egypt', Human Rights Watch, 5 September 2017.

<https://www.hrw.org/report/2017/09/05/we-do-unreasonable-things-here/torture-and-national-security-al-sisis-egypt>; Staff, 'Egypt Blocks Human Rights Watch amid Widespread Media Blockade', 8 September 2017. <https://www.reuters.com/article/us-egypt-rights/egypt-blocks-human-rights-watch-website-amid-widespread-media-blockade-idUSKCN1B1310>

⁹⁰ 'Egypt: Draft Law Bans Independent Civil Society Groups', Human Rights Watch, 28 November 2016.

<https://www.hrw.org/news/2016/11/28/egypt-draft-law-bans-independent-civil-society-groups>

⁹¹ Mohamed Hamama, 'Parliament Approves Secretly Drafted NGO Law', *Mada Masr*, 16 November 2016.

<https://www.madamasr.com/en/2016/11/16/feature/politics/parliament-approves-secretly-drafted-ngo-law/>

equipment, documents and cash. In 2013, 43 NGO employees including foreign nationals were convicted of operating illegal organisations and accepting foreign funding⁹².

Egyptian NGOs did not fare much better. In 2016 alone, the government ordered the freezing of assets of three human rights centres, CIHRS, the Hisham Mubarak Law Center and the Egyptian Centre on the Right to Education. In addition, five leading human rights lawyers found their personal bank accounts frozen⁹³. As a result of draconian legislative measures, the Egyptian government has tightened its control over the public sphere from the outset of the 2011 uprisings. In post-2011 Egypt, despite flirtations with democracy, the loosening of restrictive security measures and the advancement of human rights and the rule of law, the current government restored the repressive measures of older regimes, harkening back to the days before 2011. In some cases, as demonstrated by the widespread arrests, imprisonment and torture of political dissidents, these measures are even more oppressive, because the government views these measures as necessary to prevent the emergence of a new, potentially threatening protest movement.

3.4 Lack of avenues for formal participation in politics

The authoritarianism of successive Egyptian regimes since 1952 has curtailed political participation over generations. After decades of minimal access to formal politics, the 2011 uprising provided a historic opportunity for Egyptians to engage in the political process. Egyptians have gone to the polls a record seven times since 2011, including for the 2011 Constitutional Referendum, the 2011/12 Parliamentary Elections, the 2012 Presidential Elections, the 2012 Constitutional Referendum, the 2014 Constitutional Referendum, the 2014 Presidential Elections and finally, the 2015 Parliamentary Elections.

However, the lack of impartial political institutions and oversight has meant that many of these elections have been superficial exercises at best. The first of these, the 2011 Constitutional Referendum, witnessed the highest voter turnout in the history of Egypt at 42 %. The 2012 Presidential Elections also witnessed high voting numbers, however once Morsi assumed power, rates of participation started to decline, and the 2012 Constitutional Referendum saw a significantly lower participation rate of 32.9 %⁹⁴. After the 2013 coup and the 2014 Presidential Election — which el-Sisi won by 96 %, a staggering number reminiscent of the Mubarak era — participation rates plummeted further. The turnout for the 2015 Parliamentary elections was abysmal at 26.7 %⁹⁵. The current Parliament has not been able to represent the people as a real parliament should. For example, despite overwhelming public opposition, the Egyptian parliament rubber-stamped President Sisi's decision to transfer Egyptian sovereignty over the Islands of Tiran and Sanafir to Saudi Arabia⁹⁶.

3.5 Stuck between a rock and a hard place

Egyptians, particularly the youth, have lost faith and become disillusioned with the idea of engagement in the political process. The extreme polarisation in Egypt's politics has also exacerbated this disillusionment. After the political opening the country witnessed since 2011, only the Islamists, with their well-developed organisational capacity spread across Egypt, were able to take advantage of this political opportunity. Empirical research shows that Islamist groups had been able to court support and integrate themselves

⁹² Amy Austin Holmes, 'The Attack on Civil Society Outside Cairo', Carnegie Endowment for International Peace, *Sada* (blog), 26 January 2017. <http://carnegieendowment.org/sada/67810>

⁹³ Jo Schietti, 'Police State Egypt: NGOs Under Attack', *The New Arab*, 31 December 2016. <https://www.alaraby.co.uk/english/indepth/2017/1/1/police-state-egypt-ngos-under-attack>

⁹⁴ Ziad A. Akl, 'Youth Political Participation in Egypt', *Daily News Egypt*, 17 October 2015. <https://dailynewsegypt.com/2015/10/17/youth-political-participation-in-egypt/>

⁹⁵ Farid Y. Farid, 'Egypt's Youth Don't Care About Elections but they still Want a Democracy', *Quartz*, 25 October 2015. <https://qz.com/532593/egypts-youth-dont-care-about-elections-but-they-still-want-a-democracy/>

⁹⁶ Egypt Independent, Parliament Officially Accredits Tiran and Sanafir Islands as Saudi Territories, *Egypt Independent*, June 14, 2017. <http://www.egyptindependent.com/parliament-accredits-tiran-sanfir-islands-saudi/>

within local communities by providing services, filling the vacuum created by poor public services and weak state capacity⁹⁷.

Political parties allied with the government and the military were seemingly the only other alternative. Robert Springborg argues that the struggle between incumbent Egyptian regimes and the Muslim Brotherhood goes all the way back to King Farouq's era (1936-1952), and that politics post-2011 is simply the most recent iteration of this struggle⁹⁸. The unfortunate result is that the Egyptian people now find themselves wedged between military and religious authoritarianism, with few options between.

3.6 The ticking time bomb

The combination of political disenfranchisement with a lack of social justice and economic opportunities during a time of explosive population growth is a ticking time bomb⁹⁹. Egypt's youth represent an opportunity that, if not harnessed through inclusive growth, meaningful job opportunities, and social engagement, is likely to have adverse security ramifications, not only for Egypt, but also for the region. The increased socio-economic and political marginalisation that follows will likely contribute to social unrest, illegal migration and radicalisation.

From a security perspective, economic grievances among the youth increase the likelihood of youth participating in street protests or violent extremism. Henrik Urdal of the Peace Research Institute Oslo (PRIO) argues that '[w]hen youth make up more than 35 % of the adult population, which is evident in many developing countries, the risk of armed conflict is 150 % higher than in countries with an age structure similar to most developed countries'¹⁰⁰. A number of recent studies suggest that youth unemployment in Muslim countries can be a predictor of radicalisation¹⁰¹. Whether for socio-economic or political reasons, many youths from Islamist groups have joined the Islamist insurgency that started in Sinai, but gradually spread across the country.

3.7 An islamist insurgency

The state's crackdown on the Muslim Brotherhood has decimated the ranks of the movement, and it has also splintered it into competing factions. There are clear divisions within the organisation, especially regarding the use of violence. Two distinct camps have emerged: one that advocates peaceful methods above all, and another that argues that democratic and peaceful approaches do not work, engaging in terrorist acts against the state and the population as a result. A generational divide within the organisation also exists. Islamist youth, disillusioned with the political transition since 2011 — especially after the Raba'a

⁹⁷ 'Tunisia: Violence and the Salafi Challenge', International Crisis Group, Report No. 137, 13 February 2013.

<https://www.crisisgroup.org/middle-east-north-africa/north-africa/tunisia/tunisia-violence-and-salafi-challenge>

⁹⁸ Robert Springborg, 'Egypt's Cobra and Mongoose', *Foreign Policy*, 27 February 2012.

<http://foreignpolicy.com/2012/02/27/egypts-cobra-and-mongoose/>

⁹⁹ Adel Abdel Ghafar, 'Youth Unemployment in Egypt: A Ticking Time Bomb', Brookings Institution, *Markaz* (blog), 28 July 2016.

<https://www.brookings.edu/blog/markaz/2016/07/29/youth-unemployment-in-egypt-a-ticking-time-bomb/>

¹⁰⁰ Henrik Urdal, 'A Clash of Generations? Youth Bulges and Political Violence', *International Studies Quarterly* 50, no. 3 (Sep. 2006): 607-629.

¹⁰¹ See for example, Moamen Gouda and Marcus Marktanner, 'Muslim Youth Unemployment and Expat Jihadism—Bored to Death?' Economic Research Forum, Working Paper no. 1113, Economic Research Forum, June 2017.

<https://erf.org.eg/wp-content/uploads/2017/06/1113.pdf>; and Kartika Bhatia and Hafez Ghanem, 'How do Education and Unemployment Affect Support for Violent Extremism?' Brookings Institution, 22 March 2017.

<https://www.brookings.edu/research/how-do-education-and-unemployment-affect-support-for-violent-extremism/>

Massacre¹⁰² — have viewed violence as a more effective means of achieving their demands, more so than their elders' efforts to engage with the government, despite its crackdown¹⁰³.

Attacks have multiplied not only in Sinai, but also across the country. The government accused youth with alleged ties to the Muslim Brotherhood of carrying out the assassination of Hesham Barakat, Egypt's prosecutor general in 2015¹⁰⁴. The Coptic Christian community in Egypt has also borne the brunt of the many terrorist attacks that have occurred since 2013. The Islamists perceive the Coptic community as a strong component of the 2013 coalition that ousted Morsi, and thus they have become a target of not only the Islamist insurgency in Egypt, but also of the so-called Islamic State (IS)¹⁰⁵.

In Sinai, the IS-allied Ansar Beit al-Maqdis group (ABM) have carried out numerous attacks on security forces. Sinai has long been a fertile ground for extremist groups to grow and operate, partly due to the government's neglect in developing the region and its inability to fully police the area's rugged terrain. The security services treat the Bedouin who live in Sinai as part of the security threat, which is consistent with the government's long history of treating the symptoms of terrorism, not the underlying causes¹⁰⁶. So far, the government's counter-insurgency strategy has not succeeded in eliminating the insurgency in the Sinai¹⁰⁷.

The Bedouin living in Sinai have suffered under the government's security crackdowns, which amount to collective punishment for their community. Unsurprisingly, this instilled a great sense of resentment in the Bedouin focused on the government, which continues to bombard their lands as part of a failed security strategy. With regards to the Muslim Brotherhood and ABM, these groups and the Egyptian state have adopted a zero-sum approach, which does not offer any realistic way to end the impasse and continues to breed a cycle of violence and counter-violence with no end in sight¹⁰⁸.

The insurgency not only has security consequences, but economic ones as well. Tourism, a key source of foreign currency earnings, has been affected as visitors are deterred by fears of terrorism and instability. International governments have issued travel warnings advising citizens to reconsider travel to Egypt, particularly North Sinai, which directly affects tourist arrivals¹⁰⁹. The number of tourists coming to Egypt's pristine beaches and archaeological sites stood at 9.3 million in 2015, compared with more than 14.7 million in 2010¹¹⁰. Tourism's contribution to GDP has dropped more than half from 7.7 % in 2010 to 3.2 % in 2016.

¹⁰² On 14 August 2013, the Egyptian security forces attacked two sit-ins at Rabaa al-Adawiya and al-Nahda squares in Cairo. Over 900 people were killed and thousands injured; however, no one from the security establishment was held accountable. See: Amnesty International, 'Egypt: Rampant Impunity for Security Forces Illustrates Dark Legacy for Rabaa Massacre', 14 August 2017. <https://www.amnesty.org/en/latest/news/2017/08/egypt-rampant-impunity-for-security-forces-illustrates-dark-legacy-of-rabaa-massacre/>

¹⁰³ 'All According to Plan: The Rab'a Massacre and Mass Killings of Protestors in Egypt', Human Rights Watch, 12 August 2014. <https://www.hrw.org/report/2014/08/12/all-according-plan/raba-massacre-and-mass-killings-protesters-egypt>; 'Egypt's Rising Security Threat', The Tahrir Institute for Middle East Policy, November 2015. https://timep.org/wp-content/uploads/2015/11/Tahrir_Report_FINAL_WEB.pdf.

¹⁰⁴ 'All According to Plan.'

¹⁰⁵ H.A. Hellyer, 'Why do Coptic Christians Keep Getting Attacked?' *The Atlantic*, 26 May 2017. <https://www.theatlantic.com/international/archive/2017/05/coptic-christians-egypt-attack/528330/>

¹⁰⁶ Sahar Aziz, 'De-securitizing Counterterrorism in the Sinai Peninsula', Brookings Institution, 30 April 2017. <https://www.brookings.edu/research/de-securitizing-counterterrorism-in-the-sinai-peninsula/>

¹⁰⁷ 'Egypt is Failing to Stop the Insurgency in Sinai', *The Economist*, 6 April 2017. <https://www.economist.com/news/middle-east-and-africa/21720310-other-front-war-against-islamic-state-egypt-failing-stop>

¹⁰⁸ Mokhtar Awad and Mostafa Hashem, 'Egypt's Escalating Islamist Insurgency,' Carnegie Endowment for International Peace, October 2015. http://carnegieendowment.org/files/CMEC_58_Egypt_Awad_Hashem_final.pdf

¹⁰⁹ See for example, 'Egypt Travel Warning', U.S. Department of State, 19 July 2017. <https://travel.state.gov/content/passports/en/alertswarnings/egypt-travel-warning.html>; 'Foreign Travel Advice—Egypt', U.K. Foreign Office, 25 August 2017 <https://www.gov.uk/foreign-travel-advice/egypt/safety-and-security>

¹¹⁰ Staff, 'Egypt Eyes Return to Pre-Uprising Tourist Numbers: Minister', Reuters, 7 March 2017. <http://www.reuters.com/article/us-europe-tourism-egypt/egypt-eyes-return-to-pre-uprising-tourist-numbers-minister-idUSKBN16E2JB>

Should the number of tourists visiting Egypt continue to decline, the economy will suffer. The current security policy does not properly handle the growing threat of terrorism in Sinai. A new approach will require an emphasis on development projects for economically distressed parts of the country that continue to serve as a base of recruitment for terrorist groups. Of course, this policy shift will not create positive results overnight, but it will gradually address one of the main causes of the deteriorating security situation in Egypt, economic instability. From security to the political environment, the main issues that are likely to destabilise Egypt in the future stem from socio-economic problems. Unfortunately, the government's heavy-handed security approach does little to address these issues. Environmental and resource challenges will further exacerbate those issues.

4 Section four: Environment and resource challenges

Egypt's landmass is predominantly made up of desert, arid and semi-arid rangelands that can be divided into four main regions: The Nile Valley and Delta, Western Desert, Eastern Desert and the Sinai Peninsula. Egypt does not receive regular rainfall and annual rainfall ranges from a maximum of about 200 mm in the northern coastal region to a minimum of nearly zero in the south, with an annual average of 51 mm. This means that the country is highly dependent on the Nile for its supply of water, with an estimated 95 % of water resources coming from the river.

Egyptian agricultural production comes from three main zones: 1) ancient irrigated land with an area of 2.3 million hectares lying in the Nile Valley and Delta with most of the state's fertile soils; 2) newly reclaimed land (0.8 million hectares including sandy and calcareous soils poor in organic matter and macro- and micronutrients); 3) a rain-fed area of about 0.1 million hectares of sandy soil located in the Northwest Coast and North Sinai¹¹¹. The Nile Delta produces the bulk of Egypt's domestic agriculture. Overall, the agriculture sector in Egypt accounts for 20 % of the Gross Domestic Product, 34 % of total exports and provides jobs for 32 % of the total labour force¹¹².

The Egyptian coastlines stretch over 3 500 km, of which 1 200 km run along the Mediterranean Sea, extending from Saloum in the West, to Rafah in the East. Egypt's Red Sea coast and the Gulfs of Suez and Aqaba stretch over 2 300 km. Approximately 15 % of the total population of Egypt lives in these coastal areas, as well as key economic, industrial and agricultural activities¹¹³. Noting the geography of Egypt and the economy's dependence on agriculture, there are a number of challenges to Egypt's environment and resources.

4.1 Pressure on water resources

Egypt's water supply is limited and is projected to come under ever-greater stress due to a number of factors. First, population increases will mean less available fresh water per capita. Second, inefficient use of water for agricultural production, especially by small farms with inadequate infrastructure in smaller plots, creates more instances of water waste. Third, an increased production of sewage and untreated industrial waste will lead to a continued deterioration in water quality¹¹⁴. Fourth, higher temperatures and lower rainfall anticipated as effects of climate change will require increased agricultural irrigation¹¹⁵. All of these factors will contribute to greater costs for the state and a larger burden on the economy as a result of necessary infrastructure upgrades for agricultural and water delivery systems.

In addition, the Ethiopian Renaissance Dam — currently under construction — will have an impact on available water supplies flowing into Egypt. Egypt's current share of water from the Nile River is approximately 55.5 billion m³, which is predominantly used for agriculture (approximately 85.6 %). While there are no conclusive studies on the exact impact of the dam on Egypt's water supplies, some estimates show that water supply may decline by 25 %¹¹⁶. This will have an impact on electricity production from the

¹¹¹ A.H. Abd El-Hadi, 'Country Report on Egyptian Agriculture', Soil, Water, & Environment Research Institute, November 2004. [https://www.ipipotash.org/udocs/Country %20Report %20on %20Egyptian %20Agriculture.pdf](https://www.ipipotash.org/udocs/Country%20Report%20on%20Egyptian%20Agriculture.pdf)

¹¹² El-Hadi, 'Country Report on Egyptian Agriculture'.

¹¹³ 'Egypt's National Strategy for Adaptation to Climate Change and Disaster Risk Reduction', UNDP, December 2011. [http://www.climasouth.eu/docs/Adaptation011 %20StrategyEgypt.pdf](http://www.climasouth.eu/docs/Adaptation011%20StrategyEgypt.pdf)

¹¹⁴ 'Egypt's National Strategy for Adaptation to Climate Change.' [http://www.climasouth.eu/docs/Adaptation011 %20StrategyEgypt.pdf](http://www.climasouth.eu/docs/Adaptation011%20StrategyEgypt.pdf)

¹¹⁵ Mahmoud Fawaz and Sarhan Soliman, 'The Potential Scenarios of the Impacts of Climate Change on Egyptian Resources and Agricultural Plant Production', *Open Journal of Applied Sciences* 6, no. 4 (April 2016): 270.

¹¹⁶ Jean-Daniel Stanley and Pablo Clemente, 'Increased Land Subsidence and Sea-Level Rise are Submerging Egypt's Nile Delta Coastal Margin', *Geological Society of America Today* 27, no. 5 (May 2017): p.4-11. <http://www.geosociety.org/gsatoday/archive/27/5/abstract/GSATG312A.1.htm>

Aswan High Dam and on Egypt's overall agricultural production and food security¹¹⁷. Decreased water supplies from the Nile will have an impact on cultivatable land, and will lead to the end of many of the land reclamation projects that the government is currently undertaking¹¹⁸. Should the effects of the dam not be mitigated and negotiations between Egypt and Ethiopia break down, there is a potential for conflict between the two nations in the next 10 years.¹¹⁹

4.2 Increased energy needs

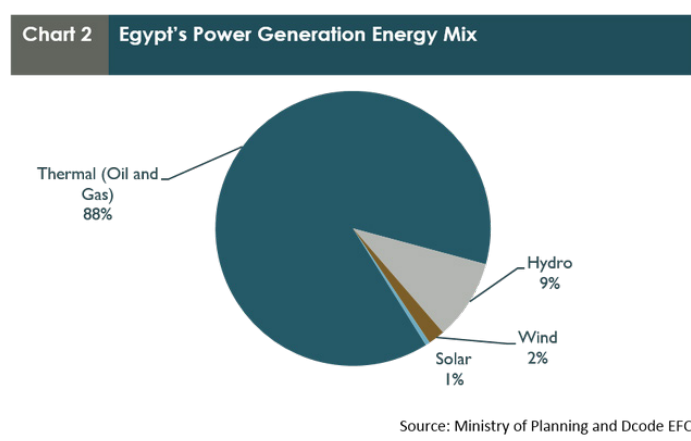


Figure 6: Types of energy powering Egypt

Egypt is highly reliant on petrochemicals for its energy needs. Figure 6 shows Egypt's current energy mix, with 88 % coming from oil and gas, and the balance coming from renewable power sources including hydro, wind and solar¹²⁰. As the population grows, the demand for energy continues to increase even as energy from existing sources becomes scarcer, necessitating the creation of more sustainable sources of energy. Historically, energy prices have been subsidised, which has not encouraged efficiency or conservation.

Continued population growth and increased energy needs have led to shortages in domestic gas supplies, which has forced the government to increase its imports and to substitute fuel oil for gas to power Egypt's steam turbine power plants¹²¹. At the end of 2017, Egypt started production at the Zohr gas field with the aim that it will help stabilise the country's energy market. With the injection of liquefied natural gas (LNG) from the Zohr field into the domestic market, Egypt hopes to eventually cease energy imports and become a net exporter by 2020¹²².

Hoping to develop alternative forms of energy, Egypt is seeking to develop its nuclear energy capabilities for a nuclear reactor that will be built by the Russian Federation. The government would also like to increase solar energy operations throughout the country. Doing so will not only reduce air pollution and improve air quality, but it will also facilitate domestic consumers' pivot away from fuel. Although the government has set an ambitious goal in seeking to expand renewable energy sources to provide 20 % of

¹¹⁷ Nagwa El-Agroudy, Fatima Ahmed Shafiq and Soheir Mokhtar, 'The Impact of Establishing the Ethiopian Dam Renaissance on Egypt', Department of Agriculture Economic National Research Centre, Cairo, 13 January 2014.

[https://www.textroad.com/pdf/JBASR/J.%20Basic.%20Appl.%20Sci.%20Res.,%204\(4\)1-5.%202014.pdf](https://www.textroad.com/pdf/JBASR/J.%20Basic.%20Appl.%20Sci.%20Res.,%204(4)1-5.%202014.pdf)

¹¹⁸ El-Agroudy, 'The Impact of Establishing the Ethiopian Dam Renaissance on Egypt'.

¹¹⁹ Lawson, Fred H. 'Egypt versus Ethiopia: The Conflict over the Nile Metastasizes.' *The International Spectator* (2017): 1-16.

¹²⁰ 'Egypt—APES Nations Project', 19 May 2016. <https://egyptngword.wordpress.com/>

¹²¹ Economist Intelligence Unit, 'Egypt Energy—Power Supply Surges, as do Costs and Tariffs', *The Economist*, 10 July 2017.

<http://country.eiu.com/ArticleIndustry.aspx?articleid=305669614&Country=Egypt&topic=Industry&subtopic=Energy>

¹²² Isabella Ruble, 'European Union Energy Supply Security: The Benefits of Natural Gas Imports from the Eastern Mediterranean', *Energy Policy* no. 135 (June 2017): 345.

the state's electricity by 2022, this plan remains achievable if the government can incentivise consumers to harness solar energy¹²³. Due to the growing population, Egypt continues to suffer through an energy shortage, which at times results in blackouts, particularly in the summer months¹²⁴. Turning to alternative sources of energy will help satisfy Egypt's increasing energy demands. Increased investments in solar power will not resolve all of Egypt's energy and fiscal concerns, but it will certainly help in diversifying sources of energy and mitigating some of the impacts of climate change.

4.3 Climate change

Over the next five decades, Egypt will feel the impact of climate change. The effects will likely include higher temperatures, changes in rain patterns, higher sea levels and potential increases in catastrophic weather events, which create significant threats to communities and the agricultural sector.



Figure 7: Forecasted flood zones of Nile Delta

Of Egypt's coastal areas, the Nile Delta is the region most critically threatened by rising sea levels, as it is only about 1 meter above current sea levels. The northern third of the delta is sinking at a rate of about 4 to 8 mm per year due to compaction of strata underlying the plain, seismic motion, and the lack of sufficient new sediment to re-nourish the lands being currently eroded by Mediterranean coastal currents¹²⁵. Figure 7 highlights the predicted inundation of the Nile Delta by rising sea levels by 2060 should no protective measures be undertaken¹²⁶.

The Nile Delta is the most fertile area in Egypt and a major source of its food production. The UNDP projects that the inundation of the Nile Delta and subsequent decrease in agricultural production will have a dual negative impact, first on food supplies and secondarily on employment in the agricultural sector. Lower food production would have implications for both the health and well-being of communities (malnutrition)

¹²³ Andrew Burger, 'Egypt's Renewable Energy Drive Gains Steam', *Renewable Energy World*, 9 June 2015.

<http://www.renewableenergyworld.com/articles/2015/06/egypt-s-renewable-energy-drive-gains-steam.html>

¹²⁴ Burger, 'Egypt's Renewable Energy Drive Gains Steam'.

¹²⁵ Jean-Daniel Stanley and Pablo Clemente, 'Looming Crisis of the Much-Decreased Fresh-Water Supply to Egypt's Nile Delta', GSA Release no. 17-11, Geological Society of America, 13 March 2017.

<http://www.geosociety.org/GSA/News/Releases/GSA/News/pr/2017/17-11.aspx>

¹²⁶ David Tresilian, 'Egypt and Climate Change', *al-Ahram Weekly*, 13 April 2014. <http://weekly.ahram.org.eg/News/6060.aspx>

and in turn, become a catalyst for poverty and social unrest¹²⁷. Should flooding occur in the Nile Delta, entire communities could be displaced, with extensive loss of property.

In a recent study, CAPMAS projections show that Egypt will face a decline in the productivity of key agricultural crops over the next 10 years due to climate change. The study is based on modelling done between 2014/15 and 2024/25 and assumes temperature increases of 1-2 degrees Celsius¹²⁸. The decline in wheat production is particularly alarming, as it is a key staple that has direct ramifications for social stability, as bread is a key food source for millions of Egyptians. By some estimates, Egypt is already the largest importer of wheat in the world¹²⁹. While the government has plans to increase its wheat production, CAPMAS data predicts that climate change will become a major obstacle towards that goal¹³⁰.

In addition to the adverse effects of terrorism on the tourism industry, in the long term climate change poses an even greater threat to the tourism industry. Already, research focusing on Egypt's economic vulnerability to climate change shows a negative impact on tourism revenues by 2030¹³¹. As tourism revenues decrease, the job market and the economy will suffer. The symptoms of climate change also threaten many historical and natural treasures. Rising sea levels could threaten antiquities and the many popular beaches along the Mediterranean and Egypt's Red Sea coast. Pristine beaches along the coast will be inundated and shorelines submerged if sea levels continue to rise.

Rising temperatures will adversely affect coral reefs, which attract divers and snorkelers from across the globe, representing a major contribution to the Egyptian tourism industry¹³². The Red Sea is considered one of the most bio-diverse reefs in the world, and while the Egyptian Red Sea has not shown significant signs of coral bleaching thus far, there have been two bleaching events along the Saudi Arabian coastline in the last decade due to high levels of pollution¹³³. Finally, rising temperatures across the country will make Egypt a less attractive tourist destination. The effects of climate change on tourism are already visible in tourist destinations like Alexandria on the Mediterranean coast¹³⁴.

¹²⁷ Joel Smith, Bruce McCarl, Paul Kirshen, et al., 'Egypt's Economic Vulnerability to Climate Change', *Climate Research* 62, no. 1 (2 December 2014): 59-70.

https://www.researchgate.net/publication/269038349_Egypt's_economic_vulnerability_to_climate_change

¹²⁸ '18.2 % Decline of Wheat Production', CAPMAS, 27 October 2017.

http://capmas.gov.eg/Pages/ShowHmeNewsPDF.aspx?page_id=/Admin/News/PressRelease/201727105916_00.pdf&Type=News

¹²⁹ David Hodari, 'Egyptian's State Agency Buys 420,000 Tons of Wheat in Tender', Fox Business, 26 July 2017.

<http://www.foxbusiness.com/features/2017/07/26/egyptians-state-agency-buys-420000-tons-wheat-in-tender.html>

¹³⁰ Ahmed Fouad, 'Despite Egypt's Wheat Self-Sufficiency Plan, Imports Increase', *al-Monitor*, 31 August 2017. <http://www.al-monitor.com/pulse/originals/2017/08/egypt-wheat-import-increase-self-sufficiency-economy.html>

¹³¹ Smith, 'Egypt's Economic Vulnerability to Climate Change'.

¹³² Ahmed Eladawy, Kazuo Nadaoka, Abdelazim Negm Eladawy, et al., 'Assessment of Long Term Thermal Stress on Egyptian Coral Reefs Based on Remotely Sensed Sea Surface Temperature Data', *International Journal of Environmental Science and Development* 6, no.12 (December 2015): 938.

¹³³ Maha Khalil, 'Coral Reefs of the Red Sea—Hanging in There!', *Andariya*, 5 February 2017. <http://www.andariya.com/coral-reefs-of-the-red-sea-hanging-in-there/>

¹³⁴ Jane Arraf, 'In Egypt, A Rising Sea—And Growing Worries About Climate Change's Effects', NPR, 13 August 2017.

<http://www.npr.org/sections/parallels/2017/08/13/542645647/in-egypt-a-rising-sea-and-growing-worries-about-climate-changes-effects>

4.4 Pollution

The combination of climate change, a growing population and industrial projects is likely to make air quality worse. According to the WHO, Egypt, especially the greater Cairo area, experiences some of the worst pollution on the planet¹³⁵. The World Bank notes that Egypt's air quality has worsened since 1992¹³⁶. In addition, the Nile has increasingly become more polluted, creating health problems for Egyptians that live along the river and for farmers that depend on it as a major element of their economic well-being¹³⁷.

Higher pollution levels will produce a negative economic impact, as it will put the public health system under further strain. According to a report by the World Bank, the economic cost of air pollution on the economy has nearly doubled since the last comprehensive report in 1990, with annual total welfare losses estimated at USD 17 billion or 3.5 % of Egypt's GDP¹³⁸. According to the WHO, air pollution in Egypt and the MENA region exceeds the global average¹³⁹. Government policy that prevents further stress on the economy because of health issues associated with pollution should be a key priority.

¹³⁵ 'Global Urban Ambient Air Pollution Database', WHO, accessed 15 August 2017.

http://www.who.int/phe/health_topics/outdoorair/databases/cities/en/

¹³⁶ 'PM2.5 Air Pollution, Mean Annual Exposure, Egypt', World Bank, accessed 13 August 2017.

<http://data.worldbank.org/indicator/EN.ATM.PM25.MC.M3?locations=EG>

¹³⁷ Andrew Bossone, 'Egypt's Nile-borne Health Crisis', *Middle East Eye*, 15 October 2015.

<http://www.middleeasteye.net/in-depth/features/egypt-s-nile-borne-health-crisis-2047735604>

¹³⁸ 'The Cost of Air Pollution: Strengthening the Economic Case for Action', World Bank, 2016, p.94.

<http://documents.worldbank.org/curated/en/781521473177013155/pdf/108141-REVISED-Cost-of-PollutionWebCORRECTEDfile.pdf>

¹³⁹ World Bank, 'Environment', accessed 20 September 2017.

<https://data.worldbank.org/topic/environment>

Part Two

1 Section one: EU - Egypt relations

1.1 Background

Over the past six decades, Egypt and Europe have sought to develop stronger economic and political ties. Beginning in the 1970s, Egypt negotiated preferential access to EU markets through bilateral cooperation and the generalised system of preferences (GSP). The agreement was a starting point in formalising economic ties and established a precedent for trade liberalisation and market access between both parties¹⁴⁰. In 1995, the Euro-Mediterranean Conference launched the Barcelona Process (also known as the Euro-Mediterranean Partnership or EMP), which was a turning point between the EU and the Southern Mediterranean countries, including Egypt. The EMP's ambitions transcended a narrow focus on economic ties and included substantial objectives such as political stability, stronger cultural ties and environmental protections¹⁴¹.

The 2001 Association Agreement, which entered into force in 2004, forms the legal basis of Egypt-EU relations. The agreement included provisions for the gradual elimination of industrial tariffs and the removal of non-tariff barriers. The EU-Egypt Action Plan adopted in 2007 complemented the Association Agreement and provided a framework for cooperation between both parties with a focus on supporting political reform and good governance, competitiveness, productivity and the socioeconomic sustainability of the development process¹⁴².

Most of the relationships between Egypt and European countries pre-2011 were primarily based on the personal friendships ex-President Hosni Mubarak had developed with various European leaders, including German chancellors Helmut Kohl and Gerhard Schröder, and French presidents François Mitterrand and Jacques Chirac¹⁴³. These friendships, grounded in political and economic realpolitik, drove the European approach towards Egypt prior to the 2011 uprising. European leaders relied on their personal relationships and direct contact with Mubarak to further the economic and security interests of their respective countries¹⁴⁴. Political reform was paid lip service, but was largely kept in the background, as cooperation focused on economic and security objectives.

1.2 2011-2013: Stability versus democracy dilemma

While the 2011 uprising was unfolding in Egypt, EU officials were initially hesitant to side with protesters. Initial statements did not demand the removal of Mubarak, but called on the government to stop using violence against protesters¹⁴⁵. Some European leaders initially voiced their support for Mubarak; however, the events of the Arab uprisings initially encouraged a rethink of the European approach¹⁴⁶. Alan Juppe, the French Foreign Minister at the time said:

¹⁴⁰ Ashraf Saleh and Hanane Abouelkheir, 'Egypt and the EU: An Assessment of the Egyptian Euro-Mediterranean Partnership', *Topics in Middle Eastern and North African Economies* 15, no. 1 (May 2013):41.

<http://meeasites.luc.edu/volume15/pdfs/Egypt-and-the-EU.pdf>

¹⁴¹ *Barcelona Declaration*, adopted at the Euro-Mediterranean Conference, November 27-28 1995.

¹⁴² Beatrix Immenkamp, 'Egypt: A Failed Revolution?' European Parliamentary Research Service, June 2016.

http://www.europarl.europa.eu/RegData/etudes/ATAG/2016/583816/EPRS_ATAG_2016_029583816_EN.pdf

¹⁴³ Florian Gathmann, Ulrike Putz, and Severin Weiland, 'The West Loses its Favourite Tyrant', *Der Spiegel*, 11 February 2011.

<http://www.spiegel.de/international/world/protesters-defeat-mubarak-the-west-loses-its-favorite-tyrant-a-745104.html>

¹⁴⁴ Adel Abdel Ghafar, 'Toward a Recalibration of EU-North Africa Relations', Brookings Institution, Policy Briefing, 31 May 2017.

<https://www.brookings.edu/research/toward-a-recalibration-of-eu-north-africa-relations/>

¹⁴⁵ Sally Khalifa Isaac, 'The EU's Democracy-Stability Dilemma Persists in Egypt', *E-International Relations*, 1 August 2013.

http://www.e-ir.info/2013/08/01/the-eus-democracy-stability-dilemma-persists-in-egypt/#_ftn2

¹⁴⁶ Staff, 'Berlusconi Calls Mubarak Wise Man, Urges Continuity', Reuters, 4 February 2011.

'We should recognise that for us, the Arab Spring came as a surprise. For too long, we believed that authoritarian regimes were the only pillars of resistance against extremism in the Arab world. For too long, we brandished the pretext of the Islamist threat, to justify a level of complacency towards governments flouting freedom and holding back the development of their countries'.

After the ouster of Mubarak, and at the request of Egyptian officials, the EU froze formal dialogue with Egypt. After then-President Morsi visited Brussels in September 2012, the EU-Egypt Task Force was formed and its first meeting was held in Cairo in November 2012¹⁴⁷. The Task Force, the third of its kind in the region, was set up to address political and economic challenges in Egypt's post-2011 transition¹⁴⁸.

Recognising that the 2011 uprising was a potentially transformative historical juncture, the EU sought to support Egyptian civil society via a number of grants and promised to increase its programmatic assistance¹⁴⁹. Despite the EU's willingness to support a democratic transition through financial aid packages, the Egyptian authorities during the Morsi era resisted EU political initiatives like the monitoring of parliamentary and presidential elections¹⁵⁰. The relationship with the EU began to sour when Morsi passed a controversial constitutional declaration in November 2012, which expanded his powers as president¹⁵¹. The ENP Report in 2013 noted that while some progress was made, there were a series of setbacks in the ongoing transition¹⁵².

After the 2013 coup, the EU voiced strong condemnation of political violence in Egypt, but fell short of identifying it as a coup. EU assistance was suspended, except for activities that supported vulnerable groups, especially in rural areas and the informal sector¹⁵³. Post-2013 Egypt presented another example of the stability-versus-democracy dilemma that Europe has faced with its southern neighbours for decades. To European policy makers there are two, often conflicting, goals when it comes to North Africa:

'One is the need to promote good governance, which is considered part of a long-term solution to many soft economic, social, and demographic security threats. The other is the need to simultaneously preserve the political stability of many authoritarian regimes because of their moderate foreign policy outlook, their strategic and geopolitical significance, their cooperation with many European countries in fighting terrorism and limiting illegal migration, and because of the EU's need to secure energy routes from North Africa and keep oil and gas prices stable'¹⁵⁴.

Tunisia aside, developments in the region after 2011 did not encourage the EU to continue its short-lived support for democratic reform and good governance. The 2013 coup in Egypt, the Syrian civil war and the rise of IS, the migration crisis and the havoc it inflicted on European politics together forced a re-think of

<http://www.reuters.com/article/us-egypt-italy-berlusconi/berlusconi-calls-mubarak-wise-man-urges-continuity-idUSTRE71334Q20110204>

¹⁴⁷ Elyes Ghanmi, 'Egypt—A Strategic Partner for the EU', European Union Directorate-General for External Policies, November 2012, p.2.

¹⁴⁸ 'First Meeting of EU-Egypt Task Force to Support the On-going Reforms in Egypt', Council of the European Union, 13 November 2012.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/133447.pdf

¹⁴⁹ Assem Dandashly, 'The EU Response to Regime Change in the Wake of the Arab Revolt: Differential Implementation', *Journal of European Integration* 37, No. 1, (2015): 47.

¹⁵⁰ Dandashly, 'The EU Response to Regime Change', p. 48.

¹⁵¹ David D. Kirkpatrick and Mayy El-Sheikh, 'Citing Deadlock, Egypt's Leader Seizes New Power and Plans Mubarak Revival', *New York Times*, 22 November 2012.

<http://www.nytimes.com/2012/11/23/world/middleeast/egypts-president-morsi-gives-himself-new-powers.html?mcubz=0>

¹⁵² Steven Blockmans, 'Egypt and the EU: Where Next?' CEPS Commentary, 4 November 2013.

https://www.ceps.eu/system/files/SB_%20Egypt_%20and_%20the_%20EU.pdf

¹⁵³ 'Press Release', 3256th Council Meeting of the European Union, 21 August 2013.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/138603.pdf

¹⁵⁴ Isaac, 'The EU's Democracy-Stability Dilemma Persists in Egypt'; see also Richard Youngs (Summer 2003), 'European Approaches to Security in the Mediterranean', *Middle East Journal* 57, No. 3, (Summer 2003): pp. 414-431; Radwan Ziadeh, 'The EU's Policy on Promoting Democracy in the Arab World', International Institute for Democracy and Electoral Assistance, (2009).

Europe's approach. The new European Neighbourhood Policy (ENP), revised in November 2015, took a different approach to its political priorities, especially towards North Africa. The new ENP acknowledged the importance of sustained efforts in support of democracy, human rights, fundamental freedoms and the rule of law, but aimed to focus on the stabilisation of the partner countries as the main political priority¹⁵⁵.

1.3 2014 – 2016: Bilateral over EU engagement

After the 2013 coup, the EU-Egypt dialogue remained suspended and the 2007 action plan was extended to March 2015. Consultations aiming to revive the formal dialogue between the EU and Egypt did not take place until February and December of 2014¹⁵⁶. After the lull in political relations in 2013 and 2014, individual European countries resumed their bilateral engagement with Egypt.

In August 2015, then-French President François Hollande attended the inauguration ceremony of the newly expanded Suez Canal as President el-Sisi's guest of honour. France also negotiated several lucrative arms deals with the government¹⁵⁷. In this regard, France did not act alone in embracing el-Sisi; German and Italian leaders also lauded the 'strategic partnership' with Egypt in combating Islamic terrorism by rewarding the government with valuable trade and energy contracts¹⁵⁸.

The trade deals several European countries negotiated with the post-2013 Egyptian government signalled a return to the pre-2011 strategy of promoting issues of security and economic interests, over democratisation, human rights and the rule of law. The International Crisis Group argues that after an initial period of caution, 'several member states publicly embraced el-Sisi despite the increase in repressive measures, judging that the priority was to help strengthen Egypt so it could better withstand domestic and external turmoil'¹⁵⁹.

1.4 Italian-Egyptian relations: Zohr, migration and Regeni

Italy and Egypt have also deepened their economic cooperation, especially after the Italian company Eni made the huge gas discovery of the Zohr field in 2015. However, Italian-Egyptian relations suffered after the brutal murder of Italian PhD student Giulio Regeni in Cairo in January 2016, particularly as it became clear that Egyptian state security services had something to do with his disappearance¹⁶⁰. In April 2016, Italy recalled its ambassador as investigators gathered evidence to support suspicions that Egyptian state security tortured and subsequently murdered Regeni¹⁶¹. The European Parliament, which has been consistent in its condemnation of human rights abuses in Egypt also adopted a strongly worded resolution on the case of Regeni¹⁶².

¹⁵⁵ 'Overview of the EU's Relations with Egypt, 12 September 2016.

http://eeas.europa.eu/archives/delegations/egypt/eu_egypt/political_relations/index_en.htm

¹⁵⁶ 'Report on EU-Egypt Relations in the Framework of the Revised ENP', European Commission—High Representative of the Union for Foreign Affairs and Security Policy, 13 July 2017.

¹⁵⁷ Alain Gresh, 'June 30, 3 Years on: How Europe has Re-oriented Itself on Egypt', *Mada Masr*, 30 June 2016.

<http://www.madamasr.com/en/2016/06/30/opinion/politics/june-30-3-years-on-how-europe-has-re-oriented-itself-on-egypt/>

¹⁵⁸ Alain Gresh, 'Europe's Convenient Relationship with Egypt', *The New Arab*, 12 July 2016.

<https://www.alaraby.co.uk/english/comment/2016/7/12/europes-convenient-relationship-with-egypt>

¹⁵⁹ 'Keeping Egypt's Politics on the Agenda', International Crisis Group.

¹⁶⁰ Declan Walsh, 'Why was an Italian Graduate Student Tortured and Murdered in Egypt?', *New York Times*, 15 August 2017.

https://www.nytimes.com/2017/08/15/magazine/giulio-regeni-italian-graduate-student-tortured-murdered-egypt.html?_r=0

¹⁶¹ Steve Scherer, 'Italy to Return Ambassador to Cairo, Ending Standoff over Murdered Student', Reuters, 14 August 2017.

¹⁶² 'European Parliament Resolution of 10 March 2016 on Egypt, Notably the Case of Giulio Regeni', 10 March 2016.

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2016-0084+0+DOC+PDF+V0//EN>

Historically, the EU Parliament has been the most vocal EU institution critical of Egypt's human rights record. During the Mubarak era, the EU Parliament adopted a number of strongly worded resolutions that called on the government to improve its human rights record. See: Michelle Comelli, 'Dynamics and Evolution of the EU-Egypt Relationship within the ENP Framework', Istituto Affari Internazionali, February 2010. <https://www.files.ethz.ch/isn/124970/iai1002.pdf>

Since Regeni's death no arrests or charges have been filed against the perpetrators of this heinous crime; however, in August 2017, Italy announced the return of its ambassador to Cairo¹⁶³. As a number of Italian MENA experts have argued, the return of the Italian ambassador and the normalisation of ties underscores the prioritisation of economic and security cooperation over the support of human rights and the rule of law¹⁶⁴.

1.5 Looking forward: Partnership priorities 2017-2020

In 2015, the bilateral association agreement structures resumed, with the convening of subcommittees and the association committee in May 2016. The negotiation of the EU-Egypt partnership priorities within the framework of the revised ENP was launched in February 2016, with priorities agreed in December 2016 and adopted by the Association Council in July 2017¹⁶⁵. The partnership priorities replace the previous action plans and are broadly focused on three areas:

- 1) Sustainable and inclusive economic growth;
- 2) Stronger partnerships in foreign policy with a focus on stabilisation of the common region; and
- 3) Enhancing stability and security in Egypt.

In light of the socio-economic and political challenges outlined in part one of this study, it will be increasingly difficult to execute these partnership priorities. Indeed, EU policy toward Egypt often appears to simply move from one crisis to another, where Egypt receives increased attention from the EU only when it faces a serious political or socio-economic crisis. EU policy towards Egypt often lacks consistency due to an inability to agree on a unanimous approach by member states and difficulties with forecasting developments or anticipating problems. In addition, many EU initiatives towards Egypt can at times be merely symbolic and rhetorical, rarely extending beyond courtesy visits, statements and superficial gestures. This has been seen on occasion in the activities undertaken by the EU towards the governments of Hosni Mubarak, Mohammed Morsi and Abdel-Fattah el-Sisi¹⁶⁶. It is at the bilateral level that Egypt fully engages with European countries, and vice versa.

Egyptian policy makers understand the importance of Egypt to the EU in terms of security cooperation and coordination on illegal migration. In a chaotic southern Mediterranean, Egypt's relative stability has meant that EU policy makers have favoured cooperation on economy and security, but less on political issues. Silence on political matters is seen as a price worth paying in order to keep up Egyptian border control along the Mediterranean coastline, and to prevent a breakdown of state control that could lead Egypt to join Syria as a major source of Europe-bound migration, on top of the numbers already headed out from the Northern end of the Nile Delta.

Egypt's importance to the EU rests on four main factors that are likely to drive EU-Egypt relations over the next two decades: concerns over migration across the Mediterranean and the political instability that drives such movements of people, a shared interest in breaking up terrorist networks that threaten

¹⁶³ Scherer, 'Italy to Return Ambassador to Cairo, Ending Standoff over Murdered Student'.

¹⁶⁴ Lucia Sorbera, Andrea Teti, Gennaro Gervasio, Enrico De Angelis, 'Raison d'état: On Giulio Regeni and the Return of Italy's ambassador to Cairo', *Mada Masr*, 21 August 2017. <https://www.madamasr.com/en/2017/08/21/opinion/u/raison-detat-on-giulio-regeni-and-the-return-of-italys-ambassador-to-cairo/>; See also Mattia Toaldo, 'Il filo rosso che collega Giulio Regeni agli accordi sui Migranti', *L'Espresso*, 22 August 2017. <http://espresso.repubblica.it/internazionale/2017/08/21/news/il-filo-rosso-che-collega-giulio-regeni-agli-accordi-sui-migranti-1.308257>

¹⁶⁵ 'Report on EU-Egypt Relations in the Framework of the Revised ENP', p. 2.

¹⁶⁶ Sebastian Wojciechowksi, 'Selected Forms and Methods of Analysis of the European Union Foreign Policy: The Model of EU Foreign Policy Considered on the Example of the Situation in Egypt', January 2015. <https://www.researchgate.net/publication/301699664>

European domestic security, and a desire to explore new economic opportunities that can provide for mutual gains while reducing the potential for unrest in the country.

1.5.1 One: Combating illegal migration

EU officials view Egypt as a ‘first line of defence’ against illegal migration – both in terms of controlling the flow of migrants into the Mediterranean and in keeping the country from becoming another major source of migrants¹⁶⁷. Illegal migration is already increasing from Egypt itself, even as migrants from Africa and the MENA region use Egypt as a transit country¹⁶⁸. In light of the havoc that illegal and irregular migration has wreaked on European politics, European countries have openly sought Egypt’s help to face the problem. In August 2017, Egypt and Germany signed a cooperation agreement that deepens cooperation with Egypt in an effort to stem illegal migration¹⁶⁹.

Egypt promises to fulfil its role in reducing illegal migration conditional on significant economic and security support from Europe. France, Germany and the UK have all contributed to the strengthening of the Egyptian navy and its development as a border force in exchange for Egypt’s cooperation against illegal migration¹⁷⁰. During a 2017 meeting of the EU-Egypt Association Council, both sides declared their commitment to preventing illegal flows of migrants to Europe¹⁷¹. As long as Europe continues to provide economic support to Egypt, el-Sisi will maintain a policy of policing Egypt’s waters to prevent large flows of migrants bound for Europe. This area of cooperation between Egypt and the EU will likely come under scrutiny from Egyptian authorities if the EU seeks to influence Egyptian policies related to its human rights record.

For this reason, the EU has exercised limited leverage over Egypt, because Europe depends on it to prevent illegal migration. The EU should note, though, that out-migration from Egypt is driven in part by the country’s economic performance, as well as by heightened levels of political repression that have convinced many Egyptians that any hope for a brighter future lies on the other side of the Mediterranean. Paying Egypt to better police its borders will not be sufficient in the long term to stem the flow of people if abuses of power go unquestioned and the people’s expectations go unmet.

1.5.2 Two: Regional stability

A critical driver of migration across the Mediterranean is the political instability that has affected numerous countries across the MENA region, undermining border control and producing economic migrants and refugees seeking a better life across the waters. As a key regional country, member of the Security Council (2016-2017), host of the Arab League and current holder of the presidency of the Parliamentary Assembly of the Union for Mediterranean (PA-UfM), Egypt is a major partner in European efforts to negotiate political settlements in regional conflicts, particularly in neighbouring Libya. With the exception of differences regarding the Muslim Brotherhood and other Islamist organisations, Egypt maintains reasonably close ties — at least in terms of security coordination — with most other major Arab countries, and has even managed to maintain cordial ties with the Assad government in Syria.

Most importantly for European countries, since Libya quickly disintegrated into a semi-failed state in 2011, illegal migration north across the country into the Mediterranean has increased many-fold. Libyan authorities are increasingly unable to deal with the resulting migration flows, and Europe is seeking a

¹⁶⁷ Yasser El-Shimy and Anthony Dworkin, ‘Egypt on the Edge: How Europe can Avoid Another Crisis in Egypt’, European Council on Foreign Relations, 14 June 2017, p.8.

http://www.ecfr.eu/publications/summary/egypt_on_the_edge_how_europe_can_avoid_another_crisis_in_egypt_7298

¹⁶⁸ El-Shimy and Dworkin, p. 8.

¹⁶⁹ ‘Egypt, Germany Sign Cooperation Agreement in Solving Illegal Migration Problem’, 27 August 2017.

<https://dailynewsegypt.com/2017/08/27/egypt-germany-sign-cooperation-agreement-solving-illegal-migration-problem/>

¹⁷⁰ ‘Egypt 2020’, IRIS, p. 15.

¹⁷¹ European Council of the EU, ‘Joint Statement Following the EU-Egypt Association Council’, 25 July 2017.

<http://www.consilium.europa.eu/en/press/press-releases/2017/07/25-eu-egypt-joint-statement/>

stronger role for Egypt in curtailing illegal migration. Egypt maintains a strong influence in Libya through the government's relationship with Field Marshal Haftar and other proxies in Libya's Eastern regions — powerful factions in the country's low-intensity but ongoing civil war. To that end, Egypt's role as kingmaker in Libya is viewed by the EU as an important point of leverage for securing a political settlement that can underwrite better border security¹⁷².

Egypt and the United Arab Emirates (UAE) have been backing Haftar militarily and financially since the beginning of the conflict in Libya. Despite their general distaste for the Field Marshall, the United States and Europe have finally acquiesced to the fact that, given that backing, Haftar has to be part of a solution, or there will be no solution. Almost inevitably, they have been looking to Egypt as the country that—in cooperation with its UAE backers—can deliver Haftar. In parallel with the decline of the UN mission to Libya, Egyptian diplomacy has gained momentum and is now seen in many Western capitals as the key to a new settlement. In conjunction with soft power diplomacy, Egypt has also shown that hard power is firmly on the table. Continued airstrikes against militants mark an escalation of the Egyptian military's now-open involvement in Libya¹⁷³.

Egypt's leverage in Libya, is augmented by closer ties with Russia. Since 2014, Egyptian-Russian relations have developed considerably, with both Presidents exchanging a number of state visits, most recently in December 2017 when Putin visited Cairo. As its military involvement in Syria draws down, Russia is seeking to increase its influence in Libya, both political and military¹⁷⁴. Russia has reportedly reached an agreement with Egypt to allow military jets to use its airspace and bases¹⁷⁵, and has been involved in mediation talks between various Libyan factions¹⁷⁶.

In Gaza, Egypt is a key player through its control of the border and its relationship with Israel. Egypt's relationship with Hamas deepened during the Morsi era, however after his ouster, relations suffered immensely. Since 2016, Hamas has sought to repair its relationship with Egypt - part of a strategic rebranding exercise to distance itself from its Muslim Brotherhood roots, presenting itself as more of a Palestinian national organisation¹⁷⁷. Since Hamas' shift in policy, Egypt has proven itself as an effective mediator. It has hosted Fatah and Hamas representatives to complete a reconciliation deal that will eventually lead to the opening of the Rafah crossing¹⁷⁸, as it will restore the Palestinian Authority (PA) as the security guarantor at the Rafah crossing, which satisfies Egypt's security concerns. Since the October 2017 agreement, Fatah and Hamas have had some disagreements over which faction will maintain its security role under the new agreement¹⁷⁹. As efforts continue to solve these disagreements, Egypt's role in Palestine will therefore become increasingly important as it continues to mediate between the Palestinian factions and works in tandem with Palestinian security forces to maintain a safe border between Gaza and Rafah.

Following US President Donald Trump's decision in December 2017 to recognise Jerusalem as the capital of Israel, Egypt sponsored a resolution in the UN Security Council to remove any merit from the new US position¹⁸⁰. The Egyptian UN delegation did not mention the United States directly in the resolution, as it

¹⁷² Adel Abdel Ghafar and Mattia Toaldo, 'Does the Road to Stability in Libya Pass Through Cairo?' ECFR, 5 June 2017.

http://www.ecfr.eu/article/commentary_does_the_road_to_stability_in_libya_pass_through_cairo_7294

¹⁷³ Abdel Ghafar and Toaldo, 'Does the Road to Stability in Libya Pass Through Cairo?'

¹⁷⁴ Lincoln Pigman & Kyle Orton, Inside Putin's Libyan Power Play, *Foreign Policy*, September 14 2017.

¹⁷⁵ David Kirkpatrick, In a Snub to the U.S, Russia and Egypt Move Toward a Deal on Air Bases, *New York Times*, November 30, 2017.

¹⁷⁶ Maxim Suchkov, Russia Seeks Well Rounded Relations With Libyan Factions, *Al Monitor*, December 15, 2017.

<https://www.al-monitor.com/pulse/originals/2017/12/russia-well-round-relations-libya-lev-dengov.html>

¹⁷⁷ Colin P. Clarke, 'Hamas' Strategic Rebranding', *Foreign Affairs*, 17 May 2017.

<https://www.foreignaffairs.com/articles/middle-east/2017-05-17/hamas-strategic-rebranding>

¹⁷⁸ Fares Akram, 'Hamas Vows it Won't Disarm, Threatens West Bank Expansion', *ABC News*, 27 November 2017. <http://abcnews.go.com/International/wireStory/hamas-vows-disarm-threatens-west-bank-expansion-51403997>

¹⁷⁹ Akram, 'Hamas Vows it Won't Disarm'.

¹⁸⁰ Michael Schwartz and Rick Gladstone, 'U.S. Vetoes U.N. Resolution Condemning Move on Jerusalem', *New York Times*, 18 December 2017. https://www.nytimes.com/2017/12/18/world/middleeast/jerusalem-un-security-council.html?_r=0

calculated that this would certainly precipitate a US veto, which would scuttle the resolution. Regardless, the United States did veto the resolution, possibly creating a rift between President Trump and President El-Sisi. Despite the veto of the Egyptian resolution at the UN Security Council, it demonstrates Egypt's determination to maintain an influential position in the Israeli-Palestinian conflict. In any potential peace deal led by Saudi Arabia, Egypt will likely play a major role.

Finally, in Syria, Egypt can play a crucial role. In 2016, el-Sisi expressed his support for a political solution to the war in Syria, but also noted his support for Bashar al-Assad's regime¹⁸¹. As the conflict in Syria begins to wind down, Egypt is already looking to participate in the reconstruction¹⁸². Not only will this benefit Egypt's economy, but it will also provide an opportunity to expand its influence. Egypt has also helped negotiate between warring factions in Syria, resulting in the creation of several safe-zones¹⁸³. Egypt, along with its Gulf state allies — Saudi Arabia and the United Arab Emirates — will continue their attempts to influence outcomes in Syria as they seek to curb the expansion of Iranian influence. From Egypt's perspective, helping mediate a political solution and helping to rebuild Syria will not only reduce Iranian influence in the region, but can also expand Egyptian influence.

1.5.3 Three: Combating terrorism

Egypt is a key country in the fight against extremism and terrorism, an ever-present concern in the EU but one rendered even more salient by a string of attacks in 2017. As outlined in Part One of this study, Egypt is itself facing a home-grown insurgency. The breakdown of security in 2011 has meant that Egypt's western border with Libya and its eastern border with Gaza have become more porous, allowing weapons and extremists to slip through and causing an array of security problems¹⁸⁴. With an expanding partnership with Palestinians in Gaza, Egypt will look to maintain a secure border in conjunction with local Palestinian security forces. Egypt will continue to work with regional partners like Israel to monitor the security situation in Sinai and maintain secure borders.

Unfortunately, the security-first approach that the Egyptian government has taken has done little to reduce terrorism inside Egypt itself — including tourists killed at a resort along the Red Sea, attacks in Sinai and attacks against Coptic Churches and Church leaders on Christian Holy Days in 2017. While such extremism does not stem from poverty alone, pockets of weak state control and underdevelopment in the country serve as points of entry for non-state actors seeking to target Egyptian security forces. The EU must encourage Egypt — through economic incentives if possible and security training if necessary — to embark on a counterterrorism strategy that will ensure attacks on extremist groups are executed quickly and effectively, while gradually improving conditions in less-developed parts of the country (such as the Sinai Peninsula) that currently serve as a recruiting base for terrorist groups. If the space exists to accomplish this goal, the EU should also explore ways to encourage the relaxing of politically repressive measures employed by the state.

¹⁸¹ 'Egypt's Sisi Expresses Support for Syria's Military', *al-Jazeera*, 23 November 2016.

<http://www.aljazeera.com/news/2016/11/egypt-sisi-expresses-support-syria-military-161123150315176.html>

¹⁸² David Awad, 'The Business of War: Egypt, Others Eye Reconstruction Bids', *al-Monitor*, 12 September 2017.

<https://www.al-monitor.com/pulse/originals/2017/09/egypt-invest-reconstruction-process-syria-iraq.html>

¹⁸³ Zvi Bar'el, 'In Blow to Iran, Egypt becomes Surprise New Player in Syria', *Haaretz*, 21 August 2017.

<http://www.haaretz.com/middle-east-news/syria/1.808039>

¹⁸⁴ Mohannad Sabry, *Sinai: Egypt's Linchpin, Gaza's Lifeline, Israel's Nightmare*, (Cairo: AUC Press, 2015), p. 94.

1.5.4 Four: Economic cooperation

The EU and individual member states have strong economic interests in Egypt, with the country's 97 million consumers a key market for European manufactured goods and a source of natural resources for European consumption. The EU is Egypt's largest trading partner, and European companies have operated there for decades. ENI's discoveries of the Zohr and Noor fields are a geopolitical game changer in the eastern Mediterranean, and position Egypt to become a regional gas hub, which could help serve European energy needs¹⁸⁵. Siemens has signed multi-billion euro deals with Egypt to build three large power plants, the largest order in Siemens' history¹⁸⁶. The EU should continue to encourage energy partnerships with Egypt because such relationships will yield mutually beneficial outcomes — energy for Europe independent of Russian supplies in exchange for much-needed foreign currency in Egypt.

In addition to trade in the energy sector, Egypt has been importing European weapons, primarily from France and Germany, but also from other states. Egypt will continue to become one of the most lucrative markets for European weapon manufacturers, despite backlash from human rights organisations who have argued that companies' sales of policing equipment to Egypt makes them and their respective governments complicit in extrajudicial killings, forced disappearances and torture¹⁸⁷.

For all these reasons, economic and security cooperation is likely to drive the EU's engagement with Egypt over the next decade. Egypt is likely to utilise divide-and-conquer tactics in terms of its relationship with the EU, courting individual European states to derive desirable outcomes from Europe as a whole. From the European side, in light of regional and international developments in the MENA region, the EU has reverted to its focus on stability and security at the expense of support for democratic reforms and human rights.

While this is understandable in light of the challenges that the EU faces as a bloc and the ongoing upheaval in the MENA region, the events of 2010-11 show that authoritarian client states in North Africa have not been able to deliver stability or security¹⁸⁸. A report by the Barcelona Centre for International Affairs on the EU's approach to the MENA region argues that 'Being trapped once again in the illusion of stability in the region is a guarantee of failure'¹⁸⁹. The conditions that sparked the 2011 uprising in Egypt still exist, and if solutions to these concerns do not come soon, a more turbulent wave of unrest will likely occur. As one of Egypt's main international partners, the EU and its member states can influence Egypt towards a more positive trajectory, both economic and political.

¹⁸⁵ Simone Tagliapietra, 'Energy: A Shaping Factor for Regional Stability in the Eastern Mediterranean', European Parliament—Directorate-General for External Policies, June 2017.

¹⁸⁶ Archibald Preuschat, 'Siemens Signs \$9 Billion Power-Plant Deal with Egypt', *Wall Street Journal*, 3 June 2015.

¹⁸⁷ 'EU: Halt Arms Transfers to Egypt to Stop Fuelling Killings and Torture', Amnesty International, 25 May 2016.

¹⁸⁸ Abdel Ghafar, 'EU—North Africa Relations'.

¹⁸⁹ Eduard Soler Lecha and Nathalie Tocci, 'Implications of the EU Global Strategy for the Middle East and North Africa', Barcelona Centre for International Affairs, Opinion no. 424, July 2016.

2 Section two: Conclusions and policy recommendations

Due to a number of factors, the EU possesses some, though not unlimited, leverage over Egypt. First, the Egyptian government is very sensitive to public international criticism over its human rights record¹⁹⁰. Second, the EU is Egypt's largest trading partner and trade with the EU is key to the Egyptian economy. Third, Egypt needs the EU's support to manage some of the international challenges it faces, such as the Renaissance Dam in Ethiopia¹⁹¹. Therefore, while recognising the limitations of its leverage, the EU should seek to influence better outcomes in Egypt through an integrated approach that does not pursue one aspect of the relationship at the expense of others. The following seven recommendations can help the EU and its member states support and steer Egypt toward stability and prosperity.

2.1 Support Human Rights, Democracy and the Rule of Law

EU-Egypt Partnership Priorities 2017-2020 clearly state that 'Egypt and the EU are committed to ensuring accountability, the rule of law, the full respect of human rights and fundamental freedoms and responding to the demands of its citizens'¹⁹². Over the next three years during the period of the current partnership priorities, the EU should adhere to this statement and support for human rights should form a strong component of its engagement with Egypt. The EU should condemn human rights abuses, and be vocal in advocating against laws that seek to straitjacket civil society and peaceful protests. EU policy tools and programmes focused on human rights such as the European Instrument for Democracy and Human Rights and the Human Rights and Democracy Country Strategy should be utilised and expanded. This should be done in conjunction with clear support for civil society organisations that are currently under attack in Egypt.

The Trump administration, which is by no means a strong defender of human rights, took action in 2017 in light of the human rights situation in Egypt. The US Senate recently withheld aid to Egypt over human rights abuses and (allegedly) due to its relations with North Korea¹⁹³. While there are challenges associated with negative conditionality, nonetheless it should be part of the EU's policy repertoire when the need arises¹⁹⁴. The EU should also seek to harmonise its approach with the United States on supporting civil and political rights in Egypt. Such harmonisation is likely to have an added impact coming from two of Egypt's key western allies.

2.2 Develop a more unified EU approach

A key aspect of the EU's weakness in engaging with Egypt is that individual member states have engaged with the country strongly at the bilateral level, which Egypt continues to prioritise over multilateral level engagement. This is not unique to Egypt, but is an institutional weakness in the formulation of EU foreign policy that affects its relations with countries in North Africa and other areas of the world¹⁹⁵. The Egyptian government has shown it is adept in taking advantage of the policy differences between member states.

¹⁹⁰ El-Shimy and Dworkin, p. 1.

¹⁹¹ Albaraa Abdullah, 'Egypt Looks to Europe to Help Solve Renaissance Dam Crisis', *al-Monitor*, 10 September 2017. <http://www.al-monitor.com/pulse/originals/2017/09/egypt-germany-agreement-fight-immigration-nile-crisis.html#ixzz4sJdwTniS>

¹⁹² 'EU-Egypt Partnership Priorities 2017-2020', Association between the European Union and Egypt, 16 June 2017. <https://eeas.europa.eu/sites/eeas/files/eu-egypt-pps.pdf>

¹⁹³ Tracy Wilkinson, 'U.S. Withholding Aid to Egypt over Human Rights Abuses', *LA Times*, 23 August 2017.

¹⁹⁴ For example: Blockmans, 'Egypt and the EU'; Rosa Balfour, 'EU Conditionality After the Arab Spring', European Institute of the Mediterranean, June 2012. http://www.epc.eu/documents/uploads/pub_2728_papersbalfour_for_euromesco16.pdf

¹⁹⁵ Francois Ducrotte, 'EU Foreign Policy: It is more efficient to work with its weaknesses than to desperately look for an ideal—Case of Syria', European Public Affairs, 29 January 2016. <http://www.europeanpublicaffairs.eu/eu-foreign-policy-it-is-more-efficient-to-work-with-its-weaknesses-than-to-desperately-look-for-an-ideal-case-of-syria/>

For an overall EU approach to Egypt to have more impact, further cooperation and coordination between member states must occur.

2.3 Focus on Inclusive Growth, Youth Employment and Entrepreneurship

Egypt's future stability in large part hinges on the revitalisation of the economy. From Alexandria to Aswan, Salloum to Sinai, a sustainable and inclusive economy will ensure a more prosperous and stable future. If the government cannot stabilise the economy in the next decade, instability may once again throw Egypt into chaos. As this study has argued, the youth bulge, in combination with unemployment, poverty and increased repression, will pose security challenges for the government in coming years.

Preventing this from happening should be one of the main drivers of the EU's engagement with Egypt. EU programming should focus support on inclusive economic programmes that benefit youth, through initiatives such as the 'EU Facility for Economic Growth and Job Creation'¹⁹⁶ and the EBRD's Small Business Programme¹⁹⁷. Increasing educational opportunities for programmes such as Erasmus+ can help educate more and more young Egyptians and prepare them to enter the job market. In addition, EU programmatic assistance that focuses on vocational training can help ease pressure on the Egyptian university system and provide more career pathways for youth.

Multiple studies point to entrepreneurship as a successful path for youth seeking to enter the job market. It can improve livelihoods and economically empower youth, while also making a substantial economic and social contribution to society¹⁹⁸. Young entrepreneurs operating in the formal economy are likely to pay taxes and hire workers. Prospective entrepreneurs in Egypt, however, face significant barriers to starting their own businesses. Currently, Egyptian entrepreneurs face a host of issues, including limited access to finance, red tape and a lack of training opportunities. Therefore, entrepreneurship is another area of EU engagement with Egypt that would have a positive impact on youth and job creation. The EU should aim to increase its funding to programmes such as the Eitesal project which aims to incubate, support, and establish 40 small companies working in the most important industrial fields in Egypt, such as agriculture, food, construction, information technology, water, energy, garments, and handicrafts, over a period of two years¹⁹⁹.

2.4 Support Egyptian women

As previously noted, Egyptian women are disadvantaged from an early age in their access to education and health care, with effects that follow on as they grow older and attempt to join the job market. EU programmatic assistance should continue to have a clear focus on women. Already, the EU is supporting women in Egypt via a number of programmes under the ENP including 'Promotion and Protection of Human Rights', 'Securing Rights and Improving Livelihoods of Women' and 'Abandonment of Female Genital Mutilation and Empowerment of Families'²⁰⁰. Currently, women's programming receives 22 % of the total funds allocated to civil society initiatives²⁰¹. This percentage should increase, and programmatic

¹⁹⁶ 'The EU and Egypt to Foster Sustainable Economic Development in the Country', European Commission, 6 December 2012. https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/eu-and-egypt-foster-sustainable-economic-development-country_en

¹⁹⁷ Nibal Zgheib, 'EBRD and EU Mark 500th Small Business Project in Egypt', EBRD, 9 March 2017.

<http://www.ebrd.com/news/2017/ebrd-and-eu-mark-500th-small-business-project-in-egypt.html>

¹⁹⁸ See for example 'EY Global Job Creation and Youth Entrepreneurship Survey 2015: Boosting Employment, Inspiring Youth,' Ernest and Young, 2015 and Abdel Ghafar, 'Educated but Unemployed', p. 7.

¹⁹⁹ Daily News Egypt, Eitesal Launches Project to Support Entrepreneurship with EU Funding, Daily News Egypt, 12 December 2017.

²⁰⁰ European Council of the EU, 'Joint Statement Following the EU-Egypt Association Council', p.13.

²⁰¹ European Council of the EU, 'Joint Statement Following the EU-Egypt Association Council', p.13.

assistance should particularly focus on women in rural areas, who are amongst the most disadvantaged and vulnerable groups in Egypt.

2.5 Egypt as a regional gas hub

Egypt is currently the only country in the southern Mediterranean that has the potential to export gas to Europe independently due to the size of its reserves and its existing export infrastructure²⁰². For the EU, Egypt's renewed prominence in energy production can enhance energy security, as European demand for gas is forecasted to continue growing strongly as local production decreases²⁰³. In addition, increased cooperation between states in the eastern Mediterranean and the EU can also become a key factor for regional stability²⁰⁴. To that end, the EU should support Egypt as a regional gas hub, and encourage the transportation of Israeli and Cypriot gas to Egypt to liquefy in its two facilities in the north coast prior to export. The EU should also refocus diplomacy on increasing regional cooperation in the eastern Mediterranean, as well as incentivising Egypt to reform its energy sector to help it become a reliable gas hub for LNG in the Eastern Mediterranean²⁰⁵.

2.6 Education

Improving both access to education and quality of education from basic literacy to tertiary education and vocation training is key to the issue of state stability. In a 2015 report, UNICEF identified the profound and positive impact education has on the lives and outcomes of individuals, families and communities in terms of 'national income, economic growth and poverty reduction and in human development outcomes such as health, fertility, women's empowerment, risk management, individual and community resilience, civic engagement and increased tolerance'²⁰⁶. To that end, the EU should also focus a large component of its programmatic assistance towards supporting educational reform in Egypt that builds on current measures and programmes.

2.7 Renewable energy

As this study has shown, Egypt over the next two decades will increasingly feel the effects of climate change that are likely to exacerbate existing socio-economic challenges. The EU should support initiatives promoting the development and adoption of renewable energy sources in Egypt. In addition to mitigating the effects of climate change, renewable energy can curb rising pollution levels, which would improve the health and quality of life for the population while reducing the costs of healthcare associated with treating chronic illnesses caused by excessive air and water pollution. Increased availability of renewable energy sources will also help stabilise Egypt in the long term by providing the population with more consistent and sustainable sources of energy.

²⁰² Tareq Baconi, 'How the EU Can Support a Regional Gas Hub in the Eastern Mediterranean', ECFR, 21 April 2017.

²⁰³ 'Natural Gas Demand and Supply,' Eurogas, 16 November 2017.

http://www.eurogas.org/uploads/media/Statistics_Eurogas_long_term_outlook_to_2030_-_16.11.07_01.pdf

²⁰⁴ Tagliapietra, 'Energy: A Shaping Factor'.

²⁰⁵ Baconi, 'Pipelines and Pipedreams'.

²⁰⁶ 'The Investment Case for Education and Equity', p.16.

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