



EGYPT: ECONOMIC DEVELOPMENT AND POLICIES CONFERENCE

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Part II Chapter 3: Geography, Geopolitics, and Economic Management Of Advantages and Disadvantages

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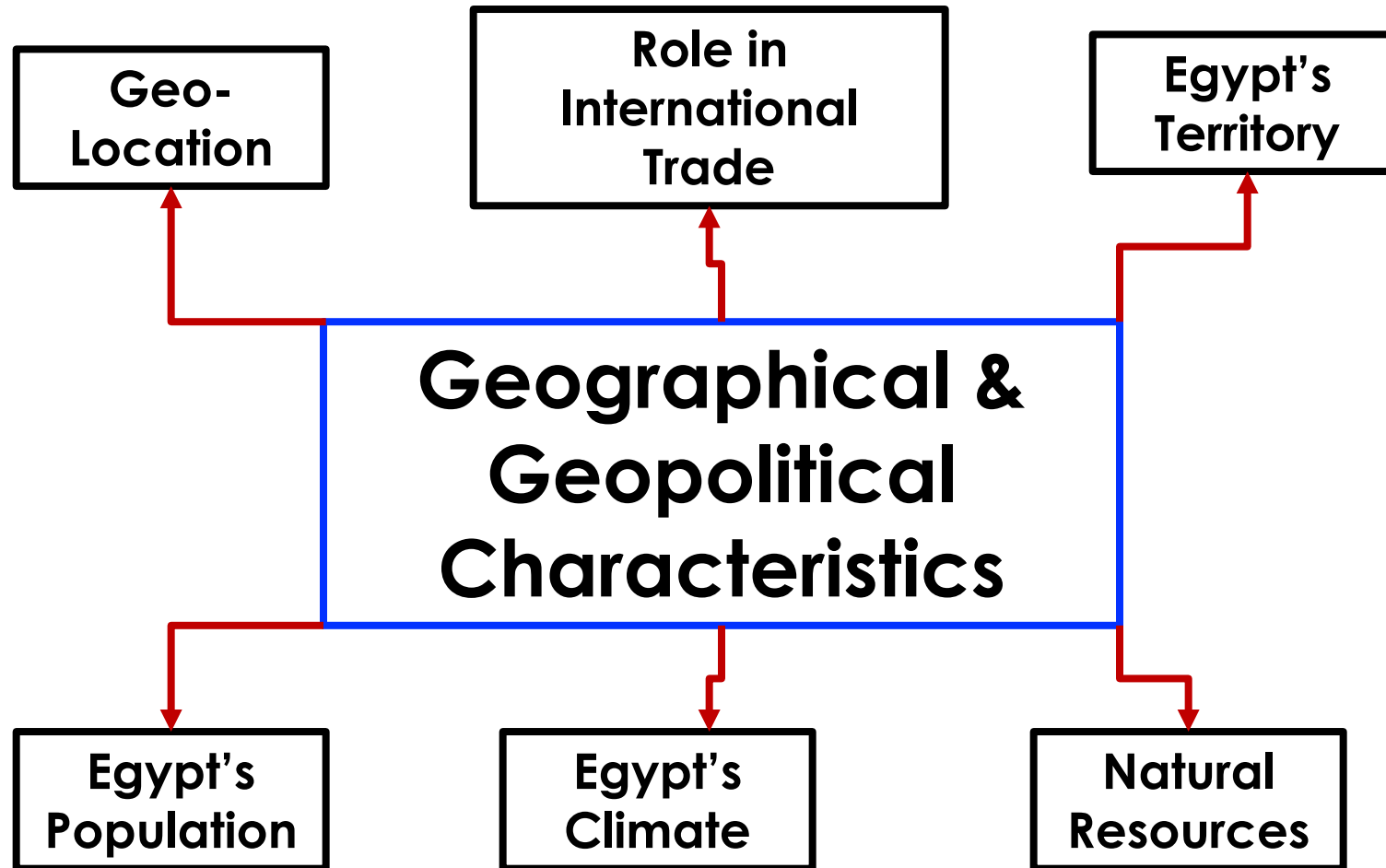
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Taha Ahmed Kassem,

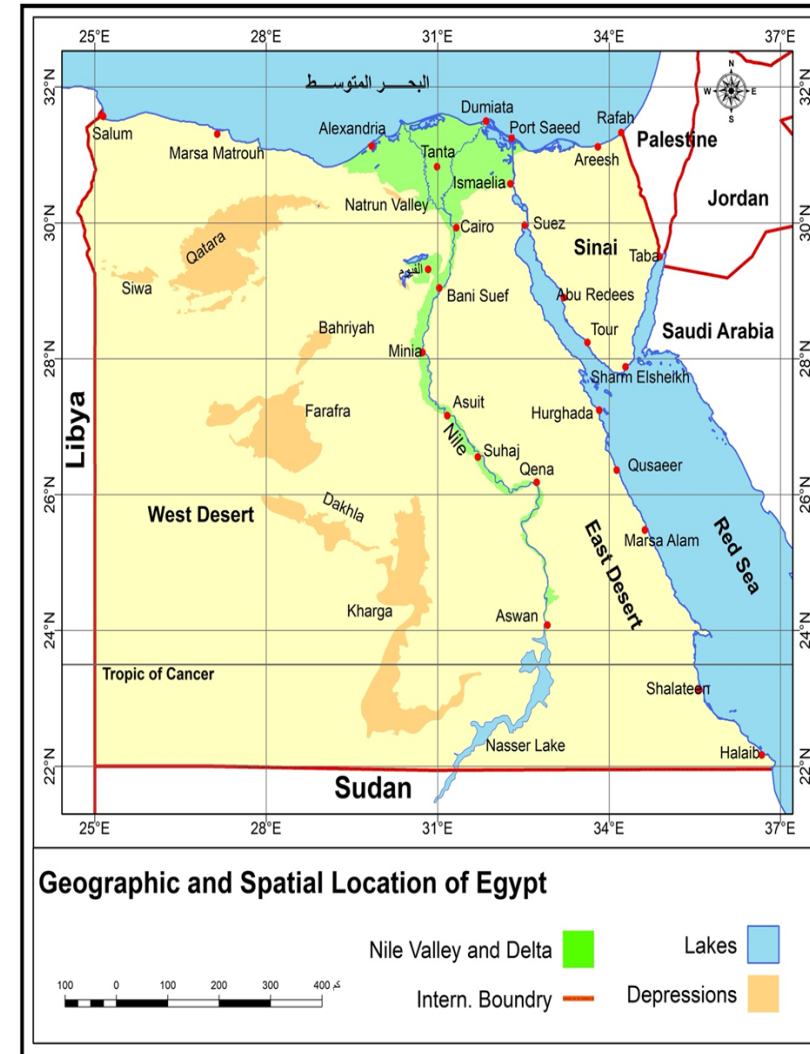
Topics

- **Geographical & Geopolitical Characteristics of Egypt.**
- **Historical Stages of the Egyptian Economic Management of Egypt since 1805 (Mohamed Ali's Era).**
- **Geopolitical Challenges of Egypt.**
- **Geo-Economical Challenges of Egypt.**
- **Conclusion.**



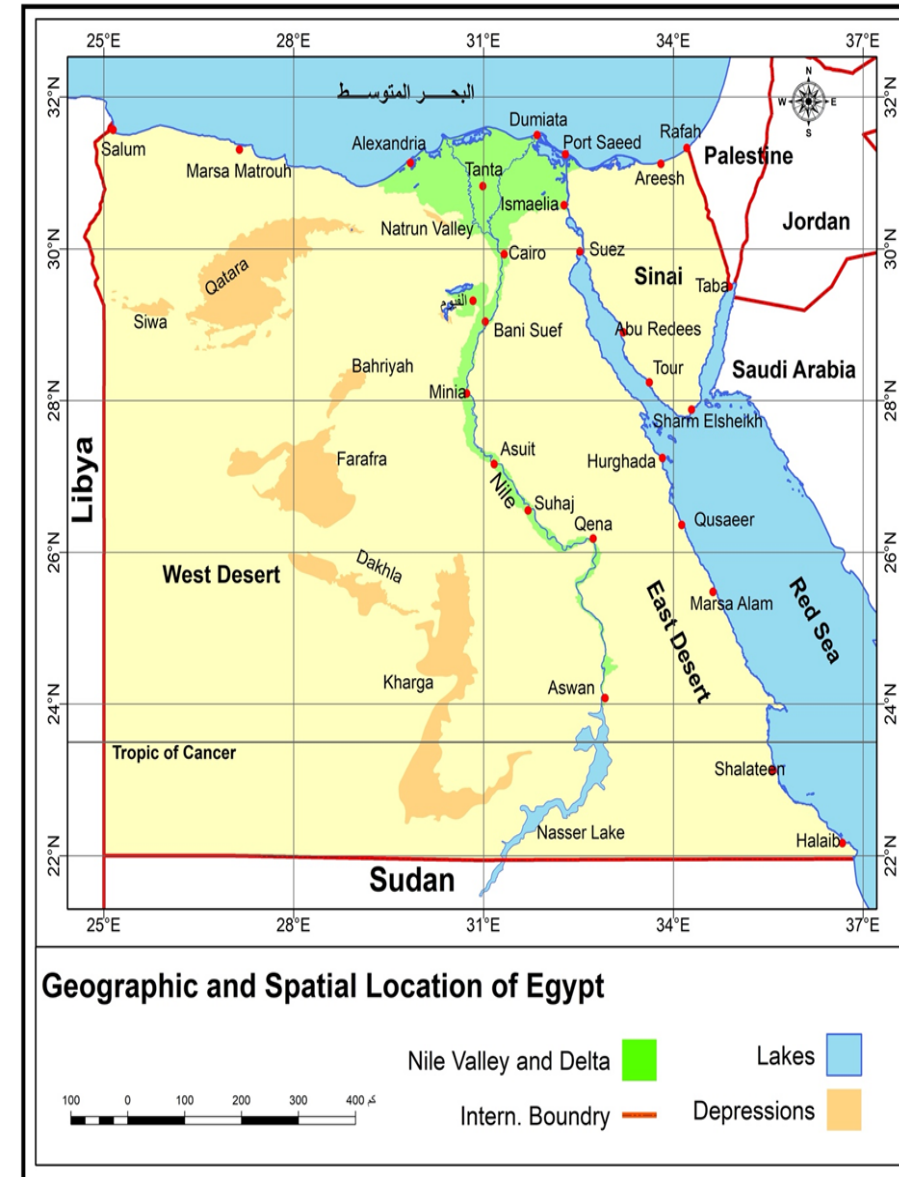
Egypt's Geographic Characteristics

- Egypt's strategic geographic location bridges Asia and Africa at the meeting point of two seas linking the Red Sea and the Mediterranean.
- Extending between latitudes 22° to 31°18' north and longitudes 25° to 37° east, Egypt's location combines eastern and western pathways.
- The Nile River, Suez Canal and Sinai gave Egypt a significant and strategic uniqueness.



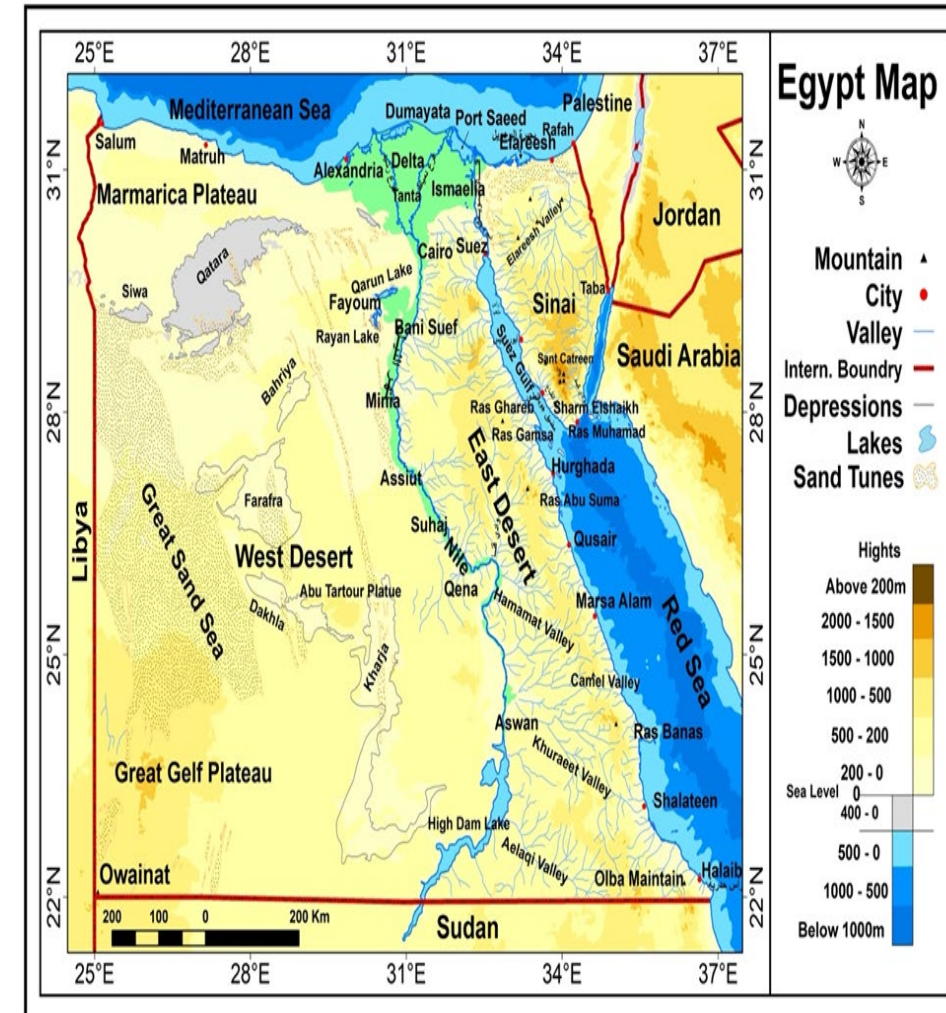
● Egypt's role as a key player in international trade

- Egypt's geographic position connects the Eastern Mediterranean with the Red Sea and the Indian Ocean.
- Moreover, Egypt's geographic position has historically facilitated trade relations with China through the Silk Road, which continued into the modern era, as evidenced by its involvement in China's 21st-century Maritime Silk Road initiative.
- Egypt's significance as a crossroads between North Africa, the Middle East, and Afro-Asian regions has made it a facilitator for global interactions.
- Throughout history, Egypt's sea routes and trade paths have played a pivotal role in connecting Western Europe and the Middle East, attracting strategic investments such as China's involvement in the Suez Canal



□ Egypt's Territory

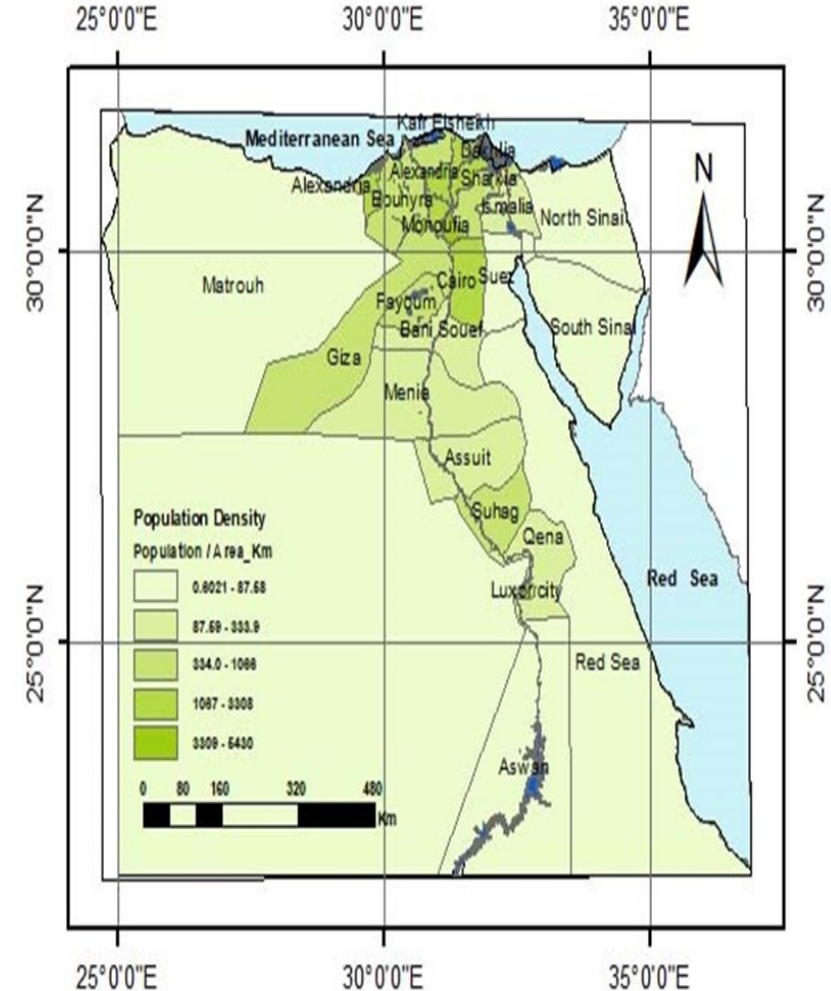
- Despite its small land area of about 1,000,000 sq km, Egypt's borders with Sudan, Libya, Palestine, the Red Sea, and the Mediterranean Sea have positioned it strategically.
- The Nile River and its delta sustain most of Egypt's population, with 95.5 million Egyptians inhabiting the Nile valley and adjacent oases.
- However, the vast Eastern and Western deserts, the Sinai Peninsula, and mountainous regions comprise 92% of Egypt's territory, presenting challenges for habitation and resource utilization.



Characteristics of Egyptian Territory

❑ Egypt's Population

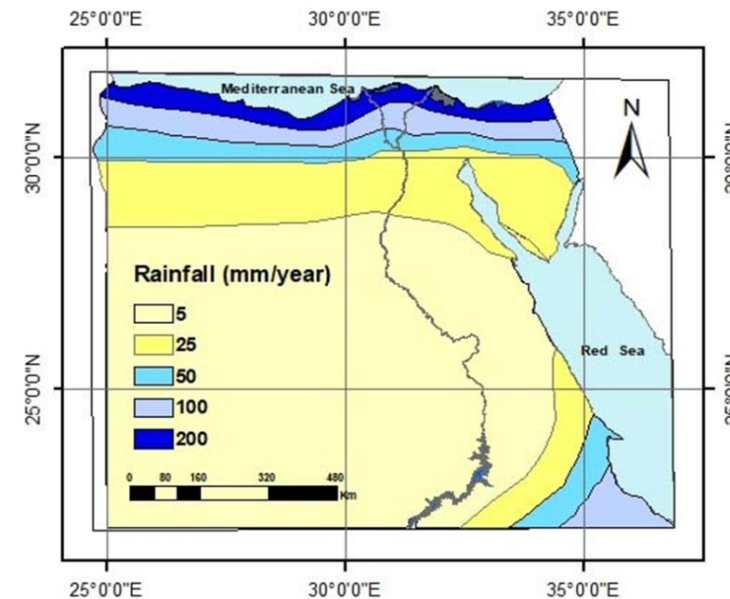
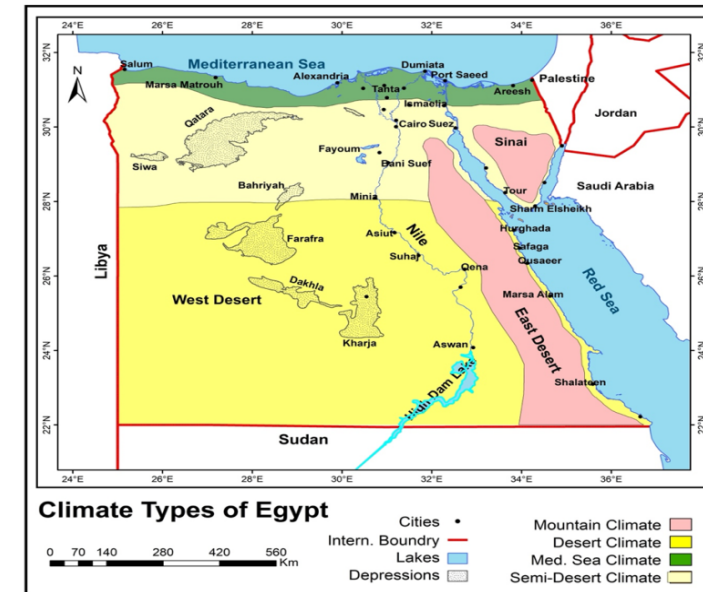
- ❑ As of March 26, 2024, Egypt's population is estimated to be 114,009,253 people, comprising approximately 1.4% of the global population.
- ❑ Urban areas account for 41.3% of the population, with 46,597,953 people residing in cities.
- ❑ The Nile Valley and Nile Delta, which cover half of the land area and are home to 97% of the population.
- ❑ Cairo stands out with a density of over 16,000 people per square kilometer, while the New Valley governorate in the south has approximately 4 people per square kilometer.
- ❑ The remaining 50% of Egypt's land area, including the oases and uninhabited Eastern and Western deserts, has a population of about 200,000.



Population Density

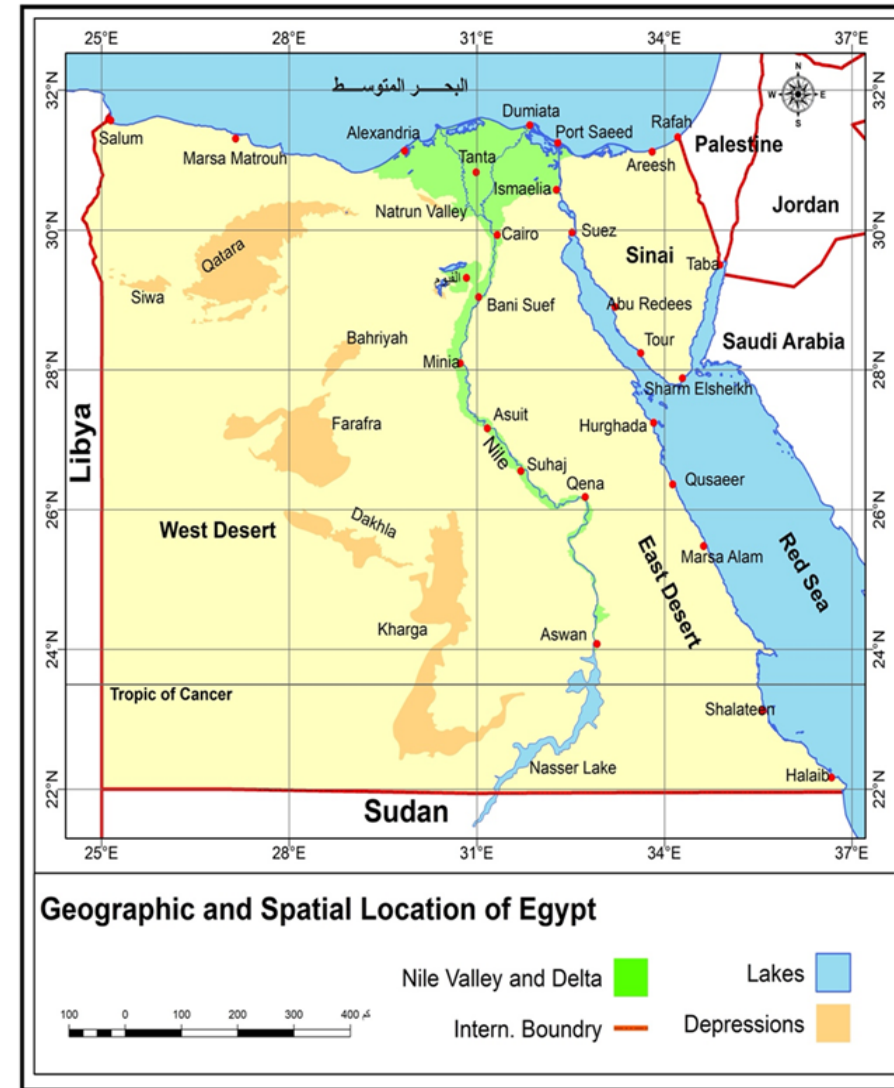
○ Egypt's climate

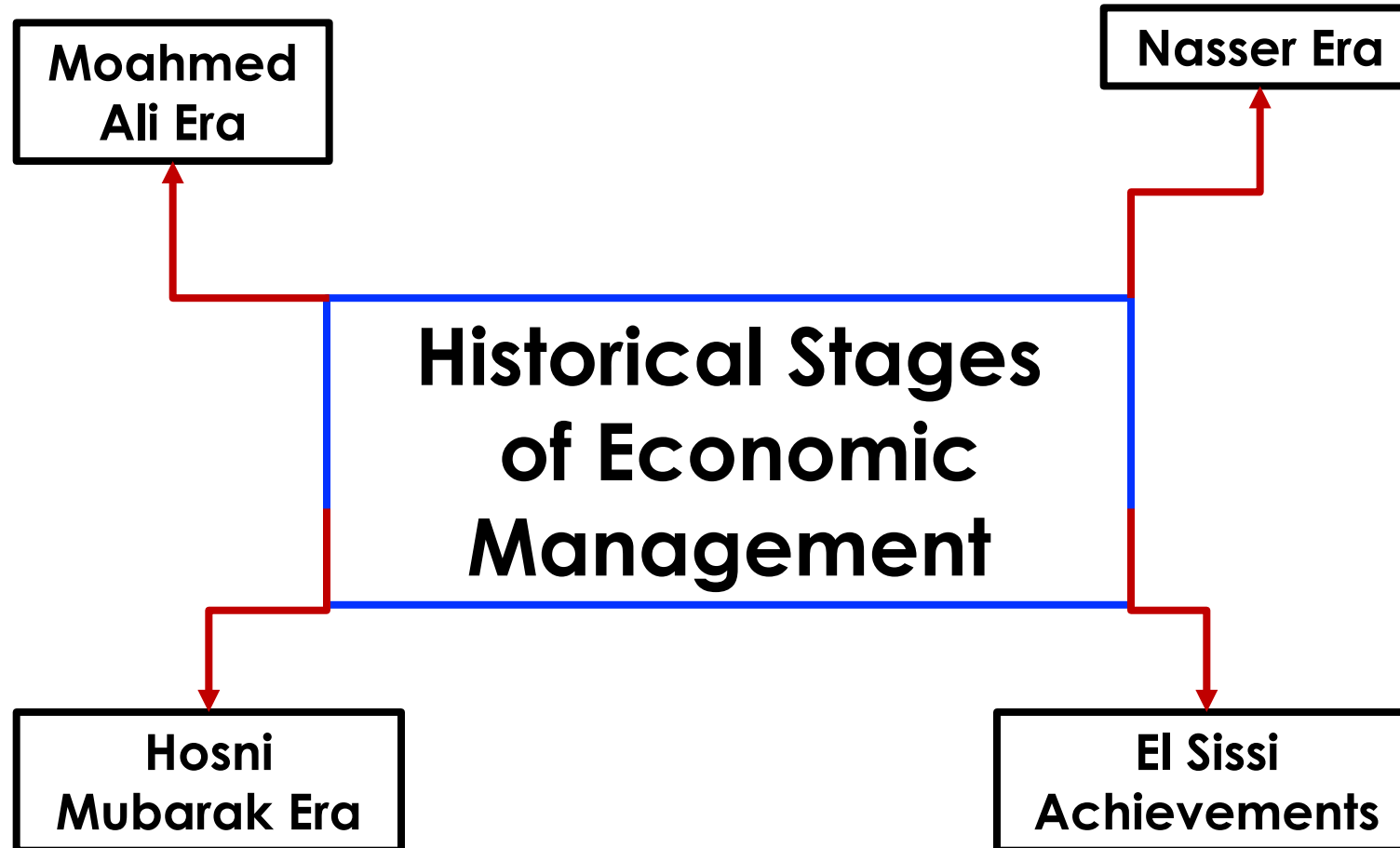
- Egypt's climate is so dry that it receives only around an inch of rainfall a year. The Sinai Peninsula is often considered as a distinct fourth region, which represents a transition between the arid climate of the deserts and the more moderate and humid climate of the coastal regions.
- Egypt's average annual rainfall, emphasizes its predominantly arid nature with minimal precipitation. Coastal regions, notably Alexandria, receive the most rainfall, approximately 200 mm annually, with sea breezes aiding in moisture regulation despite high humidity.
- Moving south, rainfall decreases significantly, with Cairo receiving just over 10 mm annually but experiencing summer humidity. Southern areas receive negligible rainfall but sporadic intense precipitation causing flash floods.
- Sinai, comparatively, receives more rainfall, hosting wells and oases supporting historical trade hubs.



○ Natural Resources

- Egypt is rich in non-renewable resources; the most valuable of these are its oil and natural gas.
- The Sinai Peninsula has the most vast of these resources, with the Gulf of Suez being the most important. The oil fields in the Gulf of Suez produce high quality light crude, and extend south into the Western Desert.
- Natural gas reserves are predominant in the Nile Delta, both onshore and offshore. Other offshore reserves are in the Western Desert and the Mediterranean.
- Despite the vast deposits of oil and natural gas, Egypt has very little coal and oil shale. Coal reserves are in the Eastern and Western Deserts and the Sinai Peninsula, while the northern Nile Delta has large oil shale resources.





Economic Management in Egypt: Historical Background (1805-2014)

- **Economy management in Egypt passed through various and different historical stages from the time of the rule of Muhammad Ali, the builder of modern Egypt, in 1805 till now.**
- **Each ruler had his own perspective which reflected the economic output positively and negatively. Moreover, these economic perspectives have direct impacts on the economic, political, social and cultural environments.**

- **Muhammad Ali (1805-1840) : The Autocratic Management Style and the Sole Entrepreneur**
- Muhammad Ali's economic policies aimed at fostering self-reliance and independence, challenging global powers benefiting from Egypt's integration into the capitalist economy.
- Under his rule, Egypt significantly increased its participation in the global economy, with cotton exports becoming the main source of national income and government revenue, while imports surged to support military expansion and industrialization.



- Ali centralized economic control, monopolizing all economic activities, and adopted an autocratic leadership style, minimizing participation from others.
- He abolished individual ownership, imposed heavy taxes, especially during military campaigns, and focused on building a strong industrial base to support both the population's needs and military requirements.
- Agricultural reforms were introduced, encouraging cash crop cultivation, yet failed to address food shortages or benefit the lower classes



- **The Egyptian Economy Under Nasser: An Ideology based and Managed Economy (1956-1970)**
- The July Revolution of 1952 aimed to enact economic reforms, emphasizing social justice, employment opportunities, and the prevention of private sector exploitation.
- **President Gamal Abdel Nasser embraced socialist ideology, advocating state control over economic resources to prevent counterattacks by former capitalists.**
- Nationalization, exemplified by the takeover of the Suez Canal Company in 1956, was central to Nasser's socialist vision, albeit met with challenges as much of the private sector shifted underground.



- Land reform was pivotal to Nasser's economic agenda, aiming to reduce dependency on foreign powers and curb inequality.
- Legislative measures canceled agricultural debts and restricted moneylenders' power, while land distribution initiatives aimed to create an independent class of farmers.
- Nasser's socialist reforms extended to housing modernization, aiming to provide adequate shelter for all Egyptians.



- **The Quasi-Laissez-Faire style: Economic Policy under Sadat (1970-1981).**
- With the beginning of the Sadat era, the dissolution of socialist measures and the release of freedom of capital, the door was opened wide for foreign capital and the contribution of foreign banks and multinational companies in all fields of investment and production and individual profit without limits began under the pretext of correcting the socialist path and achieving economic openness. **(The Open Door Policy)**
- **Legislative measures canceled agricultural debts and restricted moneylenders' power, while land distribution initiatives aimed to create an independent class of farmers.**
- Nasser's socialist reforms extended to housing modernization, aiming to provide adequate shelter for all Egyptians.



- This openness was also, accompanied by the rise in the cost of living and prices to high horizons, not commensurate with the incomes of the prevailing majority, which created a massive wave of inflation and a stifling price crisis that crushed the vast majority of the working classes, and the class differences increased dramatically.
- However, Sadat introduced the first investment incentives law in early 1976, which was a direct result of recommendations made by UNIDO under the Multinationals and Development in Egypt project. The law granted numerous benefits to new projects investing capital in certain areas.



- **The Egyptian Economy under Hosni Mubarak: From unprecedented growth to distorted reforms (1981-2011).**
- The Egyptian economy under Hosni Mubarak underwent two distinct phases. The first, from 1984 to 1991, marked by the Open Door Policy of liberalization and foreign investment encouragement, witnessed impressive GDP growth but failed to significantly alleviate poverty.
- The subsequent phase, during Mubarak's tenure, saw a shift towards restructuring alongside conservative economic policies.
- Mubarak's reforms aimed at macroeconomic objectives, aligning with IMF and World Bank stabilization and structural adjustment programs.
- Currency devaluation, subsidy removal, and import substitution were key measures undertaken to address external imbalances and enhance competitiveness



- ◉ Despite improvements in the balance of payments, slow and selective implementation of reforms, influenced by political pressures and domestic resistance, hindered progress.
- ◉ While Mubarak's reforms spurred economic growth, they exacerbated inequality and failed to benefit the lower classes. Neoliberal policies favored businesses with government ties and foreign investors, leading to a widening wealth gap and increased poverty rates.
- ◉ Job insecurity and depressed wages further marginalized the populace, with around 44% living below the poverty line.



- **The Egyptian Economy under President Abdel Fattah El Sisi: Achievements and Challenges**

- Under President Abdel Fattah El-Sisi, Egypt has prioritized economic stabilization and sectoral improvement, emphasizing the nation's future, standard of living, and investments in education and health.
- El-Sisi's vision focuses on modernizing infrastructure and reallocating resources to build a strong, contemporary nation.
- Despite challenges like the COVID-19 pandemic, price hikes, production disruptions, and geopolitical crises, the government has diligently worked to boost economic growth and attract local and foreign investments across sectors.
- Overall, Egypt's efforts under El-Sisi's leadership aim at balanced, sustainable growth, making it one of the fastest-growing economies regionally.





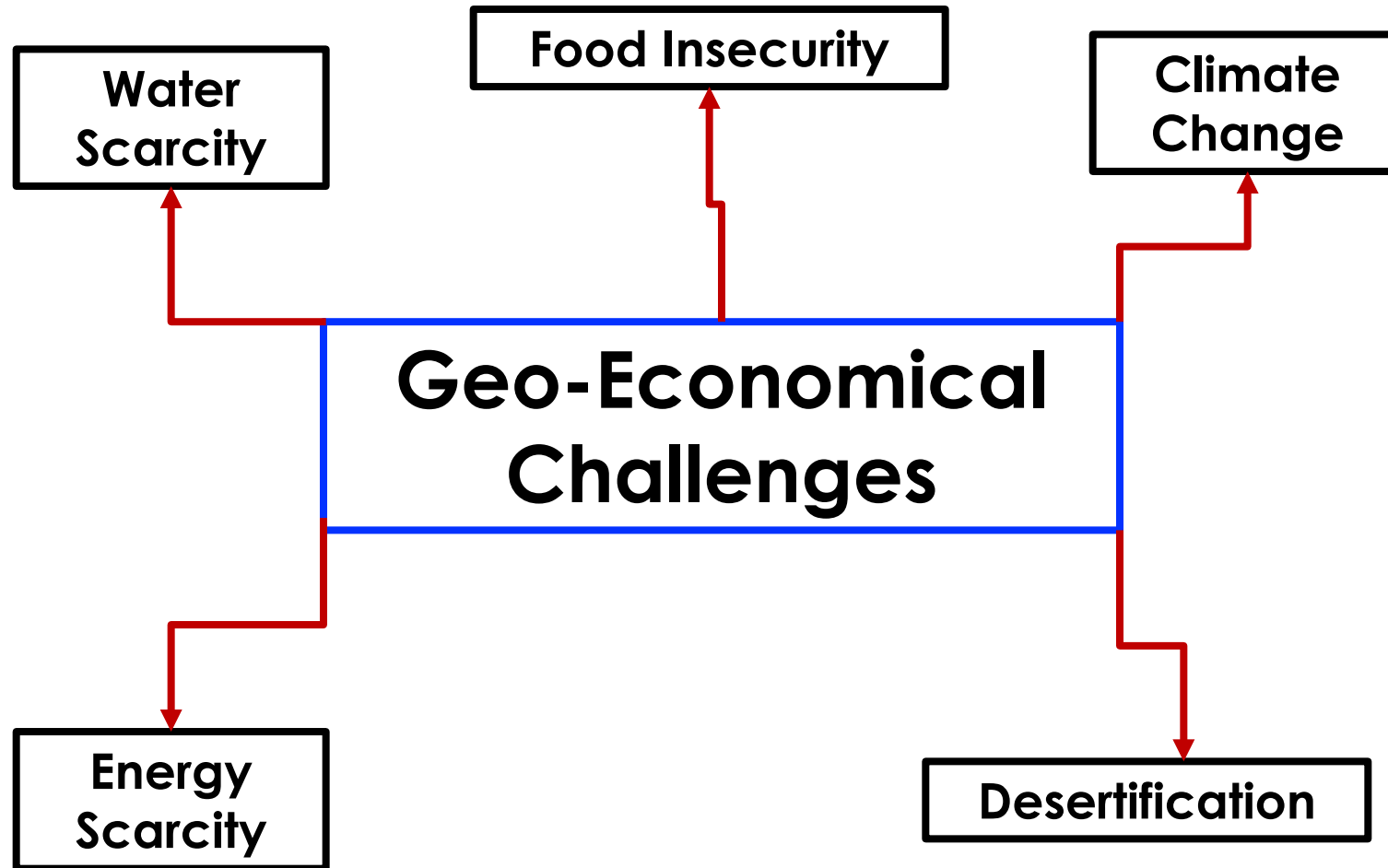
○ **El Sisi Achievements:**

- Positive trajectory in **Economic growth**, The Egyptian economy succeeded in achieving growth in **FY 2021/2** reaching about **6.6%**, and about **3.8%** during **FY 2022/23**.
- **Egypt's GDP** increased from **EGP 3.4 trillion** during the **FY2016/17** to **EGP 10.2 trillion** during the **FY2022/23**.
- **Net foreign direct investment** flows amounted to **USD 55.5 billion** over the period from **FY2016/17** to **FY2022/23**. compared to previous financial years.\
- **Net FDI in Egypt FY2022/23** to reach about **USD 10 billion**, compared to about **USD 8.9 billion** in **FY2021/22** which came mainly as a result of the rise in net foreign direct investment flows in the non-oil sectors during the same fiscal year amount



- **Infrastructure Projects** : Implementation of many infrastructure projects, especially in the sectors of transportation and roads, electricity and energy, and petroleum and natural gas.
- **Agricultural productivity** played a pivotal role in Egypt's successful Green Revolution.
- **Egypt's manufacturing sector** has been more successful in driving economic growth. Notably, the establishment of industrial clusters and Special Economic Zones (SEZs) has propelled sectoral advancement. **Egypt's industrial capacity, accounting for 24.6% of GDP, ranks third in Africa and the Middle East.**
- **Egypt's tourism industry** has witnessed significant growth, generating indirect employment opportunities. Initiatives such as the Suez Canal Corridor Area Project and the New Alamein City Project aim to boost tourism revenue and create job opportunities, contributing to GDP growth.





○ Challenges:

- Sustainable development in Egypt seeks to balance economic growth with resource efficiency, aligning with international conventions and treaties.
- However, challenges arise in implementing sustainable practices due to social, political, and economic factors.
- The Egyptian political leadership and the government initiated and adopted various strategies and policies to face these challenges.
- For example, The Sustainable Development Strategy of Egypt (SDS) aims to alleviate poverty, improve quality of life, and stimulate economic growth through effective sustainable development initiatives



○ Geo-economic Challenges

- 1. Water Scarcity
- Egypt grapples with severe water scarcity due to its arid climate and limited water resources.
- Multiple factors contribute to Egypt's water scarcity. Population growth, agriculture consuming 85% of Egypt's water, reliance on the Nile River, and climate change.
- **Government Initiatives:** The Sustainable Rural Sanitation Services Program launched in 2015, National Water Resources Plan (2017-2037) and increasing investments in governance reforms and sustainable water projects.



○ **2. Food Insecurity**

- **Egypt faces unique challenges in achieving food security due to a rapidly growing population and limited utilization of natural resources like arable land and water.**
- **In response to food insecurity challenges, the Egyptian government has undertaken several programs and strategies, notably focusing on reforming the food subsidy system and implementing agricultural development policies.**



○ **3. Climate Change**

- **Climate change exacerbates water scarcity in Egypt, with rising temperatures and reduced precipitation threatening the agriculture sector and food security.**
- **The nation's freshwater availability already falls beneath the internationally recognized threshold for water scarcity.**
- **Absent timely adaptive interventions, the resulting scenarios could be dire, encompassing extensive dislocation and the potential unraveling of societal cohesion.**



○ **4. Energy Scarcity**

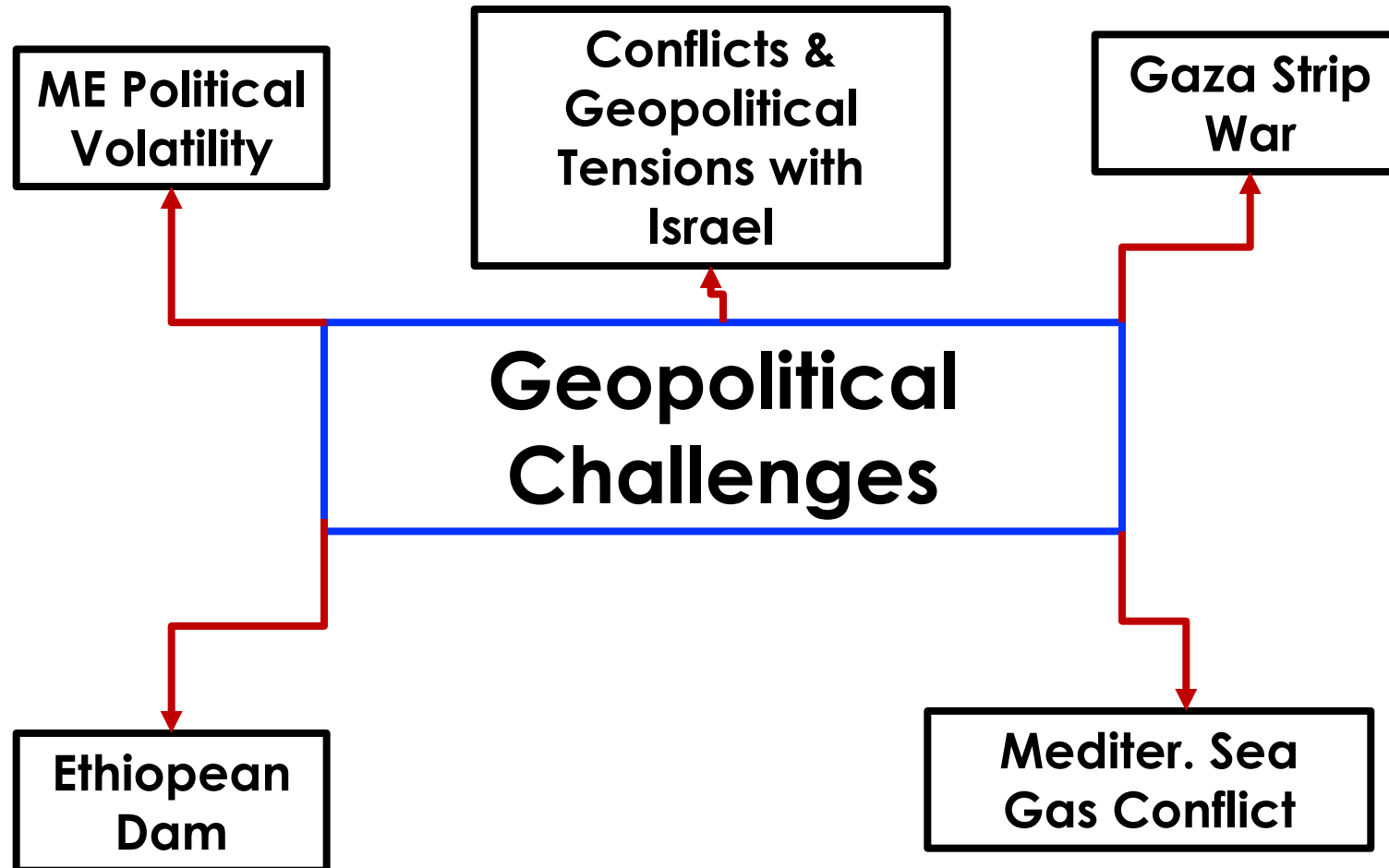
- **Energy scarcity presents a significant challenge to Egypt's economic growth and development. With a rapidly growing population and increasing demands from various sectors, the country faces a widening gap between energy supply and demand.**
- **Egypt heavily relies on non-renewable energy sources such as oil, gas, and coal, which are finite and depleting.**
- **Although renewable energy sources like hydro-power, wind, and solar are receiving attention, their contribution to the energy mix remains minimal.**
- **To tackle Egypt's energy scarcity, the government has implemented a multifaceted strategy focusing on diversifying energy sources, promoting renewable energy adoption, and enhancing energy efficiency.**



○ 5. Desertification

- Desertification poses a significant challenge, with an estimated 3% of Egypt turning into desert annually.
- Desertification results from a nexus of natural phenomena, human activities, water mismanagement, climate change, and soil degradation.
- Global climate change exacerbates Egypt's desertification, intensifying land degradation, reducing biological productivity, and escalating water scarcity.
- Egypt has implemented various policies to combat desertification, with a primary focus on "greening" initiatives and efficient water management strategies.
- Recognizing the global implications of environmental degradation, Egypt has prioritized partnerships with international organizations and multilateral funds to address desertification.
- For example, Collaborative efforts, such as the Egypt-World Bank initiative,





○ Geopolitical Challenges

- **1. The Middle East's political volatility** has impacted Egypt's economic trajectory, with fluctuations in investments and capital flows.
- **2. Conflicts and geopolitical Tensions with Israel** have led to increased military spending and heightened debt levels.
- **3. Gaza Strip War**
- **4. Ethiopian Dam (ED)_A Threat to Egypt's Water Security**
- **5. Mediterranean Gas Conflict**



Conclusion

- Egypt's strategic geographical location and its richness in natural resources distinguish it with great geopolitical and geo-economic significance.
- Throughout its history, (1805-present) Egypt witnessed different types of economic management styles adopted by its rulers: **autocratic, consultative, quasi laissez-faire or transformational management styles** which impacted the economy of Egypt in a positive and a negative manner.
- **Although each ruler adopted a different management style, all their styles have been geographic location and natural resources based and oriented.**
- Egypt made numerous achievements through new reform programs and initiatives; however, Egypt is facing a group of challenges and problems which require active participation and cooperation of the public and private sectors and society as a whole.

Thank You

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