

How Europe is profiting at the expense of Egypt's poor

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European corporations have played a key role in the Egyptian regime's policy of debt-fuelled mega-projects

Contents

- [Transferring wealth](#)
- [Deadly alliance](#)

Egyptian President Abdel Fattah el-Sisi talks with European Commission President Ursula von der Leyen at the Ittihadiya presidential palace in Cairo, Egypt, 17 March 2024 (Reuters)

The European Union this month announced a massive [funding package](#) worth 7.4 billion euros (\$8bn) to support [Egypt's](#) struggling economy. It includes five billion euros in loans, 1.8 billion in investments, and 600 million in grants, a third of which is designated for managing “migratory flows”.

One billion euros in loans will be made available this year as emergency funding, with the rest awaiting approval from the European Parliament. The funding package represents an [upgrade in relations](#) between the EU and Egypt to a “strategic partnership”, facilitating deeper cooperation.

The move, which has been heavily criticised by human rights groups, is part of a strategic alliance between Europe and the Sisi regime, which has seen European corporations and states benefit greatly from the regime's model of militarised state capitalism and excessive [spending on arms](#).

Indeed, contrary to conventional wisdom, the logic at play is much more sinister than curbing migration or stabilising the southern Mediterranean. Although the issue of migration is an important factor, it is far from the decisive one.

One needs only to look at the role that European corporations have played in the Egyptian regime's policy of debt-fuelled [mega-projects](#) to understand the dynamics at play.

The most notable example is the German firm Siemens, which has been a major benefactor of the Egyptian spending spree, starting two years after the coup with a [six-billion-euro](#) (\$6.5bn) deal to build [power plants](#) in Egypt. The project was largely financed through debt, with the government reportedly obtaining [4.1 billion euros](#) of bank loans.

By 2023, less than a decade after the start of construction, Egypt was [experiencing](#) regular power cuts, amid a suffocating debt crisis and a reduction in the country's natural gas production.

Transferring wealth

The costly construction of power stations, however, has been dwarfed by another mega-project: the world's [sixth-largest](#) high-speed rail system, connecting the Red Sea and the Mediterranean, with a price tag of \$23bn. The contract with Siemens Mobility was signed in May 2022, as the debt crisis was starting to make itself felt - but this did not deter the regime from its folly.

[France](#) also pledged to invest [3.8 billion euros](#) (\$4.1bn) in Egypt between 2021 and 2025, including 1.8 billion euros in loans, with Finance Minister Bruno Le Maire [calling](#) Egypt “a strategic economic partner of France” and “the top country in terms of loans from the Treasury”.

The massive debts extend to the Egyptian regime's excessive spending on arms, a contributor to the squandering of public funds

This all comes as Egypt's poverty rate has increased significantly due to the pound's devaluation, from around [30 percent](#) in 2019, and public resources, financed through a [regressive](#) taxation system, are used to meet the country's growing debt obligations. This is effectively transferring wealth from the Egyptian poor and middle classes to European corporations and banks, as the military continues to spread its tentacles in the economy, using mega-projects as a spearhead.

There are also direct European investments, specifically in the oil and gas sector. Italy's Eni, a partially state-owned energy company, invested [\\$13bn](#) in Egypt between 2015 and 2019. In 2023, Eni pledge to invest an additional [\\$7.7bn](#) over the next four years.

The massive debts extend to the Egyptian regime's excessive spending on arms, a contributor to the squandering of public funds and the evolution of the debt crisis. The most notable example is the purchase of Rafale fighter jets from France in two separate deals. The first deal, [worth \\$5.9bn](#), was concluded in 2015, and the second, [worth \\$4.5bn](#), in 2021. In both deals, financing [loans](#) were necessary.

In 2019-20, the regime's spending on arms reached an astounding [\\$16bn](#), including deals with Germany and Italy. Based on the available, rather limited information, loans played a significant role in securing these deals, adding to the regime's growing debt and draining hard currency reserves.

Deadly alliance

The arms deals were not limited to hardware, but also included French [mass surveillance systems](#), which can be used to repress dissent. The alliance between the regime and the French state runs so deep that French intelligence was [directly involved](#) in air strikes in the Western Desert in recent years against “terrorist” targets, with evidence emerging later that civilian smugglers were targeted, also revealing continued French involvement.

The latest European support package is thus consistent with a long-standing European policy of supporting the Egyptian regime through loans, arms deals and investments that are not directly connected to the question of migrants.

Indeed, while the threat of increased migration to Europe has risen with the civil war in [Sudan](#), only [200 million euros](#) (\$217m) of the recent EU funding package was earmarked for curbing migration. One needs only to look at the available data to understand that the threat of migration into Europe from Egypt is not an immediate concern.

As of August 2022, there were an estimated [nine million migrants](#) in Egypt, 60 percent of whom had been living in the country for more than 10 years, with a positive impact on the labour market and economy. Around 30,000 [Syrian](#) investors have injected an estimated \$1bn into the Egyptian economy.

Only [15 percent](#) of the migrants in Egypt are classified as vulnerable and in need of special assistance. As of [January 2024](#), Egypt was hosting 480,000 registered refugees and asylum-seekers, with the largest group comprising people who had fled the war in Sudan.

In essence, the EU and major member states have thrown their lot in with one of the most brutal and repressive dictatorships in the Middle East, standing firmly against the democratic aspirations of Egyptians. This policy has garnered mass profits for European corporations and states, at the expense of the Egyptian poor and middle classes.

This will only lead to long-term instability and the emergence of the European bogeyman: the Arab migrant.

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P.S.

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