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Egypt and Türkiye

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Threat or trade? Egypt and Türkiye rapprochement

With the visit to Ankara of the Egyptian President, Abd al-Fattah al-Sisi, Egypt and Türkiye seem to have closed the circle of a ten years diplomatic tensions following the ousted of the former and first democratically elected President, Muhammad Mursi.

The previous visit in Egypt of Erdoğan last February, along with the continuous talks among both countries' officials, represented a U-turn in terms of diplomatic, political and economic interests. However, this new phase of diplomatic relationship between the two countries cannot be understood without taking into account the national contexts of Egypt and Türkiye and how the national and international situation framed this new path.

Egypt: the internal and international challenges

Since 2020, Egypt had to manage several challenges, notably at economic and social level. The impact of Covid-19 crisis and the following war in Ukraine have represented a major threat for the stability of the country. This was due to the policies the Egyptian government had carried on since 2013 when the former Ministry of Defense, Abd al-Fattah al-Sisi, grabbed the power at the expenses of Muhammad Mursi. Since then, the economic structure of the country has been dominated by the military. The main strategic sectors of the economy along with the management of the mega infrastructure projects were in the hands of the Generals of the Egyptian army. The two shocks of Covid-19 and the war in Ukraine and more recently the effects of the Israeli war on Gaza represented the main threat to the country's stability.

According to the main macroeconomic data, Egypt witnessed a grave economic crisis due to the rising of international prices and the rising inflation rate. Indeed, according to the African Development Bank Group, Egypt GDP growth decreased from 6.6% in 2022 to 3.8% in 2023. Additionally, the inflation rate in 2023 increased to 26% (being 15% in 2022) and this also came with a devaluation of the Egyptian Pound losing 70% of its value against the US dollar.

These economic constraints pushed the country to turn, once again, to the International Monetary Fund – IMF, which agreed on \$5 billion dollars loan under specific conditions: firstly the opening of the economy to the private sector (implicitly curbing with the military economy) and take some monetary moves such as making flexible rate exchange in order to “*help increase the availability of foreign exchange and eliminate the current backlog of unmet foreign exchange demand, and (ii) re-establish a well-functioning interbank market for foreign exchange*”¹. Additionally, the IMF asked for a drastic reduction of infrastructural projects that has provoked money wasting in these long decade of al-Sisi regime. The building of administrative capital outside Cairo and other mega construction projects were beneficial only for a restricted group of individuals around the regime rather than common people.

On the political side, despite the country has been able to silence the main opposition organizations, the effect of the economic crisis brought some sectors of the society to mobilize against the governmental policies. This was pretty evident in the industrial sectors (namely the public industries) that in the last five years witnessed a series of strikes and protests due to sudden closures, reduction of personnel and delays in payments and annual bonuses. In addition, despite the National Dialogue

¹ <https://www.imf.org/en/News/Articles/2024/03/06/pr-2459-egypt-staff-and-authorities-reach-agreement-on-reviews-under-the-eff-arrangement>

with opposition figures and the liberation of some political prisoners in the last year, the regime is continuing to repress every form of dissent.

Along with all these internal challenges, the regime is one of the main actors of the regional reconfiguration of power. Although it is still dependent on the Gulf countries (UAE and Saudi Arabia) notably after the last track of aid with a value of \$35 billion, it continues to play a central role in Libya and now in Gaza.

Given the fragile economic situation and due to the regional context, the EU reiterated its commitment to support the Egyptian government with a new package of aid, in order to avoid further instability. The restrictions during the pandemic provoked several shocks, notably in terms of revenues coming from two key sectors: tourism and Oil and Gas sectors. If the latter has recovered in the last two years due to the European strategy to detach from Russian energy, the former, because of the war in Ukraine is far from returning to pre-war and pre-covid figures, since the overwhelming majority of tourists came from Russia and Ukraine. With €1 billion of urgent short-term macro-financial assistance, the EU aimed to ensure an economic salvation anchor to the North African country. This support, according to the EU², *“is meant to address the deteriorating macro-fiscal situation and financing needs of the country over the recent months, notably after the outbreak of the Gaza war, the Houthi attacks in the Red Sea and the repercussions of Russia’s war of aggression against Ukraine”*.

In this context it is worth noting that the crisis in the Red Sea provoked huge losses in terms of revenues of the Suez Canal. According to the figures of the Suez Canal Authority - SCA, in fiscal year 2023/24, the SCA's revenue fell to \$7.2 billion from \$9.4 billion the prior year, a drop of about 23 percent. The total tonnage passing through the canal fell by a third, and the number of transits declined by about 22 percent year-over-year.

Türkiye: between recovery and stability.

Türkiye in the last two years witnessed several external and internal challenges. The tragic earthquake that hit the country and Syria in 2023 provoked a huge humanitarian crisis and a chain effect on its social and economic fabric. Causing more than 40.000 victims and hundreds of thousands displaced people, the earthquake destroyed more than 850.000 buildings and entire areas at the border of Syria. The earthquake occurred at a critical moment for Türkiye during the presidential election campaign, which later saw the incumbent President, Recep Tayyip Erdoğan, re-elected with 52.1% of the vote. The aftermath of the earthquake further highlighted the country's socio-economic challenges and limits. In fact, according to data, the period from 2021 to 2023 experienced an unprecedented surge in inflation, rising from 16.59% in May 2021 to 75.45% in May 2024 also due to the management of inflation rate by the government³. After having long supported an orthodox policy which envisaged continuing to lower rates while inflation galloped, Erdoğan's government, after the re-election in May 2023, imposed a change in strategy which resulted in lower rates and an increase in interest rates.

In the second half of 2024, the Turkish government attempted to implement monetary policies aimed at reducing inflation, achieving modest positive results, with this economic indicator decreasing by approximately 10%⁴. The high inflation rates have led to a widening gap between the minimum wage

² <https://www.consilium.europa.eu/en/press/press-releases/2024/04/12/council-adopts-1-billion-macro-financial-assistance-to-egypt/>

³ <https://www.statista.com/statistics/895080/turkey-inflation-rate/>

⁴ Ibid.

and the rising prices of essential goods. Poverty rates have not increased and per capita income growth decreased to 4.09% in 2023 compared with 10% of 2021, however international indicators suggest that the loss of purchasing power could lead to a rise in poverty in the coming periods.

At the general level, Türkiye from 2021 has witnessed a depression in GDP growth passing from 11% in 2021 to 4,3% in 2024. This, along with the monetary policy and the depreciation of the national currency, had a direct effect on the balance of payments confirming the increasing in terms of imports by \$29 billion while exports amount to \$22 billion⁵.

In this context, especially after the earthquake, financial external aid from EU and World Bank resulted vital for the Turkish economy. The EU provided about 400 € million from the European Union Solidarity Fund (EUSF) to finance post-disaster recovery operations, representing the biggest financial aid for a candidate country since 2002. Additionally, in March 2023, over 60 actors, among them EU countries, UN and other stakeholders, collected €7 billion in order to support Türkiye and Syria (€ 6 billion for Türkiye)⁶. This aid had the aim to sustain the reconstruction of the hit zones despite the total amount needed was over €80 billion.

In spite of the slow process of reconstruction, the government promised a quick recover of the area hit by the earthquake. In this sense, Erdoğan had some challenges ahead in terms of political and social pressures. Protests, although limited, erupted in some areas at the border with Syria demanding a quick reconstruction and full recovery. The government after the first anniversary of the earthquake promised the reconstruction of more than 150.000 buildings (out of 850.000) and has delivered, so far, more or less what has been promised. The problems remained with the displaced people still living in the temporary container homes provided by the government. Heavy rains and floods in the last year provoked further damages triggering the rage of the residents.

Although these internal challenges, the general normalization of the region⁷, notably after the long effect of the post-2011 revolutions, is permitting Türkiye to take on some normalization processes and to come out from the isolating situation which it was between 2019-2021, especially after the Turkish move to delimitate the maritime waters of the East Med⁸. Additionally, after the 2022 Russian invasion of Ukraine and the Israeli war on Gaza, Türkiye is trying to play a major role in terms of diplomacy. Despite not being an actor on par with Qatar and Egypt in the context of Gaza, Türkiye remains a central country in regional dynamics. Its relationships with various leaders of Hamas and despite its strongly critical stance with Israel, it is an actor to be reckoned with. The pursuit of a new position within the regional political landscape post-2021, combined with the flexibility of its NATO membership in dealing with so-called revisionist actors, has opened up a range of political opportunities that Türkiye is actively pursuing during the Gaza conflict. Türkiye serves as a bridge

⁵ According to the provisional data, produced with the cooperation of the Turkish Statistical Institute and the Ministry of Trade, in December 2023; exports were 23 billion dollars with a 0.4% increase and imports were 29 billion 39 million dollars with a 11.0% decrease compared with December 2022. See: <https://data.tuik.gov.tr/Bulten/Index?p=Foreign-Trade-Statistics-December-2023-49630&dil=2#:~:text=According%20to%20the%20provisional%20data,decrease%20compared%20with%20December%202022.>

⁶ https://neighbourhood-enlargement.ec.europa.eu/news/eu-and-international-donors-pledge-eu7-billion-support-people-turkiye-and-syria-following-recent-2023-03-20_en

⁷ See:

https://www.cespi.it/sites/default/files/osservatori/allegati/turkiye_and_normalization_in_the_region_1st2nd_monitorfi-nal_report_0.pdf

⁸ See:

https://www.un.org/depts/los/LEGISLATIONANDTREATIES/PDFFILES/TREATIES/Turkey_11122019_%28HC%29_MoU_Libya-Delimitation-areas-Mediterranean.pdf

between 'East' and 'West,' exhibiting both radical tendencies and diplomatic engagement with Israel, while being capable of dialogue with Russia and China as well as, being a NATO member, simultaneously engaging with major European and American partners. This permitted to reinforce the normalization process, notably with those countries that once were considered as a threat and hostile. In this context the normalization track with Egypt, inaugurated in 2021, represents a real U-turn on Turkish foreign policy.

Reinforcing Normalization with Egypt: Opportunities amid Crisis

2024 has so far been marked by the formalization of renewed relations between Egypt and Türkiye, a normalization process that transcends bilateral dynamics and should be understood within a broader regional context. Since 2021, there has been a relaxation of the diplomatic, political, and ideological polarization that emerged in the aftermath of the so-called Arab Spring. The post-2011 landscape saw the rise of two distinct ideological camps, particularly in light of the electoral victories of Islamist parties in Egypt and Tunisia, which were affiliated to the Muslim Brotherhood.

In this new geopolitical framework, Türkiye aligned itself with the Islamist camp alongside Qatar, providing ideological and political support to the new governments. This stance triggered a series of chain reactions in the regional political and geopolitical sphere, particularly among states and regimes that have historically opposed the Muslim Brotherhood, perceiving it as an existential threat. This group included Gulf States such as Saudi Arabia and the United Arab Emirates, as well as regimes and deep-state actors like the Egyptian military, who viewed the Brotherhood as a force capable of reshaping domestic power dynamics.

Within this context, Egypt and Türkiye became embroiled in political and diplomatic conflict, particularly visible in the Libyan theater, where proxy actors contributed to the freezing of bilateral relations. Nevertheless, commercial ties between the private sectors of Türkiye and Egypt persisted, albeit in an unstable manner.

The regional realignment and the end, at least for now, of ideological polarization has led to a revival of relations, formalized in early 2024 with Turkish President Erdoğan's visit to Cairo, followed by the reciprocal visit of the Egyptian President to Ankara. This renewal signals the necessity for regional states, in a period of global and regional political instability, to re-establish diplomatic relations and pursue cooperative projects that, even in a limited capacity, may open new economic opportunities and foster collaboration in conflict scenarios, helping to address domestic economic crises.

The normalization between Egypt and Türkiye seems to represent, along with other normalization processes ongoing in the region, a response to the multi-layered crises affecting peripheral and semi-peripheral countries. It is no coincidence that in analyzing Egypt-Türkiye relations, both countries have put forward a range of initiatives aimed at economic and commercial cooperation, sealing 17 memoranda of understanding covering various sectors of the economy. These agreements are part of the broader High-Level Strategic Cooperation Council, inaugurated in 2010 under Mubarak's regime and the Turkish government, with the goal of promoting bilateral relations between the two nations. The agreements cover a wide array of areas, from industrial development (particularly low value-added goods) to cooperation in tourism, transportation, and emerging possibilities, still under development, in the defense sector. In this sense, Türkiye presents a significant opportunity for the Egyptian economy, particularly through the Turkish production of low-cost yet highly modern

technology. This opportunity extends to the automotive sector (Türkiye constitutes a substantial portion of Egypt's automobile and transport vehicle imports), agricultural supplies (with Italy leading in agricultural exports to Egypt), and the development of infrastructure projects, especially rail networks. Another key area of potential cooperation is tourism, which constitutes a significant portion of Egypt's GDP. The decline in tourism, largely attributed to the drop in Russian and Ukrainian tourists, presents Turkish tourism as a viable alternative.

The International Dimension of Egypt-Türkiye Relations

As mentioned earlier, Egypt and Türkiye have found themselves on opposing sides in conflict theaters more than once, particularly during the Libyan civil war from 2019 to 2021. The support of Egypt's al-Sisi regime for General Haftar and Türkiye's backing the Government of National Accord, led by former Libyan Prime Minister Serraj, marked the peak of polarization between the two countries. Today, Libya remains one of the few countries whom Egypt and Türkiye are largely unaligned. Türkiye's military presence, especially in an anti-Russian capacity, continues to be a major sticking point in their divergent views on the Libyan scenario. Despite both countries expressing openness toward a political solution to Libya's instability, by organizing various diplomatic summits, differences persist. Türkiye's presence in Libya is seen by Egypt as a threat to the political process and the country's stability.

Libya has also represented a broader level of regional conflict in relation to the Eastern Mediterranean gas discoveries, which have generated tensions between countries in the region and several European nations. In this context, the normalization of relations with Egypt appears to reflect Türkiye's intention to engage in discussions regarding the energy dossier. The interests of the two countries do not conflict; rather, they seem to converge. While Egypt aims to become a gas producer from both its new and existing production sites, Türkiye's ambitions are more focused on export infrastructure towards Europe. Conversely, the situation in the Israel-Gaza war represents a different case. Here, both countries have advanced joint initiatives in support of the Palestinian population and in favor of a permanent ceasefire. Nonetheless, ideological underpinnings continue to influence their public statements. While Egypt seeks to maintain a pro-Western stance, Türkiye has taken a more direct approach in its public rhetoric, openly accusing Israel and condemning it for genocidal practices.

Diplomatically however, both States seem focused on de-escalating hostilities against the Palestinian population, without engaging in open confrontation with Israel. Egypt's geographic proximity to Gaza has left the country exposed to harsh internal criticism, particularly regarding its strict stance on the Rafah border crossing and its failure to adopt a firm position against Israel. On the other hand, Türkiye, which had begun stabilizing relations with Israel before October 7, now finds this process frozen and has adopted a more radical public stance.

One clear point emerges: neither Türkiye nor Egypt wishes to see the conflict expand, nor do they favor a scenario of regional war. The internal conditions of most regional countries do not allow for sustained military efforts, nor do geopolitical alliances (with Egypt being within the Western sphere and Türkiye as a NATO member) permit either country to engage in such initiatives.

What appears crucial, however, is the shift in economic and commercial alliances between the two countries, both increasingly looking eastward. Egypt and Türkiye are showing growing interest in fully entering the BRICS sphere, signaling their pragmatic approach and, in some ways, the diminishing influence of the Western sphere in certain areas. However, it is important to note that

despite these shifts, the West remains the primary partner for both countries. Decades of close commercial relations, technological supply chains, and dependence on European markets still strongly anchor these nations to Europe and the United States.

Finally, an important dossier pertains to Africa, specifically regarding certain countries that are currently at the center of Turkish cooperation and simultaneously represent sources of tension for Egypt. Among these, Ethiopia and Somalia are pivotal in Turkish-Egyptian relations in Africa. Ethiopia's large infrastructure project, the Grand Renaissance Dam, is a point of contention between Egypt and Ethiopia. The Dam threatens the water flow of the Nile, jeopardizing various developmental activities in Egypt, particularly agriculture, and is generating increasing tensions between the two nations. In this context, Türkiye, being one of Ethiopia's privileged partners, is attempting to mediate between the two countries to prevent escalation. The deployment of Egyptian military personnel in Somalia (a rival of Ethiopia) and the rising tensions between these two countries have prompted Türkiye to support diplomatic efforts. An escalation of hostilities between these actors could jeopardize Turkish interests in Ethiopia and undermine Türkiye's position in Africa after years of diplomatic initiatives and soft power actions aimed at establishing a privileged standing on the continent.

Conclusions

The regional and international challenges, along with multi-level crises that have led to severe economic and social difficulties in both Egypt and Türkiye, are key factors behind this new phase of normalization. Egypt's fragility, despite its outward appearance of stability, has prompted several revisions in foreign policy. This was evident as early as the onset of the 2019 Libyan crisis, which demonstrated, despite repeated threats to the Tripoli government, how direct involvement (boots on the ground) would have been detrimental to the country. Türkiye, on the other hand, has been able to leverage military operations, particularly following the signing of the MoU with Serraj in Libya, as a way to escape isolation. These operations served not so much as a show of strength, but as a strategy to negotiate from a more favorable position, especially in the context of the Eastern Mediterranean gas issue. The various crises that have affected both the region and the world in recent years have eased tensions and initiated a slow, gradual normalization process among the region's countries. This is a natural step, considering the negative economic impacts that political polarization has had on national economies.

Today, despite the apparent relaxation, the region remains unstable, partly due to the Israeli aggression in Gaza and the risk of conflict expansion, which could once again reshape regional alliances and weaken key actors (Iran, Hezbollah, and the broader resistance axis). This could reopen a range of issues beyond the complex network of regional alliances. In this respect, despite the two countries have been always against an enlargement of the conflict, Egypt and Türkiye are worryingly seeing also the escalation in Lebanon notably for the effects of violence which could also affect the near Syria which represent a key country for Türkiye internal equilibrium.

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