Egypt in China’s Maritime Silk Road Initiative: Relations Cannot Surmount Realities

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INTRODUCTION

This chapter analyzes Egypt in the People’s Republic of China (PRC/China) Maritime Silk Road Initiative (MSRI), which, in tandem with the Silk Road Economic Belt (SREB), links Asia with Europe and Africa through the sea- and land-based Belt and Road Initiative (BRI), China’s most ambitious integration project to date. As will be shown, Egypt is an important hub for the realization of the MSRI projects, which, prima facie, is to be expected given that the strategic Suez Canal traverses Egypt. However, while there has been a notable increase in Chinese involvement, as an investor and contractor, in diverse Egyptian MSRI projects, there remain significant internal, largely economic, and external challenges to its successful implementation even despite the

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steady development of political and economic relations between Egypt and China.

As suggested, the BRI is comprised of two components: a maritime-oriented one, the MSRI, and a more land-based one, the SREB. Each component has the potential to transform the global geopolitical landscape through the construction of interrelated infrastructure projects such as air and seaports, highways, high-speed railways, pipelines, and trunk roads. According to some estimates, China’s vision promises more than USD $1 trillion in infrastructure, spans more than 60 countries and regions, and includes about 63% of the world’s population. Given this, it has the potential to establish a new order not only in Eurasia, but throughout the entire international system as well. In general, Middle East and North Africa (MENA) countries have welcomed the MSRI (and the SREB) because it promises greater volumes of Chinese foreign direct investment (FDI), loans, and infrastructure construction, more economic cooperation with China, and new opportunities for growth.

There are very few works about Egypt’s relationship with China, though Egypt is often discussed in conjunction with treatments of Middle Eastern or Mediterranean counties with China. The paucity of research is even starker with respect to Egypt in China’s MSRI and BRI. This dearth of analysis is problematic given Egypt has a comprehensive strategic partnership and extensive economic ties with China and also is a major political force in MENA. Relevant for students of the MSRI, Egypt has wholeheartedly embraced the MSRI and SREB, is the home of some large projects, and is proximate to major water bodies including the Mediterranean and Red Sea. Egypt sees the MSRI as a pathway to obtain badly needed capital, boost its economy and infrastructure, and gain valuable political benefits. For China, advancing the MSRI in Egypt is attractive given Egypt is a “strategic pivot,” and “regional priority,” one of the most attractive countries in the Middle East for the MSRI, and the MSRI syncs with Egyptian development plans.

The policy value of examining the Egypt MSRI case is quite clear. As mentioned, Egypt is a heavyweight in MENA. Furthermore, as noted, Egypt plays an important role in connecting Eastern Africa with the Mediterranean region and, beyond this, Europe, a key Chinese market. Looking to the future, if the MSRI/BRI in Egypt succeeds it could have important implications for Egypt’s development prospects which, in turn, affect Egypt’s internal stability. The success of the project will have implications for the political economic situation throughout the entire Middle
East, too. The progress of the MSRI in Egypt further is relevant because the variables shaping it have direct and indirect ramifications for the realization of the MSRI elsewhere. In analytical terms, the Egypt MSRI case can shed light on the myriad of domestic and international political economic factors driving the embrace of the MSRI and its implementation, a useful corrective to analyses that emphasize political or economic variables.

This chapter shows that the MSRI in Egypt is progressing, though not to the extent and not with the speed that many dramatic headlines imply. It further shows that many MSRI projects are not attracting substantial Chinese FDI and that China’s most visible role is as a contractor, which is problematic given Egypt’s financial situation, an issue we later discuss. The MSRI’s realization in Egypt is hindered by several factors including political risks, the government’s fiscal and debt situation, and the uncertain economics of certain projects. Although it is not a central focus, this chapter also demonstrates quite clearly that while the MSRI (and the larger BRI) have served to solidify Egyptian-Sino ties that already were strengthening due to various Egyptian international and domestic political and economic imperatives such as Egypt’s desire to diversify its foreign policy. The MSRI has hardly ensnared Cairo. In toto, then, this chapter adds to debates about the political economy of the MSRI’s implementation as well as its political economic ramifications, debates covered by other chapters in this book as well as other books on the MSRI.⁷

This chapter begins with a review of Egypt’s political relationship with China, focusing the period from 2014 after al-Sisi assumed the reins of power. It then delves into Egypt-China economic ties with respect to trade, FDI, and contracting. Following this, it contemplates the state of MSRI projects such as the Suez Canal Economic Zone (SCZone) in Egypt and Egypt’s interest in China’s ambitious initiative. Subsequently, it enumerates the political and economic challenges influencing the realization of the MSRI in Egypt. It ends with some summary remarks as well as observations about the policy and theoretical implications of this chapter’s findings.

**EGYPT–CHINA POLITICAL RELATIONS**

The Arab Republic of Egypt and the PRC established diplomatic relations in 1956. Of note, Egypt was the first Arab and African country to recognize and establish diplomatic ties with China. Egypt also was an early
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and strong supporter of the PRC’s right to reclaim its seat at the United Nations and has continuously backed the “One China” principle and Beijing’s reunification aspirations. For more than 60 years, Egypt and China have maintained equal and friendly relations, traditionally focused on promoting six major fields: “political trust and mutual support, practical cooperation in all fields, promoting exchanges and cooperation, strengthening cooperation in anti-terrorism and law enforcement security, and improving cultural exchanges, tourism and other fields.” Cooperation has remained solid despite shifts in the international environment and inside Egypt as well as occasional disagreements.

Bilateral political relations have featured frequent diplomatic exchanges and high-level visits. To illustrate, in 1983, former President Hosni Mubarak made his first official visit out of four (the others were in 1999, 2002, and 2006) to China. This also was the first time an Egyptian president visited China. During his second visit, Egypt and China established a strategic cooperative relationship. In parallel, China’s President and other high-ranking Chinese officials visited Egypt. For example, in 2000, Chinese President Jiang Zemin made a special trip to Alexandria to meet his Egyptian counterpart. About four years later, Chinese President Hu Jintao paid a state visit to Egypt as part of his first trip to Africa.

In post-Mubarak Egypt (2011–), such high-level visits have continued and even expanded. One example was a trip in August 2012 by the then-new Egyptian president, Mohammed Morsi. This trip was highly symbolic because it was Morsi’s first official trip outside the Middle East and was made to Beijing rather than to the United States (US) to signal his intent to reduce Cairo’s closeness to Washington. Morsi’s visit to China laid the groundwork for a renewed partnership between the two countries, at a time when Beijing’s position was posing an increasing challenge to US influence and its role as a major economic actor in the MENA region. After Egyptian President Abdel Fattah al-Sisi took office in June 2014, following a military coup against Morsi, Egypt continued to move closer to China, with Sisi visiting the country every year (in some cases multiple times) between 2014 and 2018.

In December 2014, President al-Sisi met with Chinese President Xi Jinping and they upgraded the relationship to a “Comprehensive Strategic Partnership.” In tandem, they pledged to boost “political, economic, military, cultural, and technological cooperation” and “to coordinate policies at the regional and international level.” During their meeting,
they agreed their countries would work together on the MSRI and SREB while al-Sisi solicited FDI for a second Suez Canal.16 About six months after this, Egypt and China signed a framework agreement for 15 projects worth $10 billion, to be funded with loans and Chinese outward FDI (OFDI). These projects related to Egypt’s power transmission network and transportation such as railways, the expansion of the port of Alexandria, and the electrification of a railway line and Chinese OFDI (COFDI) in fiberglass, leather, and tire factories.17 Not long after the conclusion of the framework agreement, al-Sisi traveled to China to attend celebrations for the 70th anniversary of World War II V-Day. The two sides spoke positively about relations and boosting cooperation; Egypt expressed enthusiasm about the BRI; and they concluded a few deals in areas such as production capacity.18

2016 represented a significant year in the relationship because it was the 60th anniversary of the establishment of diplomatic ties. In January, Chinese President Xi paid a state visit to Egypt, the first visit to Egypt by a top Chinese leader in 12 years. At the start of his visit, he encouragingly stated, “China stands ready to boost cooperation with Egypt in infrastructure construction and continue pushing ahead industrial capacity cooperation.”19 Furthermore, he suggested the two countries should work to make Egypt a pivot or hub for the BRI, with both country’s leaders waxing positively about the BRI. Xi further encouraged Chinese companies to participate in the SCZone, discussed below, and Egypt’s New Administrative Capital. The two countries further concluded more than 20 MoUs encompassing $15 billion in deals relating to electricity, energy, finance, infrastructure, technology, and space as well as $1.7 billion in loans for Egyptian financial institutions.20 About nine months following this, al-Sisi went to Hangzhou upon the invitation of China to attend the G20 Summit and stressed his country’s willingness to increase economic cooperation with China in areas such as agriculture, industry, and technology.21

Less than a year later, al-Sisi went to Beijing to attend the inaugural Belt and Road Forum. Egypt and Egyptian companies signed a number of financing agreements with institutions such as the China Development Bank, the Export-Import Bank of China (China ExIm Bank), and China Export and Credit Insurance Corporation relating to the funding of projects, export support, and technical cooperation.22 More specifically, agreements were signed relating to Egypt’s electrical grid, investments in
the Ain Sokhna port, and funding to Egypt’s Banque Misr. Approximately four months after this, al-Sisi traveled to China to attend the 9th BRICS Summit. In 2018, he journeyed to China for the Beijing Summit of the Forum on China-Africa Cooperation. There, he lauded the BRI and Egypt struck a reported $18.3 billion in deals with Chinese companies.

Intense diplomatic exchanges between the top leaders and frequent high-level reciprocal visits illustrate the depth of bilateral relations. There are two reasons why Cairo considers strong relations with Beijing essential: strategically, it wants to send a message to its American partner that it has strategic alternatives and is frustrated with Washington’s continuing interference in its internal affairs (meaning human rights pressures). More generally, a solid relationship and “strategic cooperation with Beijing fits with Cairo’s desire to forge a sovereign foreign policy based on purely Egyptian interests and not bound to any international or regional axes.” Of course, it hardly hurts that Beijing has been implicitly supportive of all measures, coercive and noncoercive, that Cairo uses to deal with its own internal challenges. The relationship further enhances the regime’s legitimacy partly because of China’s stature, but also because it suggests better economic times to a populace frustrated by the country’s economic situation.

Egypt’s economic relations with China are detailed below, but it is worth noting here that Egypt has been actively seeking Chinese FDI and funding, which is particularly attractive since it lacks the demanding conditions often associated with Western loans and FDI. It sees a huge potential for cooperation with China in fields like trade, energy, minerals, tourism, transportation, port logistics, and aerospace science and technology. China also presents a useful development model. To preview the forthcoming discussion of Egypt in the MSRI, Egypt believes, too, Chinese contracting, expertise, FDI, loans, and other economic support, can help it advance its massive SCZone project specifically and spur growth and job creation generally. The latter two are politically important for regime stability, especially since Egypt has millions of unemployed.

For China, multiple reasons drive its interest in Egypt. Politically, ties with Egypt, a major regional political and military power, the largest Arab country, and an influential player in the Sunni axis and the Arab-Islamic world, can help it strengthen its influence and power in MENA generally and the Arab World specifically, and boost its strategic standing at the expense of the US. Moreover, Beijing views Egypt as a key partner
in the war against terrorism because of Egypt’s struggle against jihadist groups operating in the Sinai Peninsula and its central role within the traditional Sunni camp. China wants to keep terrorist threats as far away as possible and Egypt can help it combat terrorism and extremism in various ways.30

Economically, Egypt matters to China because of its strategic location. Relatedly, Egypt is a critical transit point for trade flowing between the Indian Ocean, Red Sea, and Mediterranean because it is the home of the Suez Canal, of which China is the largest user. Additionally, Egypt has Africa’s largest GDP and one of its largest African populations and provides a gateway to African markets and natural resources because of its location as well as the trade agreements it has with African countries. Regarding Africa, it has been an increasingly important Chinese trade partner over the past few decades and COFDI in Africa has surged.31 The story is not just about Africa, however. Egypt also provides a gateway for Chinese goods to enter Europe, one of the main destinations for Chinese low-cost goods, through the Suez Canal and infrastructure being built pursuant to the MSRI and other schemes.

**Egypt-China Economic Ties**

This section initially examines Egypt’s trade with China. Following this, it discusses non-MSRI/non-SREB COFDI in Egypt. Subsequently, it looks at non-BRI related contracting.32 Some major examples of COFDI and contracting are provided for illustrative purposes. This section also briefly treats other forms of Egyptian-Chinese economic cooperation.

**Trade**

For a long time, the US was Egypt’s main trade partner. However, this changed in 2012 when China became Egypt’s largest trading partner.33 Although the US remains an important source of goods and an important market for Egypt, China continues to be Egypt’s main trade partner in recent years. Table 1 shows Egypt’s trade with China for select years during the period between 2005 and 2018. The trade balance has consistently run in China’s favor, with the situation generally having deteriorated over time.

World Bank World Integrated Trade Solution data show the composition of trade has shifted from one where Egypt was exporting consumer
Table 1  Egypt–China Trade, FOB, 2005–2018 (select years) (Amounts in USD Millions)

|        | Exports to China | Imports from China | Total Trade  |
|--------|------------------|-------------------|-------------|
| 2005   | 108.52           | 908.42            | (799.91)    |
| 2010   | 452.51           | 4,884.39          | (4,431.88)  |
| 2015   | 425.19           | 9,093.92          | (8,668.73)  |
| 2016   | 348.10           | 4,533.90          | (4,185.80)  |
| 2017   | 218.20           | 4,584.20          | (4,366.00)  |
| 2018   | 386.94           | 6,621.78          | (6,234.84)  |

Source: International Monetary Fund, “Direction of Trade Statistics” (hereinafter IMF DOTS) (This is specifically drawn from IMF DOTS “Exports and Imports by Areas and Countries.” See https://data.imf.org/regular.aspx?key=61013712)

goods, stone and glass, and raw materials to China in 2005 to one where Egypt, in 2018, was sending greater amounts of fuel and raw materials and a notable (relatively speaking) amount of consumer goods to China while it buys an increasing amount of capital goods, machinery and electrical goods, and intermediate goods from China. Some of this shift may relate to COFDI or Chinese contracting in Egypt as Chinese firms often import their supplies from China while Chinese loans typically mandate the purchase of Chinese goods and services.

**Investment**

Looking at non-MSRI, non-SREB Chinese OFDI (COFDI) in Egypt, it is clear the figures are not that impressive. For the period 2005–2018, the American Enterprise Institute-Heritage Foundation “China Global Investment Tracker” (hereinafter AEI-Heritage Foundation CGIT) shows only $5.57 billion of COFDI flows into Egypt, with a large energy investment by Sinopec in 2013 representing almost 55% of this total. The balance has gone into industry, metals, and real estate. Another source states that there are more than 1450 Chinese companies now operating in Egypt in areas like construction, industry, IT, services, and telecommunications with FDI in industry dominant. In regard to industry, Chinese firms have invested in fiberglass plants, storage silos construction, automobile assembly lines, motorcycle production, and glass factories, as well as garment, textiles, and chemicals. Although COFDI in Egypt is low, it should increase because some Chinese companies reportedly
view Egypt as attractive due to its location, preferential trade deals with Europe and other regions, and abundant human and natural resources. Furthermore, Beijing “encourages and supports qualified companies to participate in Egyptian mega-projects.”

In March 2015, the Egyptian government announced plans to build a New Administrative Capital, a massive project east of Cairo whose first phase would cost $45 billion and take up to seven years to complete. Pursuant to this, it later signed agreements with Chinese state-owned enterprises (SOEs) China State Construction Engineering Corporation (CSCEC) and China Fortune Land Development Company (CFLD) to develop parts of the new capital city including a new parliament, twelve ministerial buildings, a national convention center, and an exhibition complex. CSCEC, though, subsequently withdrew from these ventures due to a disagreement about deal terms and subcontracting. CFLD, however, remained in the project, planning to invest up to a reported $20 billion to build an “upmarket residential district, an industrial zone, schools, a university, and recreational centers in the new capital, along with supporting infrastructure.” Fueling optimism, in late 2017, Egypt’s Ambassador to China said Beijing had invested $3.2 billion in the second phase of the project and would invest an additional $8 billion by 2027. Yet, in 2018, talks between Egypt and CFLD collapsed due to disagreements over revenue sharing terms, leading to the postponement of the project’s second and third phases. Still, CSCEC has continued to work on buildings in the New Administrative Capital’s Central Business District (CBD).

**Contracting**

China has a long history of serving as a contractor for Egyptian projects. Prior to the launch of the BRI, between 2007 and 2012, Egypt awarded $3.5 billion of contracts to Chinese companies such as Sinoma, China Communications Construction, China State Shipbuilding, Power Construction Corp., and Dalian Shipbuilding for various projects in shipping and oil and gas. Much of China’s non-MSRI/non-SREB contracting work pertains to CSCEC’s role in the New Administrative Capital’s CBD as well as a massive chemical plant (involving CSCEC and China Wengfu Group). The largest contract during the aforementioned period was a nearly $2 billion contract awarded to Rongsheng Holding and China
National Chemical Engineering in 2010 to build and operate an oil refinery for 25-years after which it would be returned to Egypt.46

**Other Economic Cooperation**

Egyptian-Sino economic relations has entailed cooperation in many other spheres. For instance, as far back as 1964, the two countries struck a technical and economic cooperation agreement. In the 1980s, they established a joint committee “to enhance cooperation in technical and electrical projects” and also initiated cooperative ventures relating to agriculture, medical equipment, and pharmaceuticals. The next decade saw the two countries reaching accords on electricity and rural development and a joint project by Egypt and the Tianjin Economic-Technological Development Area (TEDA) to develop the Suez Economic Zone North-west Gulf, commonly known as the TEDA special economic zone (SEZ) or TEDA SEZ. In 2014, Cairo and Beijing agreed to establish a joint laboratory for renewable energy projects, seen as an important channel for technology transfer.47

Important for capital-deficit Egypt, China has provided or indicated a willingness to supply significant funding to the Arab state. Historical examples include a $200 million soft loan from the China Development Bank to the National Bank of Egypt and grants for joint ventures (JV) in areas like electricity and the environment.48 In 2017, China agreed to contribute $64 million to the Egyptian earth observation satellite program (EgyptSat) and a $23 million grant for an Egyptian satellite test, integration, and assembly facility.49 The same year, the Egyptian Minister of Investment and International Cooperation Sahar Nasr met with the chair of China’s $40 billion Silk Road Fund to discuss the possibility of the latter providing funding for infrastructure and industrial projects as well as joint private-public sector endeavors in the SCZone and other areas in Egypt.50 Not long thereafter, Egypt signed a MoU with the China ExIm Bank to finance Egyptian projects and investments in sectors such as electricity, transportation, and seaports.51

**Egypt in the MSRI**

As Chinese Foreign Minister Wang Yi made amply clear in 2017, China views Egypt as an important partner of China in the construction of the MSRI as well as the larger BRI.52 Similar to other authors in this
volume, we label as MSRI projects those projects initiated after 2013 that have an explicit maritime link such as seaports and also include projects like railways that relate directly to connectivity. For us, power project as well as industrial parks and special economic zones (SEZs) also may be deemed MSRI projects because they support other MSRI components like transportation infrastructure or have close links to Chinese goals such as boosting FDI, supply, service, and other activities of Chinese companies.\(^ {53}\)

The maritime dimension of Chinese involvement in Egypt is longstanding. For instance, in 2005, Hutchinson Port Holdings took a stake in a JV involving the construction, operation, and management of container terminals in Egypt’s Alexandria and El Dekheila ports while three years later COSCO Pacific invested in a JV to manage a container terminal in Port Said East Port.\(^ {54}\) More recently, China Harbour Engineering Company (CHEC) has been working on a new terminal basin in Sokha Port south of the Suez Canal, which is in the SCZone.\(^ {55}\)

The maritime project in Egypt which links most obviously to the MSRI is the SCZone. Although the SCZone has its roots in the Suez Canal Corridor Project proposed in the 1970s, it was given new life by Egyptian President al-Sisi. The SCZone envisions building the Suez Canal area into a major global commercial hub with industrial, technology, and agricultural zones, residential and retail complexes, and modern seaports. Among other things, it entails projects such as bridges, tunnels, a second canal parallel to the existing one, better telecommunications systems, industrial parks and SEZs, improved logistics, and the better terminals, shipbuilding facilities, and new docks at ports such as Port Said and Adabiya.\(^ {56}\) Chinese firms such as CHEC and Sino Hydro Group were involved in various aspect of the new canal and, according to one source, China already is the largest investor in the SCZone, with TEDA having been very active in building up the TEDA SEZ in the Ain Sokhna district of the SCZone where it has attracted 68 firms.\(^ {57}\) Aside from this, as noted earlier, CHEC is working on seaport facilities in Sokha Port. These port facilities are intended to service the SCZone and will be in full operation by the end of the year.\(^ {58}\)

Railways are another important facet of Egypt-China MSRI cooperation. According to the Head of the Egyptian Transport Association, China can be a key player in developing Egypt’s railway system because it offers both expertise and funding for, usually, more affordable projects.\(^ {59}\) Chinese railways activity in Egypt is extensive and includes a 2014 MoU
and agreement between Aviation Industry Corporation of China (AVIC) and Egypt’s Ministry of Transportation to develop an 80 km electric railway from El-Salam City to Bilbeis and Sharqeya in greater Cairo that also will link with the third line of Cairo’s metro. In 2014, Egypt also signed an initial agreement with CHEC for the construction of a $10 billion high-speed rail (HSR) between Alexandria and Aswan. Two years later, Egypt signed a MoU with China Railway Construction Corporation (CRCC) to construct Cairo’s sixth metro line, a $3.5 billion 30 km metro line involving 24 stations, from New Maadi in southern Cairo to Al-Khosous in Al Qalyubia. In 2017, Egypt awarded a $1.24 billion contract to AVIC and China Railway Group to build a light rail system connecting Cairo, Egypt’s new administrative capital, and various districts of greater Cairo.

Egypt–China interactions under the aegis of the MSRI and larger BRI also entail energy cooperation, something Egypt values given its frequent power outages and desire to industrialize. In 2017, it signed an agreement with China for a $1 billion project to boost the capacity of the electricity local grid as a part of the second phase of Egypt’s electricity grid project. Egypt is also working with various Chinese firms to build a coal power generation facility on the Red Sea and a pumped-storage hydropower plant in Mount Ataka. Additionally, Chinese companies have a growing footprint in Egypt’s solar energy market. To illustrate, in 2015, Egypt’s Ministry of Electricity and Energy concluded a MoU with Chinese solar energy company Yingli Solar for the development of a solar energy plant, with the eventual goal of adding 500 megawatts (MW) of capacity to Egypt’s electricity supply. In 2020, China’s Gezhouba won a $287.5 million contract to build solar plants with a capacity of 500 MW. The same year, the Egyptian Nuclear Power Plant Authority and China National Nuclear Corporation signed a MoU for nuclear energy cooperation.

**Challenges for the MSRI in Egypt**

It is quite clear Egypt is very enthusiastic about the MSRI as top leader summits, numerous meetings, and a plethora of statements have made clear. This chapter has noted many political reasons for this. From an economic vantage point, China’s scheme promises many trade, FDI, and other benefits and meshes well with its so-called “Egypt Vision 2030” which encompasses the SCZone, the New Administrative Capital, and
a multitude of reform programs. As for Vision 2030, it aims to boost Egypt’s GDP, enhance its competitiveness, move it up the value-added chain, increase per capital income, create jobs, diversify the economy, and improve infrastructure. In any event, one cannot assume the MSRI will be realized simply because it fits with Egyptian development objectives and offers economic and political gains. After all, there are various political and economic obstacles facing it.

On the whole, the “domestic politics of Egypt [currently] are relatively stable. There are no large-scale anti-government riots and disputes” and al-Sisi appears firmly in control. However, discontent is widespread because of cuts in government services and subsidies, food, energy, and water shortages, serious corruption, and very high levels of unemployment, especially among the young. While terrorist incidents have declined dramatically due to a government crackdown, terrorism, armed militias, and opposition parties present continuing threats to stability generally and investment and infrastructure projects specifically. There also is the potential for projects to encounter delays due to disruptive labor unions. Egypt also suffers from a cumbersome bureaucracy and legal system and heavy government involvement in the economy which makes things opaque to foreign investors and leaves projects at risk of abrupt policy changes. Aside from this, the al-Sisi administration has neither the will nor the power required to root out deep-seated corruption and inefficiency. The lack of will partly results from the fact that the Egyptian army possesses wide-ranging interests throughout the economy. On top of the above, as several other chapters in this book make amply clear, the MENA region has its own challenges that may have a negative impact on the MSRI.

As for economic issues, Egypt’s growth rate has improved in recent years, but the government faces many challenges that will constrain its ability to finance and follow-through with large-scale MSRI projects. A critical one is the country’s weak public finances and high debts. Egypt is very highly indebted and a very large proportion of government moneys go to interest payments, limiting its ability to pay for projects or borrow more. And while the Egyptian economy has been diversifying, government revenues still depend heavily on tourism which has been hit hard because of terrorism and, more recently, the Covid-19 epidemic. Regarding funding, it is well understood that the realization of the MSRI requires large sums of money. In this vein, Egypt has joined the Asian Infrastructure Investment Bank (AIIB). But it remains to be seen how
many and to what extent the AIIB will help Egypt finance MSRI projects, with the AIIB, to date, having just provided $510 million to Egypt for a rural sanitation project and a non-MSRI related solar park.\textsuperscript{76}

Turning to the MSRI specifically, we should not forget the sheer scale and complexity of many proposed mega projects will present immense design, construction, and financial difficulties making it unlikely such projects will advance quickly, if at all. It remains to be seen, too, if certain projects will remain economically viable. For example, of late, the expanded Suez Canal has not been drawing as much shipping as anticipated because reduced global trade and plummeting oil prices have pushed shippers to shun the Suez Canal in favor of going around the Cape of Good Hope. The Suez Canal also faces competition from projects other projects such as a railway running from the Red Sea through Israel to Mediterranean and the Polar Silk Road.\textsuperscript{77} It also remains to be seen if Chinese companies have the will and ability to invest or, likewise, that China will be able and willing to loan the eye-catching amounts set forth in the headlines given current circumstances and some of the problems encountered elsewhere along the MSRI.\textsuperscript{78}

**Conclusion**

This chapter explores Egypt in the MSRI. It began with an overview of Egypt’s political relationship with China, emphasizing the contemporary period. It then turned to an examination of Egypt’s trade, FDI, contracting, and other links with China. Following this, it covered a variety of MSRI projects in Egypt in areas such as seaports, railways, and power generation. It then thoroughly discussed the political and economic channels that will affect the implementation of the MSRI.

The main findings of this chapter are that the MSRI is moving forward in Egypt. It is not, however, growing by leaps and bounds despite extensive and positive political and economic connections between Egypt and China and contrary to what many news stories imply. The reasons for this are quite clear. There are a number of political and economic obstacles such as the threat of terrorism in the former case and very high Egyptian government debts in the latter case that delay or prevent the realization of the MSRI in Egypt. Although it was not the main purpose of this analysis, this chapter further reveals that Egypt, for a variety of international and domestic political and economic reasons, was already moving closer to
China and that it would, therefore, be incorrect to attribute all or much of Egypt’s shift to China’s massive initiative.

From a policy standpoint, the analysis herein makes clear that decision makers elsewhere should expect strong and perhaps even stronger Egypt–China links. However, they should not conclude Egypt has bound itself exclusively to China or that China or Chinese companies will recklessly throw resources at the MSRI in Egypt in order to bring about its full implementation. Political and economic realities matter. In terms of analytical implications, this study highlights the value of taking a political economy approach to analyzing both the speed and extent to which the MSRI will be realized as well as its political effect on participant nations.

One of limitation of this study is that there are instances where the data on MSRI projects is not definitive due to a lack of public disclosures or inadequate follow-up reporting. We attempted to address this issue through the use of multiple Egypt as well as non-Egypt based media sources. Another limitation is that we were unable for reasons of space or time to investigate Washington’s possible effect on the progress of MSRI in Egypt. We have no evidence that the US is interfering directly or indirectly with the MSRI, but the possibility exists given the importance of Egypt to the US as well as the frosty relationship between the US and China. Lastly, the situation in Egypt is always evolving, though shifts in Egypt’s economic situation are more likely than changes in its domestic or external political situation. Whatever the case, the state of the MSRI in Egypt will require ongoing monitoring.

Egyptian and Chinese statements and commentaries are painting a glowing portrait of the MSRI and SREB in Egypt. It is bringing green to the desert both literally and figuratively as COFDI and loans flow into Egypt to aid Egypt industrialize, buildup its power grid, and enhance connectivity both within and outside the country. Change is occurring, but it remains to be seen if the MSRI landscape will be filled in completely given the political and economic challenges enumerated in this chapter.

NOTES

1. “Full text: Vision for Maritime Cooperation Under the Belt and Road Initiative,” Xinhua, June 20, 2017, http://news.xinhuanet.com/english/2017-06/20/c_136380414.htm.
2. Jean-Marc F. Blanchard and Colin Flint, “The Geopolitics of China’s Maritime Silk Road Initiative,” Geopolitics 22, no. 2 (2017): 223–245.
3. For discussion, see Jane Perlez and Yufan Huang, “Behind China’s $1 Trillion Plan to Shake Up the Economic Order,” The New York Times, May 13, 2017, https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html; Jean-Marc F. Blanchard, “Probing China’s Twenty-First-Century Maritime Silk Road Initiative (MSRI): An Examination of MSRI Narratives,” Geopolitics 22, no. 2 (2017): 246–268; and “China’s Belt-And-Road Plans Are to Be Welcomed—and Worried About,” The Economist, July 26, 2018, https://www.economist.com/leaders/2018/07/26/chinas-belt-and-road-plans-are-to-be-welcomed-and-worried-about. Except as otherwise noted, all amounts herein are denominated in United States dollars (USD).

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