



# WORKING PAPER

## COOPERATION BETWEEN THE RUSSIAN FEDERATION AND THE ARAB REPUBLIC OF EGYPT: OPPORTUNITIES AND CONSTRAINTS

22 / 2015

# **RUSSIAN INTERNATIONAL AFFAIRS COUNCIL**

**MOSCOW 2015**

## **Russian International Affairs Council**

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Cooperation between the Russian Federation and the Arab Republic of Egypt: Opportunities and Constraints: Working paper 22/2015 / [A.M. Vasiliev et al.]; [I.S. Ivanov, Editor-in-Chief]; Russian International Affairs Council (RIAC). – M.: Spetskniga, 2015. – 20 pages. – Authors and editors are listed on back of the title page.

ISBN 978–5–91891–473–1

Working paper prepared by the Russian International Affairs Council (RIAC) within the project «Middle East: Political Dynamics and Russia's Interests». The authors examine the main trends in the development of the political and economic situation in Egypt, analyze the state of Russian–Egyptian relations, lead recommendations for their further development, examine the role of Egypt through the prism of the exacerbation of regional conflicts and threats in the Middle East, analyze the prospects for Russian–Egyptian cooperation in addressing regional problems.

The views and opinions of authors expressed herein do not necessarily state or reflect those of RIAC.

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## **Introduction**

The Russian Federation and the Arab Republic of Egypt are tied by an intricate web of historical relationships in politics, economics and cultural affairs. The importance of Egypt for Russia is determined by its role as one of the leading political, economic and cultural centres of the Middle East and North Africa, the vast Islamic world. Globally significant air, land and sea routes pass through Egypt. Cooperation with this country goes along with Russia's interests in the Middle East – a region that borders Russia to the south and is one of the most geopolitically important and conflict-prone areas in the world. Accordingly, cooperation between the two countries will contribute to Russia's stable standing in the Islamic world. Besides it may contribute building favourable conditions for the development of Russian regions that have significant Muslim population. Also it may help preserving and consolidating Russia's interests on the global oil and gas market, as well as on the strategically significant market for Russian agricultural and hi-tech products, the export of goods and services within the framework of bilateral military and technical cooperation agreements, in the aerospace sector, etc. There are extensive and significant cultural ties between Russia and Egypt – in international tourism, the numerous Russian communities living in Egypt, and cooperation between Christians and Muslims. The goals and objectives of Russian policy in the region can better be achieved through the coordination of Russia's and Egypt's international activities on the basis of consistent consultations between the ministries of foreign affairs on matters pertaining to the United Nations, the Organisation of Islamic Cooperation, the League of Arab States, the African Union, the Gas Exporting Countries Forum and other leading international organizations and forums.

# 1. The Current Situation in Egypt

## 1.1. The Social and Economic Situation

The state of the Egyptian economy can be defined as ambivalent: a number of burning issues remain unresolved despite serious positive developments. Back in 2014, the Abdel Fattah el-Sisi administration achieved significant success, overseeing a 6.8 per cent growth in GDP on an annualized basis during the fourth quarter. This can be considered as a good result given the existing dynamics of global economic development.<sup>1</sup> By July 2014, industrial production had increased 20 per cent year-on-year. To some extent, the Egyptian government even managed to stabilize the tourist flow: when the 2011 events began, a record 1.5 million people were visiting the country per month (October 2010).<sup>2</sup> A steep decline followed, but the Mohamed Morsi administration managed to reverse the trend, attracting some 1.2 million tourists per month. This was again followed by a slowdown. As of the end of 2014, the number of tourists visiting Egypt was 898,000 people per month.<sup>3</sup>

Serious decline of the Egyptian tourist industry has followed after the crash of Russian A321 passenger plane as a result of terrorist attack on October 31. It's too early to discuss the perspectives of stabilization of tourist flow.

Despite the fact that the Abdel Fattah el-Sisi administration has seen success with regard to a number of economic indicators, it is unclear whether it will be able to maintain this pace in 2015.<sup>4</sup> One of the symptoms of potential decline in the country's economy is the behaviour of quotes on the Egyptian Exchange (EGX 30) in late 2014 and early 2015,<sup>5</sup> which can be referred to as a "mirror of the Egyptian revolution". The EGX 30 started growing rapidly ten days prior to the events of June 2013, mostly because participants on the Egyptian Exchange possess extensive insider information, including from the leading financial centres in the Persian Gulf. Furthermore, we can not exclude the reduction of financial support from the Gulf nations to Egypt, which the country in many ways depends on.

As soon as Mohamed Morsi was deposed and detained, Saudi Arabia, the United Arab Emirates and Kuwait announced that they would be providing financial aid to Cairo in the amount of \$12 billion, which should have been enough for the new Egyptian authorities to deal with troubles of the transition period.<sup>6</sup> Thus, financial support from the Gulf countries helped the Egyptian economy recover following the events of 2013, which is confirmed by macroeconomic indicators in 2014.<sup>7</sup> However, reducing financial support from the Arabian Peninsula states

<sup>1</sup> URL: <http://www.tradingeconomics.com/egypt/gdp-growth-annual>

<sup>2</sup> URL: <http://www.tradingeconomics.com/egypt/tourist-arrivals>

<sup>3</sup> URL: <http://www.tradingeconomics.com/egypt/tourist-arrivals>

<sup>4</sup> Egypt – Economic Indicators 2014 // TradingEconomics, 2014.  
URL: <http://ru.tradingeconomics.com/egypt/indicators> (in Russian).

<sup>5</sup> URL: <http://www.bloomberg.com/quote/CASE:IND/chart>. Even though stock exchange indicators are not a perfect tool for analyzing the behavior of key macroeconomic indicators, the trend is obvious.

<sup>6</sup> Isaev, L.M., Korotaev, A.V. The Egyptian coup of 2013: An Econometric Analysis // Asia and Africa Today. 2014. No. 2, pp. 14–20 (in Russian).

<sup>7</sup> Egypt – Economic Indicators 2014 // TradingEconomics, 2014.  
URL: <http://www.ru.tradingeconomics.com/egypt/indicators> (in Russian).

would have impeded the work of the Egyptian administration, as evidenced by the results of the first quarter of 2015. At the same time, the Egyptian leadership demonstrated great economic success in terms of infrastructure, with the second Suez Canal being completed in record-breaking time.

## **1.2. The Political Situation in the Country**

Egypt remains at a point of historical divergence since the overthrow of the Hosni Mubarak regime. Until very recently, the situation in the country could have been described as uncertain. Strong concerns were caused by the confrontation of different social and political forces, whose disunity and animosity were sharper than they had ever been. A number of factors that emerged under the Mubarak administration make it impossible to overcome the uncertainty. One of them is the absence of an important crisis resolution (negotiation) mechanism – one that is clear and respected both in political circles and public opinion – as well as the need for a multi-party political system and recognized leaders. This is a common phenomenon for many countries going through revolutionary changes. Almost nobody in the inner circles of Ben Ali, Hosni Mubarak, Muammar Gaddafi or the Assads took upon themselves the role of the “saviour or the nation” in a situation when their nations were in deep crisis, and such strong political figures in Egypt as Amre Moussa and Omar Suleiman have gone to second and third positions.<sup>8</sup> This was aggravated by the declining role of the political parties. While we can see a trend of stabilization in Egypt following the deposition of Mohamed Morsi, albeit vaguely, it requires additional effort to materialize. Nowadays, there are not enough convincing signs that the social and political situation is at all stable, or that confidence in the government is growing among general public, the business community or representatives of the largest and most socially active sector of the population – young people.

Many signs of crisis remain even today, although not as sharp as in 2014. Since the deposition of Hosni Mubarak, the country has been in a political vacuum. To some extent, this vacuum has been filled by the representatives of armed forces. The army commanders and security agencies play significant role in politics.

Another characteristic of Egypt today is the status of the Muslim Brotherhood organization. The fact that it has been left out of the political process may have questionable consequences. The Muslim Brotherhood is one of Egypt's influential political forces and has been popular among the majority of the country's population for a long period of time. If it were allowed to take part in legitimate political processes, instead of being marginalized, the Brotherhood could contribute to building stability in the country rather than if it's excluded. Today, the Muslim Brotherhood has the chance to secure legitimate political representation by winning seats in parliament as independent candidates. This system used to work fairly well under Hosni Mubarak, when the Muslim Brotherhood pushed their representatives through to parliament. Still, there is a risk that the mistake made by the Mubarak administration in November–December 2010 could be repeated. It was then that the Muslim Brotherhood was denied the chance of parliamentary representation by the government's decision to block candidates

<sup>8</sup> Amr Moussa is an Egyptian diplomat and politician. He was Secretary General of the League of Arab States from 2001 to 2011 and a candidate in the 2012 presidential election. Omar Suleiman is an Egyptian military and political figure. He has served as Director of the General Intelligence Directorate and Vice President of Egypt.

who technically ran as independent candidates, but were in fact representatives of the organization, from being elected into the Egyptian parliament.<sup>9</sup> Presumably, the authorities will eventually allow the Muslim Brotherhood to at least partially legitimize their representation in parliament by building a dialogue with those members of the organization who show the ability for constructive thinking.

It is quite obvious that there is no way to eliminate the Muslim Brotherhood from politics altogether, mainly due to the new law on parliamentary elections. In accordance with this law, parties are allocated 20 per cent of seats in the People's Assembly, whereas candidates from single-member districts get 75 per cent of the seats. This paves the way for former supporters of Mubarak as well as Islamists to break into parliament. A "youth" group from the Muslim Brotherhood is currently in talks with the government about recognizing the change of power and the legitimacy of el-Sisi's election as president. It is likely that the Muslim Brotherhood will eventually be represented in parliament (as they were not long ago) and will have some influence in the government.

Another factor influencing political stability in Egypt is the situation in eastern Libya (Cyrenaica), which used to be a stronghold of the anti-Gaddafi movement and is now a centre for the radicals and extremists. Significantly, the border between Egypt and Libya is a straight line, meaning that it is an artificial boundary. The territory is characterized by a common tribal distribution, and Cyrenaica and Western Egypt are essentially populated by the same tribes. This is the reason why a deterioration of the situation in neighbouring Libya may aggravate the situation in Egypt, which is demonstrated by the execution of 21 Egyptian Copts by the Islamists in Libya. It is very likely that the Western Desert will become a new hotbed for extremism. Studies show that this is the region of Egypt where President el-Sisi has the least support among the population.<sup>10</sup>

Another region of concern is the Sinai Peninsula, where the situation has already evolved to a stage of regular military operations against radical Islamists associated with the Islamic State.

### **1.3. Egypt's Regional Affairs and Relations with Key International Players**

The United States does not play an entirely dominant role in the Middle East today. This is much evident from the deposition of Mohamed Morsi and the Muslim Brotherhood regime despite their support from Washington.

The Project on Middle East Democracy launched by the United States in 2002 had been gaining momentum right up until the first "democratic" elections in the Palestinian National Authority, where Hamas took the lead.<sup>11</sup> After this, the United States started winding up the project. Its budget shrank each year (to

<sup>9</sup> Isaev L.M., Shishkina A.R. Egyptian Turmoil in the XXI Century. Moscow, Librokom, 2012 (in Russian).

<sup>10</sup> Isaev, L.M., Korotaev, A.R. The Political Geography of Contemporary Egypt in Light of the Latest Presidential Elections. July 29, 2014. URL: <http://www.polit.ru/article/2014/07/29/egypt> (in Russian).

<sup>11</sup> Middle East: Promoting Democracy // Council on Foreign Relations. October 10, 2003. URL: <http://www.cfr.org/publication.html?id=7709>; Project on Middle East Democracy. The Federal Budget and Appropriations for Fiscal Year 2010. Democracy, Governance, and Human Rights in the Middle East. URL: <http://www.pomed.org/wp-content/uploads/2009/07/FY2010-Budget-Report.pdf>



approximately \$2 million by 2010).<sup>12</sup> Furthermore, there were constant complaints that the money allocated under the project was not reaching the activists, and was rather being captured by “dummy” companies belonging to Hosni Mubarak’s son Gamal. Thus, the United States’ influence on the dissident movement in Egypt did not have a decisive role in the development of the 2011 revolution in the country.

The United States’ ties with the Muslim Brotherhood go back to the days when leftist secular regimes and the USSR were a common foe. Later, these ties were left untouched for a while. But after the events of 2011, when the Muslim Brotherhood turned out to be the most influential player in the country (with the exception of the armed forces), the United States decided to put its stake on the organization. Yet again, when the Muslim Brotherhood made its way to power, it failed to resolve social and economic issues and create a stable social foundation within Egypt. It began imposing control on the media, appointing governors from among the representatives of the Al-Gama’a al-Islamiyya terrorist group, demanded that the army report its expenses and started a conflict with the monarchs of the Gulf states (chiefly, Saudi Arabia). All of this combined created conditions for the collapse of the Brotherhood’s regime. Of course, from the viewpoint of democratic values promoted by the United States and the Western world in general, overthrowing an elected president was not a welcome outcome. But we can already see a trend of smoothing out relations with the West.

Today, Washington is obviously trying to build contacts with the new political leaders in Egypt.<sup>13</sup> At the same time, the Egyptian leadership has embarked upon rapprochement with Russia. (Moscow sees the political changes in Egypt as the country’s business and seeks to move the traditionally friendly relations between the two nations away from the influence of the changeable political situation.) This was demonstrated by a series of “two plus two” talks between the ministers of defence and foreign affairs of the two countries. Russia became the first country outside the Arab world that el-Sisi visited as president in August 2014.<sup>14</sup>

One of the destabilizing factors is the lack of a dominant force in the Arab world (unlike, say, in the 1960s). Even Saudi Arabia, despite its enormous financial power, cannot be viewed as a dominant force, because there are some significant constraints to its role – financial power does not always play the key role.<sup>15</sup>

At this point, the Islamic State (IS) is the chief threat to stability in the region. IS forces may move towards Saudi Arabia, where “dormant” Al-Qaeda cells are also present. This could mean the establishment of a solid line of conflict zones in North Africa and the Middle East. Egypt may perform as a main barrier for this and that may become another driver for Russia–Egypt cooperation. For now, Egypt is rather cautious in expressing its attitude towards the Syrian regime, but in case

<sup>12</sup> Project on Middle East Democracy. The Federal Budget and Appropriations for Fiscal Year 2010. Democracy, Governance, and Human Rights in the Middle East.  
URL: <http://www.pomed.org/wp-content/uploads/2009/07/FY2010-Budget-Report.pdf>

<sup>13</sup> U.S. to Deliver 10 Apache Helicopters to Egypt – Pentagon // Reuters, September 20, 2014.  
URL: <http://www.reuters.com/article/2014/09/21/us-usa-egypt-apaches-idUSKBN0HG00920140921>

<sup>14</sup> URL: <http://www.jpost.com/International/Sisi-receives-offer-of-fighter-jets-helicopters-weapons-on-Russia-visit-371057>

<sup>15</sup> Saudi Arabia’s economy still largely depends on the hydrocarbons market. Also, the traditional and authoritarian structure of Saudi society heavily encumbers its transformation.

of a serious threat to national security, Cairo may become interested in working close with this regime, too.

As for the settlement of the Arab–Israeli conflict, Egypt plays a constructive role in this process. Notably, Egypt made a significant contribution to the “de-blocking” between Israel and Hamas. In this context, increased threat from the extremist cells operating in the region with a predominantly Sunni population becomes a driver for strengthening cooperation between Russia and Israel, on the one hand, and between Russia and Egypt, on the other.

The advent of a new administration in Egypt that shows no hostility to Bashar Assad and supports the preservation of Syria’s territorial integrity augments Egypt’s potential role as a mediator in settling the traditionally complex issues between Syria and the Gulf states. Egypt may play a positive role in this process.

## 2. Russia's Interests in Egypt and Egypt's Interests in Russia

### 2.1. Economic Interests

Russia has the following economic interests in Egypt:

First, Egypt is viewed as a promising market for Russian products, including agricultural products (e.g., wheat) and high value-added goods. Second, Russia is a high volume importer of various agricultural products from subtropical countries, including Egypt. The sanctions imposed by Russia on a number of EU goods in 2014 create a favourable environment for Egypt to export agricultural products to Russia in greater quantities. Third, considering Russia's geopolitical turn towards the East, Arab countries may become one of the most attractive markets to Russia. And Egypt may act as Russia's "window" to the Arab world and beyond – into the neighbouring regions.

Egypt is interested in products and technologies developed by the Russian military and industrial complex, agricultural products (chiefly, Russian grains), investment, construction technologies for large infrastructure projects (including nuclear facilities), and telecommunications and space technologies. The principal item of Russian export, i.e. hydrocarbons, is not appealing to Egypt, because the country has its own oil and gas reserves and more convenient export opportunities. Still, there is lots of room for both Russian and joint Russian–Egyptian investment in this area. What is more, Egypt and Russia agreed in March 2015 that Russian companies, specifically Gazprom and Rosneft, would supply LNG to Egypt until 2019.<sup>16</sup>

Trade turnover between Russia and Egypt has grown rapidly in recent years.<sup>17</sup> It dropped significantly (from \$4.26 billion to \$2.14 billion) in 2013, primarily due to Egypt cutting back on its purchase of Russian wheat,<sup>18</sup> before growing just as much in 2014 (again, as a direct result of el-Sisi coming to power), topping the 2012 level at \$4.5 billion. The task for the coming years is to take trade turnover to \$10 billion.<sup>19</sup> Russia is the top supplier of wheat to Egypt (40 per cent of all imported wheat is grown in Russia). Furthermore, Egypt mostly imports common wheat, which is grade 2–3 fodder wheat used in animal farming, whereas durum wheat is grown inside the country. During their visit to Russia in 2014, the President of the Arab Republic of Egypt el-Sisi and the Minister of Industry, Trade and Investment of Egypt Mounir Fakhry Abdel Nour, the possibility of increasing grain supplies to 5–5.5 million tonnes was discussed.<sup>20</sup>

<sup>16</sup> Novak announces annual LNG supplies to Egypt//Lenta.ru. September 4, 2015.  
URL: <http://lenta.ru/news/2015/09/04/gazprom1> (in Russian).

<sup>17</sup> Putin: Russia–Egypt Trade Turnover May Rise to \$5 Billion in Near Future // RBK, February 13, 2014.  
URL: <http://www.rbk.ru/rbcfreenews/20140213143826.shtml> (in Russian).

<sup>18</sup> URL: [http://www.ved.gov.ru/exportcountries/eg/eg\\_ru\\_relations/eg\\_ru\\_trade](http://www.ved.gov.ru/exportcountries/eg/eg_ru_relations/eg_ru_trade) (in Russian).

<sup>19</sup> URL: <http://www.rg.ru/2015/02/17/egypt.html> (in Russian).

<sup>20</sup> Press Statement after Russia–Egypt Talks // Website of the President of Russia, August 12, 2014.  
URL: <http://www.kremlin.ru/transcripts/46441> (in Russian).

The leaders of the two countries have agreed to build an Egyptian logistics terminal on the Black Sea coast, which may be utilized as a point of supply and additional processing of agricultural raw materials and food supplies.<sup>21</sup> In addition to this, Egypt is ready to let Russia establish an industrial zone near the second Suez Canal. In a statement to the press after the talks with Vladimir Putin in August 2014, el-Sisi noted: “Our negotiations have opened significant prospects... for the establishment of a Russian industrial zone in Egypt.”<sup>22</sup> However, further details regarding the project were not forthcoming. The Trade Mission of the Russian Federation in Egypt suggested opening an investment and projects consulting centre that would render support to Russian businesses interested in working in the country, including preparing tender applications.

On November 20, 2014, the members of the Russian–Egyptian Business Council decided to draft a list of promising projects for bilateral cooperation. In general, the priority areas of economic cooperation between the two countries are limited to the following:

- tourism (the intergovernmental agreement dated March 15, 2008 suggests further development of bilateral relations);
- agriculture (large-scale and regular supplies of Russian wheat);
- nuclear energy (the implementation of Egypt’s “Peaceful Atom” programme – the construction of nuclear power plants, training Egyptian specialists, etc.);
- the oil and gas industry (LNG supplies to Egypt;<sup>23</sup> building cooperation and coordination under the Gas Exporting Countries Forum, where Moscow and Cairo have largely similar views; joint engagement in international and regional projects; swap supplies of gas to Europe; the development of oil and gas fields in Egypt; and the modernization of major industrial assets built with the support of the USSR, such as the Aswan Hydroelectric Power Plant, the Nag Hammadi Aluminium Smelter, etc.);
- infrastructure and transport (constructing housing, transport and logistics facilities; carrying out air freight transportation; establishing direct sea links between the two countries; modernizing the highway and railroad infrastructure in Egypt; developing safe travel routes for Russian tourists visiting Egypt, etc.);
- telecommunications (primarily the integration of Egypt into the GLONASS navigation system development project);<sup>24</sup>
- military technology (supplies of armoured vehicles, air defence systems, etc., from Russia).

<sup>21</sup> Ibid.

<sup>22</sup> Press Statement after Russia–Egypt Talks // Website of the President of Russia, August 12, 2014. URL: <http://www.kremlin.ru/transcripts/46441> (in Russian).

<sup>23</sup> Rosneft Strikes Deal to Supply Gas to Egypt // Lenta.ru, August 27, 2015. URL: [http://lenta.ru/news/2015/08/27/rosneft\\_egypt/](http://lenta.ru/news/2015/08/27/rosneft_egypt/); Novak Announces Annual LNG Supply Volume to Egypt // Lenta.ru, September 4, 2015, URL: <http://lenta.ru/news/2015/09/04/gazprom1> (both in Russian).

<sup>24</sup> International Agreements Bulletin. 2005, No. 5, pp. 45–50; Long-Term Programme for the Development of Trade, Economic, Industrial and Science and Technological Cooperation between the Government of the Russian Federation and the Government of the Arab Republic of Egypt, September 23, 1999, Article 4; Agreement on Cooperation in the Peaceful Use of Nuclear Energy between the Government of the Russian Federation and the Government of the Arab Republic of Egypt, March 25, 2008; Agreement on a Strategic Partnership between the Russian Federation and the Arab Republic of Egypt, June 23, 2009, Article 4, Clauses 3, 4, 5 (On the Results of the Visit of the Prime Minister of the Arab Republic of Egypt A. Nazif to Russia in 2008).

URL: [http://www.mid.ru/spd\\_md.nsf/twowebscantr?openview&RestrictToCategory=erwnet](http://www.mid.ru/spd_md.nsf/twowebscantr?openview&RestrictToCategory=erwnet)

## **2.2. Interests in Military–Technical Cooperation**

The year 2015 marks the 60<sup>th</sup> anniversary of military–technical cooperation (MTC) between the USSR/Russia and Egypt. MTC used to be just as important for the development of bilateral relations as the construction of the Aswan High Dam. Today, there is a much more favourable environment for the development of military–technical cooperation, as Egypt's new political leadership is interested in diversifying its relations with foreign partners. Cairo is interested in purchasing new military equipment, and Russia, in turn, seeks to expand the horizons of its military technical cooperation. China and India are changing their standpoints, and the entire world is moving towards diversification. Until recently, Algeria had been one of Russia's key MTC partners in Africa, but this market has already largely depleted its capabilities. Now Russia faces the challenge of looking for new cooperation models and new partners, and Egypt is taking a leading position in this regard. Egypt has a reasonably developed defence industry. The country produces a number of different weapons, including radars and related hardware components. This suggests that Rosoboronexport could cooperate with Egypt in the military sphere, such as licensing and the establishment of joint ventures for modernization, maintenance, etc.

Right now Egypt is faced with three major challenges which are pushing Cairo to purchase advanced weapon systems from Russia. As a result, Russia and Egypt have a unique opportunity to revitalize military–technical cooperation. What are these challenges?

The first challenge is represented by the Islamic State. In order to respond to this challenge, Egypt will need financial resources, the ability to play a decisive role in the region and a readiness to block potential expansion of IS by creating a kind of barrier between North Africa and the Persian Gulf.

The second challenge concerns the distribution of the Nile waters and relations with Ethiopia. Ethiopia has an army of 500,000 that is actively arming itself (mostly from China) and is becoming comparable to the Egyptian armed forces in terms of size and the strength of its equipment. The two countries have a long history of mutual grievances and tensions. It is Ethiopia (not Israel) that Egypt has, until recently, seen as one of its chief opponents – and vice versa – even though it has never been stated at the official level. Yet, the agreement on the use of the Nile waters in connection with the construction of the Grand Ethiopian Renaissance Dam, which was signed by the presidents of Egypt, Sudan and Ethiopia in 2015, largely does away with the animosities that these three countries had with regard to the matter. It is likely that the “Nile issue” will see its final settlement in the near future, even though Egypt states that certain unresolved disputes remain even after the signing of the agreement.

The third challenge is the lingering social instability and fears of new upheavals. The experience of Libya and Syria shows that new a large-scale political shock in the country could lead to foreign intervention. (Some experts do not share this belief, stating that acquisition of new weapons by Egypt may be only part of the country's efforts to modernize its armed forces and maintain the balance of forces in the region.) This, among other things, may be the reason why the Egyptian authorities are so interested in buying advanced air defence systems. Cairo would

also like to purchase multipurpose aircraft and air defence systems from Russia. These technologies are capable of repelling air attacks on the country by potential adversaries.

Growing competition from China poses a risk to the further development of military–technical cooperation between Russia and Egypt. The market for Russian weapons in Africa (Ethiopia, Angola, etc.), where 30–40 per cent of Soviet military technology still remains, is now being flooded by Chinese products that are almost identical, but cost less. Also, China is working hard to upgrade the quality of its products. Obviously, Egypt will seek to diversify its military contracts, purchasing from the United States and China. But Russia still holds a competitive edge in air defence and air force technologies.

Assessing the potential of military–technical cooperation between Russia and Egypt, we can start with the level of cooperation that was achieved during the presidency of Hosni Mubarak and which Russia could in all likelihood sustain. For example, back in 2005 Rosoboronexport concluded a number of contracts with Cairo to supply surface–to–air missile systems (SAM), including four Tor–M1 SAMs, small shipments of Buk–M1–2 and ZSU–23–4 Shilka SAMs and Igla portable SAMs. A contract for the supply of ZSU–23–4–N4 Shilka–Strelets self–propelled anti–aircraft guns was signed in September 2007. Earlier in 2006, Egypt and Russia signed an agreement on supplies of MiG–29SE jet fighters. The contract, which was estimated at \$1.5 billion, remained on paper due to pressure from the United States. In 2008, the two countries signed a contract for the supply of fourteen Mi–17 helicopters to Egypt with total estimated value of \$150 million.<sup>25</sup>

On November 3–14, 2013, Cairo hosted the first “two plus two” meeting of the ministers of defence and foreign affairs of the Russian Federation and Egypt. The parties agreed to broaden cooperation between the air and naval forces of the two countries. According to a number of experts, contracts worth a total of more than \$3 billion for the supply of up to 24 MiG–29M/M2 jet fighters, 12 Mi–35M attack helicopters, a K300P Bastion mobile coastal defence missile system, a Tor–2ME SAM, and small arms and ammunition were signed during the talks.<sup>26</sup> Other sources indicate that the package agreement also included Kornet anti–tank guided missile system and Mi–8/17 helicopters. These agreements were especially important to Egypt in light of the interruption of US weapons supplies on July 2–13 due to the removal of President Mohamed Morsi from power.

The meeting also resulted in the signing of a protocol on military–technical cooperation in March 2014. This became the first manifestation of military–technical cooperation between Cairo and Moscow on this scale since the breakup of the USSR.

### 2.3. Humanitarian Cooperation

Humanitarian cooperation between Russia and Egypt is developing rapidly. We are talking primarily about language and culture here. This is partly a legacy of Soviet times, because such educational institutions as the music conservatory, the

<sup>25</sup> Military–Technical Cooperation between Russia and Egypt. Profile. URL: <http://www.tass.ru/info/744961> (in Russian).

<sup>26</sup> Russia to sell \$3bln worth of weapons to Egypt // Lenta.ru, 14 February 2014.

URL: <http://www.lenta.ru/news/2014/02/14/weaps>; Egypt to buy \$3.5bln worth of weapons from Russia // Newsru.com, 17 September 2014. URL: <http://www.newsru.com/arch/world/17sep2014/egyptus.html>

ballet institute, the institute of cinematography and the national dance company were established around 40 years ago with support and active participation of Soviet/Russian specialists. Besides, many Egyptians graduated from Russian universities: according to some estimates, around 30,000 Egyptian nationals received higher education in the Soviet Union, of which 20,000 are military officers. In addition to this there is a purely practical interest in the Russian language in Egypt, due to the increased number of Russian tourists in the country. Moreover, the Russian-speaking community is growing fast, thanks in large part to the increase in marriages between Russian and Egyptian nationals. A Russian school has operated in Hurghada for five years now with 20 university-qualified teachers and over 100 students (children born in mixed families). There are also Russian research and cultural centres in Cairo and Alexandria.

There is an obvious lack of Russian-language literature translated into Arabic. In the Soviet times, the Progress and Mir publishing houses were responsible for translating literary works. The issue is often raised in Egypt in the context of combating the dissemination of Western culture. It would be practical to set up a system of grants issued to Egyptian publishers to translate literature from Russian into Arabic and publish it with assistance of Russian research and cultural centres, the Russkiy Mir foundation and other organizations.

The lack of literature translators is another challenge. It is commonly known that the quality of translation largely depends on the opportunity that the translator has to be immersed in the country where the source language is spoken. To overcome this difficulty, we should consider granting Egyptian nationals scholarships to study the profession in Russia. The Russia-Egypt Friendship Society, which currently only exists on paper (no events have been organized in the past six to seven years), could contribute to the development of humanitarian cooperation between the two countries.

### 3. The Official Dialogue between Russia and Egypt: Key Results

Three agreements were signed during President Vladimir Putin's visit to Egypt on February 10, 2015, thus marking a new level of cooperation between Russia and Egypt. Priority was given to economic cooperation. The documents that were signed included the Agreement on the Development of a Nuclear Power Plant Construction Project in the Arabic Republic of Egypt, a memorandum of understanding on promoting investment and participating in construction projects in Egypt, and the Memorandum of Understanding on the Development of Investment Cooperation.

The agreement on nuclear energy involves more than just the construction of a nuclear power plant. According to Vladimir Putin, it essentially creates a new nuclear industry in the country.<sup>27</sup> Rosatom is ready to build four nuclear power units in the north of Egypt using the new post-Fukushima technology. The project will include a full range of measures involving construction, staff training and scientific development. The nuclear power plant construction project is also expected to include a water desalination project. The appropriate intergovernmental agreements and contracts are expected to be drafted by the end of 2015 based on these fundamental arrangements. The Russian Federation will provide loan financing to fund the project.

As for investment cooperation, priority areas for investment projects include transport infrastructure, mechanical engineering and the chemical industry. This task has been assigned by the intergovernmental commission that resumed work in February 2015.

The leaders of the two countries have agreed to expand opportunities for small and medium-sized businesses. Over 400 Russian-funded companies are already operating in Egypt. Hopes are also being pinned on the Russian–Egyptian Business Council that resumed work in 2014.

The possibility of establishing a free trade zone between Egypt and Eurasian Economic Union (Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia) was also discussed, as was the development of a Russian industrial zone near the Suez Canal. These agreements are intended to help increase the volume of mutual trade, as well as Russian exports to the Middle East and North Africa.

The decision was also made to form a joint working group that would meet in 2015 to discuss the establishment of the free trade zone. The process will mean lifting customs barriers and setting a common customs duty rate for third countries. At the same time, the central banks of Russia and Egypt will study the conditions for shifting to national currencies in mutual trade.

The Russian and Egyptian sides discussed the prospects for setting up an equivalent of the Russian Direct Investment Fund (RDIF) in Egypt. They also negotiated the issue of support from the RDIF to the Ministry of Investment of Egypt at all stages of development of such a fund.

<sup>27</sup> Putin: A New Nuclear Industry Has Been Launched in Egypt. February 10, 2015.  
URL: <http://www.vesti.ru/doc.html?id=2343970> (in Russian).



Great attention was paid to cooperation in tourism and the overall development of cultural and humanitarian ties between the two countries.

Furthermore, the sides addressed the issues of enhancing military–technical cooperation, the fight against international terrorism, and the situation in Syria and the Middle East. The partners expressed hope that a peaceful settlement to the situation in Syria could be reached.

President el-Sisi's visit to Russia on August 25–26, 2015 – his third since becoming President – and the talks that ensued reaffirmed the commitment on both sides to the further sustainable development of mutually beneficial Russian–Egyptian relations. The parties highlighted their intention to steadily build up trade and economic ties between the two countries, enhance investment cooperation, use national currencies in mutual payments, develop a special industrial zone near the Suez Canal with Russian financial assistance, continue working on the practical issues of building nuclear power plants, etc.

The growing instability in international relations makes the task of leading Russian–Egyptian relations away from the violent fluctuations in domestic and foreign policy and making them more consistent and stable more urgent, regardless of the nature of changing political regimes (in Egypt). The Agreement on Strategic Partnership between the Russian Federation and the Arab Republic of Egypt (currently not in force) supported this agenda,<sup>28</sup> and existing conditions obviously require this agreement to be updated.

<sup>28</sup> Agreement on Strategic Partnership between the Russian Federation and the Arab Republic of Egypt, June 23, 2009, Article 8. URL: [http://www.mid.ru/bdomp/spd\\_md.nsf/0/C7E6A079C05C865743257DEA00459302](http://www.mid.ru/bdomp/spd_md.nsf/0/C7E6A079C05C865743257DEA00459302)

## 4. Recommendations

Russian–Egyptian relations offer significant opportunities. The following actions appear practical in order to ensure a more implicit utilization of these opportunities:

1. Continue to implement the plans and courses of cooperation proposed in recent years, including:

- the Agreement on Strategic Partnership (signed in 2009 but not ratified), in the context of the work of the Intergovernmental Commission, and after the visit of the Prime Minister of Egypt A. Nazif to Russia in 2008 and his talks with Vladimir Putin;<sup>29</sup>
- the agreements resulting from the summit talks in April 2013, August 2014, February 2015 and August 2015 reaffirming the areas of cooperation between Russia and Egypt;<sup>30</sup>
- the Agreement on Mutual Consultations between Ministries of Foreign Affairs;<sup>31</sup>
- the agreements resulting from the “two plus two” talks of the ministers of foreign affairs and ministers of defence in 2013–2014 (the key takeaway was the joint decision to “expedite preparations for the drafting of intergovernmental agreements on defence and military–technical cooperation”<sup>32</sup>);
- the agreements on improving the legal framework of cooperation in different areas.

In the first decade of the 21st century, the two countries signed and updated over 30 different documents, including contracts, memoranda and agreements. They govern legal relations in almost all areas of bilateral cooperation, including protecting the interests of natural persons, visa regulation, the fight against transnational crime, investment protection, the development of tourism, and military–technical cooperation.

2. Expand the range of bilateral trade, including the volume and range of agricultural products. Continue to establish better conditions for increasing trade

<sup>29</sup> Ratification of the intergovernmental Agreement on Strategic Partnership, which identifies and prescribes the key areas of cooperation between the two countries in the political, trade, economic, research, military and cultural fields could positively contribute to a better utilization of the opportunities for cooperation between Russia and Egypt. The Agreement on Cooperation in the Peaceful Use of Nuclear Energy between the Government of the Russian Federation and the Government of the Arab Republic of Egypt, March 25, 2008, Articles 5, 6, 7, 8.

URL: [http://www.mid.ru/bdcomp/spd\\_md.nsf/0/1C0DBF2240CE70B543257DEA00459110](http://www.mid.ru/bdcomp/spd_md.nsf/0/1C0DBF2240CE70B543257DEA00459110); Agreement on Strategic Partnership between the Russian Federation and the Arab Republic of Egypt, June 23, 2009, Article 4, Clauses 3, 4, 5.

<sup>30</sup> Latukhina, K. Sochi, Palms and Pyramids: Moscow and Cairo Open Doors to Cooperation. April 22, 2013.

URL: <http://www.rg.ru/2013/04/22/putin.html> (in Russian).

<sup>31</sup> In pursuance of the Agreement, the parties shall adopt a plan of consultations between the ministries of foreign affairs on an annual basis that covers all the areas of interest to both parties, with a focus on bilateral cooperation in trade, economics, research and culture, as well as on humanitarian cooperation and interaction in international relations. See: Transcript of the Address of the Russian Minister of Foreign Affairs Sergey Lavrov to the Media after the Signing of the 2010 Plan of Consultations between the Ministries of Foreign Affairs with the Minister of Foreign Affairs of the Arab Republic of Egypt A. Aboul Gheit in Cairo, December 20, 2009. URL: [http://www.mid.ru/512/-/asset\\_publisher/MCZ7HQuMqBY/content/id/268522?p\\_p\\_id=101\\_INSTANCE\\_MCZ7HQuMqBY&\\_101\\_INSTANCE\\_MCZ7HQuMqBY\\_languageId=en\\_GB;jsessionid=139C172647744A2ED6D6351653508376.jvm3](http://www.mid.ru/512/-/asset_publisher/MCZ7HQuMqBY/content/id/268522?p_p_id=101_INSTANCE_MCZ7HQuMqBY&_101_INSTANCE_MCZ7HQuMqBY_languageId=en_GB;jsessionid=139C172647744A2ED6D6351653508376.jvm3) (in Russian).

<sup>32</sup> Joint Statement after the Russian–Egyptian “two plus two” Meeting in Moscow on February 12–13, 2014.

URL: [http://www.mid.ru/brp\\_4.nsf/0/C77809D698D4ED5F44257C7E003FFFA2](http://www.mid.ru/brp_4.nsf/0/C77809D698D4ED5F44257C7E003FFFA2) (in Russian).

volumes between the two countries through reciprocal cuts of customs duties. Study the possibility of creating a zone of free trade between Egypt and Eurasian Economic Union in the mid-term.

3. Intensify cooperation, with the participation of the relevant Russian ministries and agencies, in the development of a special industrial zone in Egypt to promote hi-tech Russian products in the Egyptian and regional markets, as well as advanced research results that could contribute to Egypt's economic development (innovative materials and technologies, genetic engineering and biotechnology products, computer technologies, renewable energy sources and remote sensing technologies).<sup>33</sup>

4. Enhance military-technical cooperation in the context of the agreements made in the 2000s. Develop a mechanism of collaboration in this field based on the existing, but not yet implemented, proposals of Russia and Egypt. Specifically, this concerns the resumption of work on the establishment of a relevant intergovernmental agreement and the setting up of a bilateral commission for coordinating military-technical cooperation.<sup>34</sup>

5. Promote the development of humanitarian relations: expand the training of highly qualified Egyptian professionals in Russian higher educational institutions, the Egyptian Russian University (including expanding the network of its branches in Egypt's provinces) and Russian research and cultural centres in Cairo and Alexandria; use grants to promote the publication of translations of the best Egyptian and Russian literary works and feature films; organize tours for theatre, music and other arts companies; hold film festivals; and support Russian tourism in Egypt.

<sup>33</sup> Annex to the Long-Term Programme of Development of Trade, Economic, Industrial and Research Cooperation between the Russian Federation and the Arab Republic of Egypt. Basic Areas of Economic and Technological Cooperation between the Russian Federation and the Arab Republic of Egypt, April 27, 2001 // International Agreements Bulletin. 2001, No. 7, p. 75.

<sup>34</sup> Joint Statement after the Russian-Egyptian "two plus two" Meeting in Moscow on February 12–13, 2014. URL: [http://www.mid.ru/brp\\_4.nsf/0/C77809D698D4ED5F44257C7E003FFFA2](http://www.mid.ru/brp_4.nsf/0/C77809D698D4ED5F44257C7E003FFFA2) (in Russian).

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