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Citation

Hassan, S. M. (2014). Egypt and Sub-Saharan Africa: does Egypt's future lie in Africa? *Ascl Infosheet*, (20). Retrieved from <https://hdl.handle.net/1887/23157>

Version: Not Applicable (or Unknown)

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Note: To cite this publication please use the final published version (if applicable).

Egypt and Sub-Saharan Africa: Does Egypt's future lie in Africa?

Egypt's Arab and African identity

Officially the Arab Republic of Egypt is a transcontinental country spanning the northeast corner of Africa and southwest corner of Asia via a land bridge formed by the Sinai Peninsula. Most of its territory of 1,010,000 square kilometres (390,000 square miles) lies within North Africa. Egypt's unique geographical position and its diverse historical, cultural and ethnical background means that it is at the crossroads of two different identities, Arab and African.

In her article entitled 'Are Egyptians Africans or Arabs?' (*Daily News Egypt*, 6 September 2012), Shahira Amin discusses whether or not Egyptians see themselves as Africans. Her surprising conclusion is that, in spite of the country's geographical position, not a single person of the hundreds she interviewed acknowledged having an African identity.

The economic and political Arab identity of Egypt is revealed in its memberships of a number of international Arabic leagues and organizations, like the Arab League, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, and the Arab Maghreb Union.



Egyptian postal stamps showing different regional identities

Winds of change?

After 18 days of mass protests, the Egyptian president Hosni Mubarak was forced to step down on 11 February 2011. This revealed the unsustainability of the political and economic system

that had allowed him to stay in power since 1981, with Western governments backing his regime. Both the EU and the US were very cautious, moderate and inconsistent in advancing political reform in Egypt, fearing that this would destabilize the country and therefore their interests in the region. In spite of Egypt's poor political reform, Western governments continued to renew their economic support to Mubarak's regime without attaching any conditionality to their aid. Egypt under Mubarak had been among the largest recipients of US aid, second only to Israel.



Hosni Mubarak, president
from 1981 to 2011



Mohamed Morsi, president
from June 2012 to July 2013

Following the revolution in early 2011 and the subsequent presidential elections, Mohamed Morsi of the Freedom and Justice Party became the fifth president of Egypt in June 2012. Interestingly, during Morsi's era which only lasted for one year, there were indications that Egypt's economic and political relations started to shift towards Sub-Saharan Africa. These included agreements on a number of projects between Egypt and Sudan, including the construction of a land route and a railway line between Egypt and Sudan, the setting up of a shipping company, and the allocation of 800,000 ha in Sudan for Egyptian businesses to cultivate strategic crops, such as wheat.

Ethiopian-Egyptian cooperation in the field of agriculture and animal production also developed, as steps were taken by both countries to overcome obstacles preventing Egyptian imports of live and/or frozen meat. A number of Egyptian investors, including the National Bank of Egypt, started procedures for agricultural investment in Ethiopia, as well. And the Tanzanian Agro Forest Plantation (AFP) and the Egyptian African Com-

pany signed a contract for an agriculture project covering 10,000 hectares.

This Infosheet highlights the existing economic and diplomatic relations between Egypt and Sub-Saharan Africa (SSA) and explores the prospects for their enhancement.

Trade

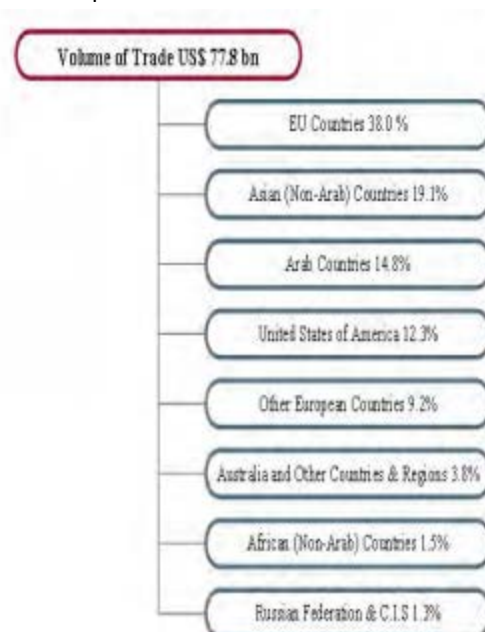
The volume of trade between Egypt and SSA has remained constant over the last 10 years, not exceeding 3% of Egypt's total trade volume. Exports to SSA decreased by 8.1% to US\$ 499.1 million (from US\$ 542.9 million) in 2011. The main exports to SSA were oil products, chemicals, iron and steel products, paper and cardboard, sugar and sugar confectionery, animal and vegetable fats, greases and oil, pharmaceuticals, cement, ceramic products, and vegetable and fruit preparations.

Table 1: Volume of trade between Egypt and SSA (2009-2012)

Years	Volume of Trade
2012	Trade exchange between Egypt and most economic groups declined because of political unrest in Egypt. Trade between Egypt and the EU fell by 8.5%, by 12.1% with the US, and by 3.9% with SSA countries.
2011	Exports to SSA decreased with 8.1%, to US\$ 499.1 million, from US\$ 542.9 million.
2010	Trade between Egypt and the SSA increased by 24.2%, to US\$ 1.2 billion, as a result of: - the surge in exports to those countries that grew by 42.5%; to US\$ 0.5 billion, constituting 2.0% of total exports, of which 71.8% were finished goods; - a rise in imports by 11.7 % to US\$ 0.6 billion, constituting 1.2% of total imports, of which the share of consumer goods was 33.5%, intermediate goods 33.2%, and raw materials 24.8%.
2009	Egypt's volume of trade with the rest of the world declined by 3.5% to US\$ 72.9 billion in 2009 because of the global financial crisis. Trade volume with SSA countries amounted to 1.3% of the total trade volume, with imports reaching around 600 million US\$ and exports 400 million US\$.

Source: Central Bank of Egypt (CBE), Annual Reports 2007-2012.

Figure 1: Geographical distribution of Egyptian exports in 2010



Source: Central Bank of Egypt (CBE), Annual Report 2010.

Due to Egypt's political upheavals and the sharp decline in the value of the country's foreign reserves, imports from SSA also dropped, namely with 19.2% to US\$ 505.0 million (against US\$ 625.1 million in 2010). Kenya headed the list, with a share of 50.7%, followed by South Africa (12.3%), and Zambia (8.8%). Tea, manufactured tobacco and tobacco substitutes, copper, pharmaceuticals, animal and vegetable fats, greases, wheat, and wood were the most important imports.

In general, the intra-African trade volume remains at a low level compared to the rest of the world. The main trade partner for SSA is the OECD with a share of 82% of the total trade volume compared to 18 % for non-OECD countries (Table 2).

Trade agreements

The *Common Market for East and South Africa* (COMESA) is the only trade agreement between Egypt and SSA as a region. It was signed on 8 December 1994 and replaced the old Preferential Trade Area (PTA) agreement. The COMESA covers twenty countries: Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

Table 2: SSA's percentage of trade with the rest of the world

	% of total SSA merchandise trade			
	1992	2000	2005	2009
OECD total	81.8	73.6	68.5	60.6
Non-OECD total	18.2	26.4	31.5	39.4
<i>Intra-African total</i>	3.4	9.8	9.5	9.2
- South Africa	1.4	1.7	1.8	2.2
- All others	2.1	8.1	7.7	7.0
Non-OECD other total	14.8	16.6	22.0	30.2
- Brazil	1.0	1.6	2.3	2.5
- China and Hong-Kong	1.7	4.2	7.6	13.5
- India	1.3	2.1	2.1	4.9
- Russian Federation		0.5	0.7	1.0
- All others	10.8	8.2	9.3	8.3

Source: OECD Fact-book 2011

COMESA's current strategy is to promote economic prosperity through regional integration. With its 20 member states, a population of around 389 million, annual imports of around US\$32 billion and exports of US\$82 billion, COMESA has created a market place for both internal and external trading. Its area is impressive covering a geographical area of 12 million km².

Egypt joined COMESA in May 1998. As a result of this agreement, tariffs were fully levied as of 31 October 2000 on a case-by-case basis. A customs' union was established in 2008, with further plans to create a full monetary union by 2025. Egypt has adopted a road map outlining programmes and activities that need to be implemented prior to its launch. Improved transportation and the easier movement of goods within the region is one of COMESA's main achievements.



Diplomatic relations

Egypt is a member of a number of African international organizations:

1. The African Development Bank

The African Development Bank was set up at the Khartoum conference in Sudan on 4 August 1963. It started officially on 10 September 1964 and began operations on 1 July 1966. Its main role is to contribute to the economic and social development of regional member states, both individually and collectively. As of 31 December 2011,

the African Development Bank's authorized capital is subscribed to by 77 member countries made up of 53 independent African countries (regional members) and 24 non-African countries (non-regional members). Egypt is listed as one of the regional members.



2. The African Union (AU)

The AU is a federation consisting of all of Africa's states except Morocco. It was formed on 26 June 2001, with Addis Ababa as its headquarters. The AU aims to foster unity and solidarity among African states and to promote cooperation for development.

3. Community of Sahel Sahara states

CEN-SAD was established in February 1998 by six countries, but since then its membership has grown to 27. One of its main goals is to achieve economic unity through the promotion of free movement of people and goods and a free trade area. Egypt is a member since 2001.

There are 17 SSA embassies in Cairo, while Egypt has 39 Egyptian embassies in SSA (Table 3).

Strengthening Egypt-SSA economic relations: The cases of food security and tourism

One of the main problems that Egypt faces is food security. It needs to find means to close the growing food gap as the combined result of persistent population growth and a diminishing share of agricultural activities in its GDP.

The average household spends 40.6% of its income on food, and every one out of three Egyptians lives on a poor and little diversified diet. Egypt is a low-income, food-deficit country, with 19.6% of the total population of 80.72 million people living below the lower poverty line, i.e. on less than US\$1/day (FAO Report, 2013). Between 2009 and 2011, the poverty prevalence rose from 22% to 25%, affecting 21 million people.

Food security in Egypt is related to income rather than food availability. Only 3.7% of Egypt's territory is considered as agricultural land (World Bank, Country Report, 2012). The country is the world's largest importer of wheat, so it is vulnerable to fluctuations in food prices.

Contractual agreements and cooperation in the agricultural sector between Egypt and SSA

Table 3: List of embassies in both regions

SSA embassies in Egypt	Egyptian embassies in SSA
Angola	Angola
Cameroon	Benin
Central African Republic	Burkina Faso
Chad	Burundi
Eritrea	Cameroon
Ethiopia	Central African Republic
Kenya	Chad
Liberia	Congo
Mali	Democratic Republic of the Congo
Malawi	Côte d'Ivoire
Mozambique	Djibouti
Mauritius	Equatorial Guinea
Rwanda	Eritrea
South Africa	Ethiopia
Sudan	Gabon
Tanzania	Ghana
Uganda	Guinea
	Kenya
	Liberia
	Mauritius
	Mozambique
	Madagascar
	Malawi
	Mali
	Mauritania
	Namibia
	Niger
	Nigeria
	Rwanda
	Senegal
	Sierra Leone
	South Africa
	South Sudan
	Sudan
	Tanzania
	Togo
	Uganda
	Zambia
	Zimbabwe
Total: 17 embassies	Total: 39 embassies

Source: Egyptian Ministry of Foreign Affairs (MFA)

are weak. Up till now, cooperative plans mainly exist in the form of a memorandum concerning future prospects or project drafts. The only SSA country with ongoing agricultural projects with Egypt is Sudan; however, Egyptian projects are quite limited compared to other countries' investments like those by Saudi Arabia and South Korea.

Tourism could be another domain of mutual benefit to Egypt and SSA. Less than 3.4% of the tourists who visited Egypt in 2011 were from SSA. Even so, there were no Egyptians among the 1.5 million tourists who visited Kenya in 2010, according to the Kenyan Ministry of Tourism. Similarly, in the South African tourism report of 2011,

Egypt ranks 32 on a scale of 35 countries in terms of international tourist arrivals.

The Egyptian Tourism Authority (ETA) is focusing its promotional activities on the European tourist market, which is considered the main market segment as it provides about 65% of Egypt's tourists. Now would be a good time to explore new markets, given the current economic crisis in Europe that is adversely affecting tourism. The authorities need to facilitate transportation between Egypt and SSA, encourage travel and tourism marketing programmes and promote tourist destinations in the mass media of both regions.

Conclusion

Given the prolonged economic crisis in the OECD countries, which are Egypt's traditional trading partners, and given the rise of new economic challenges after the Egyptian revolution – including incrementing fiscal deficits, currency devaluation, stagnation of domestic production, retreats of foreign direct investments and tourism as sources for foreign exchange – Egypt has no choice than to expand the scope of its diplomatic, economic and political relations. It should in particular now start taking advantage of the fast growing African economies. With petroleum discoveries in Côte d'Ivoire, minerals in Botswana, fertile and agricultural land in Sudan, the Egyptian government should take serious and persistent steps to shift the direction of its economic compass to the south. The existing customs' union in the form of COMESA and the geographical proximity of Sub-Saharan Africa are positive factors to build on. Such a change in economic orientation could facilitate the current transitional phase of the Egyptian economy and help Egypt to face the problem of food security.

The recent depreciation of the Egyptian Pound against other currencies could provide an important extra stimulus for Egyptian exports to SSA. And with SSA opening its doors to new economic players such as Brazil and China, Egypt – given its historical, cultural and diplomatic ties with SSA – could also locate itself on the new economic map of SSA. In this, its African identity could help to be considered differently from the other powers.

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