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Degree of Master of International Studies
(International Area Studies)

The impact of the “Belt and Road initiative”:
in Egypt’s economy and foreign policy

August, 2019

Graduate School of International Studies
Seoul National University

Ahmed Fouad Ibrahim Morsy

**The impact of the “Belt and Road initiative”: in
Egypt’s economy and foreign policy**

A thesis presented

By

Ahmed Fouad Ibrahim Morsy

A dissertation submitted in partial fulfillment

of the requirements for the degree of

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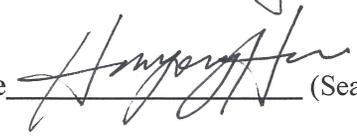
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In The Name of Allah, The Beneficent, The Merciful

"My Lord, enable me to be grateful for Your favor which You have bestowed upon me and upon my parents and to do righteousness of which You approve. And admit me by Your mercy into [the ranks of] Your righteous servants." ²⁷⁻¹⁹

DEDICATION

For my parents, who have always supported and believed in me, they taught me to trust in Allah, believe in hard work and that so much could be done by little. and also for my beloved daughters.

ABSTRACT

The impact of the “Belt and Road initiative”: in Egypt’s economy and foreign policy

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This dissertation examines the expectations impact of the “Belt and Road initiative” in Egypt economic and foreign policy. Particularly, that the ‘BRI’ has become the focal point of China’s national strategy. However, the objective of BRI is a subject heavily debated by think tanks, academia, and public media since it’s begun.

This study investigates the current trends in Chinese outward foreign direct investment since the initiation of the ‘One Belt, One Road’ initiative by the Chinese government in 2013. For China, meanwhile, strategic interest in Egypt was also growing. Unlike China’s other Middle Eastern partners, ties with Egypt are not motivated by oil imports, but by a more geographic calculus. The Suez Canal has long been China’s primary shipping route for sending goods to Europe, China’s largest market. As a result, China has been eager to increase its presence in the crucial canal for decades.

This study examine Egypt's political situation with explanations of Egypt's revolutions history and the Arab Spring in addition to the motives behind Egypt's revolution in 2011. Furthermore, explanation for Egypt's economic perspective, Egypt's ODA and Egypt's economic, political, and social challenges.

The study additional examines the motivation behind a comprehensive strategic partnership between China and Egypt, particularly in terms of the prorated slump in United State power and influence in the Middle East. In point of fact, it is expected that China can profit successively by acquisition a foothold within the Middle East.

This study found a significant potential benefit for Egypt with the chance to function as the "hub" for the BRI into Africa and the Middle East. The Chinese have already selected it as one of the top 5 countries for acquisitions and mergers potential over the following 5 years. The Suez Canal Economic Zone (SCZone) could play a significant role for China as well by transferring Chinese production to the nations with substantial imports.

Key Words: Belt and Road initiative, Egypt's foreign policy.

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Chapter I

Introduction

Introduction

In one hand, the objective of BRI is a subject heavily debated by think tanks, academia, and public media since it's begun. On the other hand, the Egyptian government faces a lot of challenges to meet the continuing demands of Egyptians after the 2011 uprising in Egypt; a lot of protesters demands stay unachieved. So, in order to examine our thesis subject, The study will be based on three chapters: In Chapter II, we spotlighted on Egypt's political situation with explanations of Egypt's revolutions history and the Arab Spring which started in late 2010 as created dramatic changes throughout the Middle East countries, also we defined the motives behind Egypt's revolution in 2011 beside with the role of the Egyptian Armed Forces in Egypt's Economy. Furthermore, we explained Egypt's economic perspective in addition to Egypt's ODA and Egypt's economic, political, and social challenges

The chapter III based on three parts; the first part spotlight on the significance of the BRI started from the history of the Silk Road in one hand then move to the announcement of the current initiative. Otherwise the implications of the initiative through China's objectives, vision, and which countries are participated. The second part illustrates China's major foreign policy towards the initiative and the Security Implications, Moreover to examine the initiative through realistic and liberal lenses. The third part focuses on the BRI dimension

and the progress that has been made by China, Furthermore explanation of the implementation of Djibouti port and Gwadar Sea Port.

Chapter V, we examined the relation between Egypt and China through political and economic paths. Firstly, the political path we spotlight on the history of the relation between the two countries which was started from the first Egyptian revolution in modern history precisely led by president Naser. Then we shift to China's culture approach to strengthen its relationship with Egypt and the Middle East countries. Moreover, we elaborated China and Egypt comprehensive strategic partnership. Secondly, the economic path as we detailed the role of the BRI initiative and the Suez Canal with exploring the trade and investment projects between the two countries. Finally, the last chapter which includes the conclusion

Purpose of the research

The study examines the motivation of the BRI initiative and expectation about its impact on Egypt economy and foreign policy. This study investigates the current trends in Chinese outward foreign direct investment since the initiation of the 'One Belt, One Road' initiative by the Chinese government in 2013

For China, meanwhile, strategic interest in Egypt was also growing. Unlike China's other Middle Eastern partners, ties with Egypt are not motivated by oil imports, but by a more geographic calculus. The Suez Canal has long been China's primary shipping route for sending goods to Europe, China's largest market. As a result, China has been eager to increase its presence in the crucial

canal for decades. The study additionally examines the motivation behind a comprehensive strategic partnership between China and Egypt, and its impact on Egypt's economy and foreign policy, also how China could profit successively from acquisition a foothold in the Middle East.

Definitions of terms

BRI initiative: It's a mouthful. The "One Belt" part of it refers to the Silk Road Economic Belt while the "One Road" refers to the 21st-century Maritime Silk Road. Jointly, they're meant to be a revival of the ancient Silk Road trading routes. China says the project is open to everyone, but it has also identified 65 countries along the Belt and Road.

Research Question

- Could China's Belt and Road Initiative be the rescue plan for Egypt economy?
- What are the expectations of BRI initiative on Egypt economy and foreign policy?
- Why Sisi administration believes that relations with China to be fundamental?
- What are the motivations of China BRI initiative in the Middle East?

Relevant background literature

The literature regarding the BRI is comparatively broad as the project was discovered only five years ago. Through my study, the literature on this topic is principally divided into:

Firstly, the perspective and motivation of the Silk Road such as (Romana 2017),(Giuseppe 2017) and (Hill 2016) which is part of different scholars study on the OBOR initiative on behalf to different articles and Chinese reports.

Secondly, China Africa relation such as (Uche 2013),(Keiran 2009) and (Jian 2008) which is dealing more with the historical relation, motivation and mutual benefits.

Thirdly, Egypt economic and foreign policy such as (Marwa 2017) and (Assem 2012) also this part have numerous and diversified studies, but we will spotlight on Egypt after the 2011 revolution which represents the new and current trend of Egypt economic and foreign policy.

In addition to journal articles, statistical analyses of World Bank, OECD, and relevant academic references all these sources are analyzed through a different perspective and it is substantially corroborative materials, but still missing the expectation of the OBOR initiative on Egypt economic and foreign policy.

The significance of the research

The study will try to fill the gap of the missing studies about the expectation of the BRI on Egypt economic and foreign policy ,be focus more on Egypt perspective towards BRI particularly the period that followed the June 30th revolution, witnessed an alternation in the political system, resulting in a review of all policies, especially the Egyptian foreign policy which resulted in a shift

towards the east in an attempt to restore balance in the Egyptian foreign policy after it remained western oriented for several decades.

This paper seeks to measure the impact of BRI on the Sino-Egyptian relations up to date, using several indicators among which is: the economic factor, cultural and educational exchange.

Research Methodology

The thesis is a qualitative analysis instead of a quantitative analysis also it's a descriptive research based on IR theories, with a theoretical frame to analyze China's motivations behind the BRI and its impact on Egypt's economy and foreign policy. In sight of the extensive political and economic implications of BRI, the extent of the study is national, regional, and global. The study depends on the descriptive analytical approach, Comparative approach, and content analysis tool.

Anticipated problems and limitations

Actually, the time limit is one of the crucial obstacles for this study; also collecting the data from our home country is totally very limited which is minimizing our scope of vision.

Research Limitation

The study is proscribed to the scope that the BRI may be permanent project which will be totally complete by 2050.

Chapter II

Egypt's Political and Economic Situation

I - Egypt Political Situation

1.1 – Egypt's revolutions history

Egyptian history has a long-standing relationship with rebellion and revolution. In 1821, over 20,000 peasants revolted in the south of Egypt against increasing taxation, forced labor, and an unprecedented conscription policy.¹ Another three peasant uprisings took place in 1822, 1844, and 1863.² From 1879 to 1882, Egyptians rose up in a nationwide revolution seeking to limit the power of the monarchical military state with a constitution.³ The British navy came to the aid of the monarchy, bombed Alexandria, and defeated the revolutionary troops, commencing a seventy-year-long military occupation.⁴

Yet, a nationalist revolution shook the country in the spring and summer of 1919, protesting against the Paris Peace Conference and demanding independence and a constitution.⁵ Despite the non-violent nature of the revolution,

1 Khaled Fahmy, "How the Egyptian Revolution Began, and Where It Might End – Khaled Fahmy | Aeon Essays," Aeon, November 3, 2015. Accessed June 22, 2018., <https://aeon.co/essays/how-the-egyptian-revolution-began-and-where-it-might-end>.

2 The 1822 peasant uprising was quashed by the government's machine guns under the command of Muhammad Ali. Both the 1822 and the 1844 uprisings were in the Delta. Ibid.

3 The revolution was led by Ahmed Urabi. Ibid.

4 Ibid.

5 Jack Shenker, *The Egyptians: A Radical History of Egypt's Unfinished Revolution* (New York: New Press, 2016).27

British forces killed over 800 Egyptians.⁶ The British finally terminated the protectorate in 1922, formally recognizing King Fuad as the sovereign of Egypt while maintaining key restrictions on Egyptian independence to protect their interests.⁷ For instance, the British interfered with the drafting of the constitution, enabling the crown (their allies) to dominate parliament.⁸

After the humiliation of Israel's victory in the 1948 Arab-Israeli War, there was an upsurge of tension against the government of King Farouk.⁹ In January of 1952, British forces crushed nationalist protests in the Suez Canal area, leading to widespread riots in Cairo.¹⁰ The Muslim Brotherhood, who actively participated in the riots, communicated secretly with the clandestine group of Free Officers through Anwar Sadat, one of the founding officers.¹¹ On July 23, 1952, eighty Free Officers took control of the army, arresting almost all of the generals.¹² King Farouk was deposed and exiled; Egypt's constitutional monarchy was overthrown. Sadat read the declaration of the revolution broadcasted on national radio:

We have undertaken to clean ourselves up and have appointed to command us men from the army whom we trust in their ability, their character, and their

6 Ibid.

7 Ibid. The British government maintained some control over communications, defense, policy on Sudan, protection of minorities, and British interests

8 Fahmy, "The Long Revolution."

9 Filiu, *From the Deep State to Islamic State: the Arab Counter-Revolution and its Jihad Legacy*, 33.

10 Ibid, 34

11 Ibid,34

12 Filiu, 35.

patriotism. It is certain that all Egypt will meet this news with enthusiasm and will welcome it.¹³

The Free Officers turned to General Mohammad Naguib, one of the few generals not arrested on July 1952, who became president in June 1953.¹⁴ After a failed (and probably staged) assassination attempt against Nasser by the Muslim Brotherhood in Alexandria, the regime cracked down on the Brotherhood.¹⁵ In response to the assassination attempt against Nasser, approximately 20,000 members were arrested, many without a trial, and President Naguib was placed under house arrest for the rest of his life, accused of taking part in the assassination plot.¹⁶ In January of 1954, Nasser dissolved the Muslim Brotherhood claiming that it was seeking to overthrow the regime. Arguably, 1954 marked the consolidation of Nasser's place as the undisputed leader of the revolutionary government.¹⁷

From the outset, Nasser established a military, authoritarian regime that successfully cultivated mass support.¹⁸ The coup replaced the old elites with a presidential regime, an emerging class of military officers and bureaucrats of middle- class origin, and a one-party system.¹⁹ Since parliament was disbanded, the one-party system was a crucial innovation, as it maintained the regime's leadership informed of the needs of Egyptian society as it brought all politics

13 Ibid, 35.

14 Mark J. Gasiorowski and Sean L. Yom, *The Government and Politics of the Middle East and North Africa* (Boulder, CO: Westview Press, 2017).375.

15 Filiu, 50.

16 Ibid, 50.

17 Carrie Rosefsky Wickham, *The Muslim Brotherhood: Evolution of an Islamist Movement* (Princeton: Princeton University Press, 2015).27.

18 Ira M. Lapidus, *A History of Islamic Societies* (New York: Cambridge University Press, 2014), 568.

19 Ibid, 568

under the direction of Nasser himself.²⁰ This system was centered in the Arab Socialist Union (ASU), the only political party allowed under the Nasser regime, created in 1962; as a political institution, Nasser's single-party system controlled trade unions, universities, and the media while maintaining a patronage network in the bureaucracy of the legal system stretching from the cities to the Egyptian countryside.²¹

After Egypt was defeated in the 1967 War against Israel, Nasser was unable to regain the Sinai Peninsula and restore Egyptian territorial integrity lost in the Six Day War.²² In September 1970, Nasser died of a heart attack; more than five million Egyptians gathered in the streets to mourn the death of a beloved and controversial leader.²³

The Egyptian army, under Sadat's leadership, was able to shatter the perception of Israeli military superiority following the Egyptian defeat in the Six-Day War of 1967. Under Sadat, the Egyptian economy turned away from socialism, as it incorporated neo-liberal economic policies.²⁴

Although Sadat inherited Nasser's political institutions, he altered them to ensure they would follow his directives.²⁵ He obliterated the Arab Socialist Union and forged a new political party, the National Democratic Party (NDP), which in

20 Ibid,568.

21 "Hazem Kandil: *Sisi's Egypt*. *New Left Review* 102, November-December 2016.," *New Left Review*, , accessed May 22, 2018, <https://newleftreview.org/ll/102/hazem-kandil-sisi-s-egypt>.

22 Ibid, 53

23 Jack Shenker, *The Egyptians: a Radical History* (St. Ives Plc: Allen Lane, 2016), 40.

24 Lapidus, 42-46. I consciously use the word neo-liberalism following the example of Jack Shenker and Ira Lapidus because I think that the Sadat period of Egyptian history begins the transition from socialism under Nasser and a neo-liberalism under Mubarak

25 Joshua Stacher, 51.

practice was an extension of the executive office.²⁶ Sadat created a new capitalist class that was dependent on him by opening up the market and generated more opportunities for private wealth accumulation.²⁷ These emerging elite included contractors, speculators in housing, and import-exporters.²⁸ When Sadat severely diminished food subsidies by millions of Egyptian pounds at the behest of the World Bank in January 1977, mass strikes erupted in two of Cairo's industrial districts and widespread violence swept Egyptian cities.²⁹ But he was then forced to reverse his cuts fewer than two days after announcing them.³⁰ Despite Sadat's efforts in crafting these economic reforms, the Egyptian economy was still reliant on tourism, remittances, and the Suez Canal tolls.³¹ Thus, the government retreated from the promises of welfare it had made in the 1960s.

In October 1981, Muslim radicals assassinated Sadat during a public military parade in Cairo commemorating the 1973 War with Israel. It is within this context that Hosni Mubarak—Sadat's vice-president, chief of the air force, and the man sitting next to Sadat when he was killed—took office.³²

In contrast with Nasser but similar to Sadat, Mubarak sought to control rather than stifle political opposition or criticism entirely. Although he allowed protests on university campuses regarding foreign policy issues, like the American invasion of Iraq, Mubarak also allowed private media channels, newspapers, and talk shows to criticize him occasionally. Political sociologist,

26 Ibid, 164-65

27 Shenker, 40.

28 Lapidus, 571.

29 Ibid, 46.

30 Shenker, 46.

31 Lapidus, 570

32 Lapidus, 571.

Hazem Kandil posits that these avenues for controlled criticism became proxies for political activism that worked to bring down Mubarak.³³

1.2 - Arab Spring and Egypt 2011

Inspired by the success of the Tunisian protests that led President Ben Ali to flee to Saudi Arabia, Riding the wave of revolution, millions of Egyptians gathered in cities on January 25, 2011. At the outset, the tensions were high between police forces and the protestors. They took harsh precautions against these tensions, applying riot-control strategies, and prevented all types of communication. However, protests had gathered again by January 28, and the police had moved back. As the pressure on President Hosni Mubarak increased, the scale of the demonstrations kept rising, mainly at organized Friday gatherings.

On February 11, 2011, after eighteen days of mass protests throughout Egypt, Vice President Omar Suleiman announced President Mubarak resignation, tasking the Supreme Council of the Armed Forces (SCAF) with managing the nation.³⁴ Through a few weeks of mass demonstrations, the Egyptian people had exercised their collective sovereignty and forced out an autocrat who had maintained power for thirty years.

Yet, by ousting Mubarak, the military, as a major part of the Egyptian deep state, sacrificed only the head of the regime in an attempt to maintain power.³⁵ The provisional government and the security forces maintained a

33 Kandil

34 James L. Gelvin, *The Arab Uprisings* (New York, NY: Oxford University Press, 2015),54.

35 The term, deep state refers to the undergirding structure that manages state action. The Egyptian deep state is dominated by the military but allied with the intelligence services, the police, the judiciary, and the state media.

confrontational posture towards continuing strikes and demonstrations.³⁶ SCAF also gave itself executive control exceeding that of the incoming president, as well as immunity from oversight, and control over the national budget.³⁷ The Freedom and Justice Party- Muslim Brotherhood's- had early successes: in January 2012, it won 47.2% of the seats in parliament; in June, Muhammad Morsi became the first democratically elected President of Egypt.³⁸ Morsi's government and the deep state began to engage in an existential political war over the construction and rules of the new government.³⁹

The Brotherhood isolated themselves, appointing only their members to crucial posts at all levels of government, and abused presidential decrees, while the military and the deep state accumulated legislative, judicial and electoral power seeking to undermine the Brotherhood's rule. Moreover, the Egyptian economy was in a deep crisis: the value of the currency had dropped ten percent by the spring of 2013; tourism plummeted, and fuel shortages in May had resulted in long lines at gasoline stations, higher food prices, and electricity blackouts.⁴⁰

The Tamarod (Rebellion) movement, which began in March 2013, aimed to gather 15 million signatures calling for Morsi's resignation.⁴¹ In contrast with the revolution of 2011, Tamarod's more subdued emphasis on "rebellion" against Morsi's government could accommodate the concerns of the Egyptian elite that were formed during the Mubarak era. After the police and state officials had openly supported the movement, Tamarod announced it had gathered an

36 Gelvin, 71-2.

37 Gelvin, 71-3.

38 Ibid, 64.

39 Ibid, 75-6.

40 Ibid, 77.

41 Filiiu, 173.

unverifiable 22 million signatures on June 30, 2013. The pressure on Morsi was mounting.

On June 30, the anniversary of his ascendance to the presidency, hundreds of thousands of protesters against and for Morsi took to the street. The army issued an ultimatum the next day, giving Morsi forty-eight hours to offer a plan to share power or confront military intervention.

On July 3, three out of five founding members of Tamarod met with General Sisi.⁴² Shortly thereafter, the army arrested Morsi, Egypt's first democratically elected president. All the while, Sisi asserted that the coup was apolitical in a press statement:

The armed forces could not close their eyes to the movement and demands of the masses calling them to play a national role, not a political role, as the armed forces will be the first to proclaim that they will stay away from politics.... [The army] will confront with all its might, in cooperation with the ministry of interior, any violation of public peace.¹²⁴⁴³

This excerpt from Sisi's statement depicts the military once again as the reluctant guardian of the people, who hesitantly answers the people's plea for protection. Similar to Nasser's recollections in *Egypt's Liberation: The Philosophy of the Revolution*, Sisi caveats the military's involvement in politics by implying that this involvement is not only temporary but also necessary for the betterment of Egypt.⁴⁴ Like the opening salvo to the 1952 coup read by Sadat on national radio, the tone of the statement is forceful in its assertion that the military's action preceding and proceeding the speech are indisputably aligned with public interests.

42 Ibid.

43 Filiu, 175.

44 Book Review *Egypt's Liberation: The Philosophy of the Revolution*. Accessed May 23, 2018, 33-

41. <http://www.cejss.org/book-review/egypt-s-liberation-the-philosophy-of-the-revolution>

Yet, after retiring from the military, Sisi was elected president with an abysmal 47% voter turnout—the population seemed to be suffering from election fatigue and disillusionment.⁴⁵

After enormous protests with millions marching in the country 30 June 2013, most Egyptians expected the army to do its national security duty and save the country from economic ruin. The military responded to the people's demands and formed a coalition with public figures and quite a few political parties to depose "topple over" Morsi on 3 July.2013.

Soon after ousting Morsi, the security forces began a violent repressive campaign targeting the leadership of the Muslim Brotherhood and their supporters. On August 13, 2013, at 7 am, the security forces opened fire without warning on a sprawling tent-city outside the Rabaa al-Adawiya Mosque in East Cairo. Human Rights Watch documented at least 817 deaths and more than a thousand individuals injured. The army ceased being the guardian of the people's "Tahrir dream" as it mobilized the entire security apparatus against any dissent.⁴⁶ Arguably, a harsher military authoritarian regime than Mubarak's has been established. Had the revolution failed? Could it even be called a revolution? However, particularly in 2011, Egyptians used their imagination to construct different "forms of life" in which they became citizens of their country with an active and powerful political voice, no longer the subjects of an autocrat. In an imperfect continuation of Nasser's, Sadat's, and Mubarak's regimes, the military

45 Gelvin,80.

46 "Egypt's Rabaa Massacre: One Year on." Mona Baker. August 17, 2014. Accessed May 25, 2018. <http://www.monabaker.org/?p=407>.

and the deep state sought to de-legitimize the Brotherhood, depicting them as religious extremists endangering the goals of the revolution.

The preamble to the Egyptian Constitution of 2014 provides a glimpse into how the Sisi regime is seeking to represent itself within the context of Egyptian history. First, whenever the revolution of 2011 is mentioned in the preamble, it is conceptualized together with the coup of 2013: “‘Jan 25—June 30’ Revolution.”⁴⁷ This phrasing insinuates that the contemporary Sisi regime represents itself as the incarnation of the goals of 2011. The preamble places the “‘Jan 25—June 30’ Revolution” within the context of the revolution of 1919 and 1952, arguing that 1952 “represents an extension of the revolutionary march of Egyptian patriotism, and supports the strong bond between the Egyptian people and their patriotic army that bore the trust and responsibility of protecting the homeland.

Once more, the motif of the military as the guardian of the people appears in a medium sanctioned by the regime. After conveniently skipping over Mubarak’s thirty-year regime, the preamble praises “‘Jan 25—June 30’ Revolution” for its popular participation, the role of “youth who aspire to a brighter future,” its patriotism, how the population that “transcended class and ideology,” and, of course, the role of the “people’s army [that] protected popular will.”⁴⁸ The Sisi regime is engaging in a conflicting balancing act as it fastens itself both to Nasser’s regime and the revolution of 2011. In short, the ambiguity of Egypt’s present and future may be enough not to call the revolution a success

47 “Egypt’s Constitution of 2014,” Preamble, 10-12, Constitute Project.

48 “Egypt’s Constitution of 2014,” Preamble, 11

yet, but it is not enough to discount it as a failure. It remains unclear whether or not the revolution is finished.

1.3 - ECONOMIC MOTIVES BEHIND THE 2011 EGYPTIAN REVOLUTION

The 2011 Egypt revolution attracted significant expert analysis, especially concerning the motives of the revolution. Some analysts have argued that religious, dictatorship and ethnic tensions, and the prevalence of gross corruption in government, were some of the main triggers of the Egyptian revolution. However, a close analysis of the 2011 revolution in Egypt shows that these factors are not sufficient catalysts for a revolution unless they caused an unbearable deprivation or poverty and economic inequality.

1.3.1- WIDESPREAD CORRUPTION

In fact, the blatant corruption within the government was one of the main factors that caused the 2011 revolution. Ann Lesch revealed that the corruption reached the highest scale in Egypt in the mid-2000s following the appointments of new cabinet ministers who used their positions to promote corruption.⁴⁹

According to Lesch, the newly appointed ministers used their influence to acquire and sell a large portion of the public sector for their personal gains, they also discouraged public investment. For instance, the most important ministers had a connection with the key economic sets such as Ahmed al- Maghraby, minister of housing, were a big player in the hotel realm and Mohamed Mansour, minister of transport, was one of the biggest businessman.⁵⁰

49 Lesch, Ann M. "Egypt's Spring: Causes of the Revolution." *Middle East Policy* 18, no. 3 (2011): 35-48.
doi:10.1111/j.1475-4967.2011.00496.x.1-8.

50 Ibid., 39.

1.3.2- LACK OF DEMOCRACY

Lack of democracy is also cited as a catalyst for the 2011 revolution in Egypt. Actually, many years of dictatorship of President Mubarak catalyzed the 2011 revolt. President Mubarak established a bureaucratic government in which all powers were centralized in the executive branch. Mubarak also created a presidential system in which the president was appointed by the People's Assembly, though the appointment had to be ratified by public referendum. This enabled him to serve for six five-year terms with automatic renewal by referendum.⁵¹

1.3.3- POVERTY

The reasons behind the remarkable street fights that compelled the Egyptian ruler Hosni Mubarak to step out of office was something that exists in many countries — food shortages or poverty. Worsening economic situations fed the 2011 revolution and remained a significant component in the political uprising. The failure of the Egyptian government to sustain a continuous flow of food supplies should be viewed as the main factor igniting the revolution.⁵²

The Egyptian poor were fighting in front of bakeries to acquire subsidized flatbread. Fuel shortages, power cuts, and soaring food prices put pressure on the population.⁵³

Did the rise in food prices and the increase in Egyptian poverty related to it have a damaging effect on Egypt's social and political stability? Absolutely; however, both in 2008 and in 2011 Egypt was among one of the wealthiest countries. The rapid rise in food prices, which made Egypt highly dependent on

51 Lesch, 1–8.

52 Robert Looney, "Economics of the Arab Spring," Presentation, FOA Conference on the Arab Spring, Washington, DC, August 12, 2013,24

53Ibid, 25.

food imports, resulted in a rapid increase in the number of Egyptians living below the poverty line. More than three million Egyptians fell below the poverty line during a short period in both uprisings as well.⁵⁴

1.3.4- UNEQUAL INCOME DISTRIBUTION

Inequality is related to poverty because one of the main results of inequality is poverty in a community. How does inequality within a country cause conflict? A renowned theory is Ted Gurr's Relative Deprivation Theory. Gurr argues that a large gap between the expected and actual economic and living conditions of a group can fuel conflict.⁵⁵ Income inequality decreases the buying power of middle and low- income people, reducing aggregate demand; however, people deriving benefit from inequality seek high yielding investments, leading to the rise in the mass of assets.⁵⁶

1.3.5- UNEMPLOYMENT

Unemployment not only means an absence of income, but also the absence of dignity, self-respect, and social standing. Disappointment, boredom, and hopelessness are common problems among jobless people. Widespread unemployment among young people in parallel with widespread disillusionment due to economic conditions paved the way for a revolt.⁵⁷

54 Gokhan. "Economic Motives Behind the 2011 Egyptian Revolution." DTIC Online. Accessed July 23, 2018. <http://www.dtic.mil/docs/citations/ADA619630>.,75

55 Zimmermann, Ekkart. "Ted Robert Gurr, Why Men Rebel, Princeton 1970." *Schlüsselwerke Der Politikwissenschaft*: 137-40. doi:10.1007/978-3-531-90400-9_37.

56 United Nations Development Programme; Bureau for Development Policy Towards Human Resilience Sustaining MDG Progress in an Age of Economic Uncertainty 2011, 1 electronic document (312 p.), U.N. Bureau for Development Policy, New York, 186.

57 Gokhan,75

Although there are many other reasons for the revolution in Egypt, it can be said that the high level of youth unemployment is one of the most important motives for the crisis. It's noteworthy that youth unemployment in Egypt was running at more than 30 percent whereas the general unemployment rate was 9.7 percent in 2010 according to the *CIA World Factbook*.⁵⁸

Millions of young people throughout the country were too angry for a long time about the lack of jobs. As such, the feeling of desperateness resulting from inadequate work prospects came to a breakpoint. With a corrupt government that ignored investing in the younger generation, possibilities for the future seemed very sad. Consequently, a large part of the unemployed youth felt the necessity of working informal underpaid jobs, creating employment for them, or waiting for the recession to end and for their elders to retire.⁵⁹ Young people, as a result, became increasingly frustrated and upset.

1.3.6- DEPRIVATION AMONG YOUNG PEOPLE

The Mubarak rule underestimated the anger of its crowds and young people due to economic growth.⁶⁰ As explained in the previous part, The youth did not have anything to lose, not a social position in society or a good job, and did not have much hope of achieving those in the near future because of growing population rate and decreasing job availabilities. They also did not care about the thoughts of the people around them if their movements stimulated revolt or contempt. As they felt that there was nothing to distinguish them from other

58 Central Intelligence Agency. "CIA World Factbook," Central Intelligence Agency. Accessed 2, June, 2018 <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>.

59 "2010 World Population Data Sheet." Population Reference Bureau. Accessed March 24, 2018. <https://www.prb.org/2010wpds/>.

60 Nomi Prins, "Egypt Needs an Economic Revolution - and the United States Could Learn from Its Unrest - NY Daily News," *Nydailynews.com*, April 09, 2018, , accessed June 2, 2018, <http://www.nydailynews.com/opinion/egypt-economic-revolution-united-states-learn-unrest-article-1.138923>.

young men walking in the streets, they felt unimportant and despised themselves. They were not afraid of the police because they did not have much to risk, and the policemen themselves did not seem much different from these young men.⁶¹

1.3.7- Gamal Mubarak and the Military

Although it's not one of the economic motivations for the revolution we can determine it as one of the major political catalysts. Mubarak, after building up a vast network of business enterprises for the military, found himself in the crosshairs of the military. The rise of the business elite led by his son Gamal, not only threatened the military's economic empire but caused large portions of Egyptians to live in poverty. Mubarak failed to introduce democratic reforms. Instead, he focused on preserving the political monopoly of the NDP hoping to pave the path for Gamal to attain the presidency. When the 2011 revolution began, and Mubarak found himself without the brutal police state he had empowered, it became apparent that the military would not sacrifice their dwindling influence in politics by saving Mubarak. Instead, they let him fall, hoping that by leading the transition never again would they be at the whim of the president.⁶²

Julie Taylor and Jeff Martini argue the military decided to intervene in the uprising because "The military generals realized that their influence slithering away as Mubarak ignored their advice on ministerial appointments, unnoticed their economic interests, and prepared a campaign to transfer power to his son

61 Amin, Galāl Ahmad. *Egypt in the Era of Hosni Mubarak, 1981-2008*. Cairo: American Univ. in Cairo Press, 2011.75.

62 Ahmed Ahmed. "Back to Square One: Understanding the Role of the Egyptian ..." Accessed May 4, 2018.55. https://academicworks.cuny.edu/cgi/viewcontent.cgi?article=3100&context=gc_etds.

against their wishes”.⁶³ However, they prematurely conclude that the actions of the military were not meant to “overthrow Mubarak”, rather, the intervention was only intended to reposition the power dynamics away from crony capitalism and the National Democratic Party NDP.

1.4 - The role of the Egyptian Armed Forces in Egypt’s Economy

The involvement of the Army in the Egyptian economy is nothing new. Actually, it’s beganing Under President Gamal Adel Nasser when the army officers managed most of the businesses and factories in socialist Egypt. The economic ambitions of the army became fully apparent during the presidency of Anwar Sadat (1970-1981). The crisis in Egypt after the war of 1973 was the spur for military intervention in non-military production.⁶⁴

The military authoritarianism has been ruled Egypt since 1952. The short period of democracy trial finished with the 30 June revolution (military coup) in 2013, which proved the military dominance over the politics⁶⁵

Egypt as a MENA country and post-colonial state was established in a particular context which shapes civil-military relations in Egypt. In addition to the key geographical, historical and cultural key role of the military in politics, Nasserism deeply affects the politics of Egypt in internal and external level, especially in the (armed) bureaucracy. Another key component of civil-military

⁶³ Martini, Jeffrey, Taylor, and Julie E. "Commanding Democracy in Egypt: The Military's Attempt to Manage the Future." RAND Corporation. August 25, 2011. Accessed June 24, 2018. <https://www.rand.org/blog/2011/08/commanding-democracy-in-egypt-the-militarys-attempt.html>.

⁶⁴ Jamal Boukhari, "Egypt's Conscripts Serving the Army's Economic Empire." Alaraby. September 05, 2017. Accessed June 24, 2018. <https://www.alaraby.co.uk/english/Comment/2017/9/5/Egypt's-conscripts-serving-the-armys-economic-empire>.

⁶⁵ Koşak, and Çağrı. "How Does the Military Dominate Egyptian Politics?" CORE. January 01, 1970. Accessed July 24, 2018. ,40 <https://core.ac.uk/display/80955160>

relations in Egypt and many Arab countries is the compatibility of regimes with Islamism and the compatibility of Islamists with the regime.⁶⁶

Seven years after the 2011 revolution, Egypt's politics is once again dominated by the military. The Arab Spring gave hope that tech-savvy youths could alter the power dynamics of authoritarian governments in the region. In Egypt, youth-driven mass protests shook the foundation of the 30-year rule of Mubarak. They sacrificed their lives and limbs in pursuit of pro-democratic change. Their use of peaceful mass demonstrations certainly deserves recognition.⁶⁷

General Sisi's election to the Presidency with 97 percent of the vote in 2014 where the opposition was non-existent amid crackdowns and arrests gave the military an unchecked seat to rule Egypt once again. The speed and intensity with which the EAF has reconstituted its economic and political empire in the post-Mubarak era are staggering. In addition to restarting defunct industrial operations and securing control over massive infrastructure projects, military generals are now nearly ubiquitous in the halls of government.

Around Seventeen of Egypt's twenty-seven provincial governors are military generals (nineteen if two police officers of equivalent rank are included) and the remaining civilian governors share rule with twenty-four major generals serving as secretaries-general, assistant secretaries-general, and deputy governors.⁶⁸

66 Ibid,41

67 Ahmed Ahmed, 50

68 Tom Stevenson. "Egypt: Land of the Generals." Middle East Eye. Accessed February 4, 2018.

<https://www.middleeasteye.net/in-depth/features/land-generals-1661973598>.

President Abdel Fattah el-Sisi's emphasized that the share of military-owned enterprises does not exceed two percent of the Egyptian GDP today, but the figure seems too low if one considers the military's many privileges. Precise figures, however, are hard to come by. The military is a "black box", with little information given about its hierarchy, budget, and impacts on public life. According to "Law 313", any news about the armed forces can only be published after authorization granted by the director of the military intelligence.⁶⁹

The Egyptian Armed Forces (EAF) is often referred to as a "black box"—especially with regard to the institution's role in the domestic economy. Many of the EAF's sources of influence are obscured⁷⁰

Some Egyptian businessmen and foreign investors say they are unsettled by the military's push into civilian activities and complain about tax and other advantages granted to military-owned firms. In Sept. 2017 The International Monetary Fund warned that private sector development and job creation might be hindered by the involvement of entities under the Ministry of Defense.

The three main bodies of Military commercial ventures - the Ministry of Military Production, which oversees 20 businesses, the Ministry of Defense, and the Arab Organization for Industrialization.⁷¹

The National Security Agency (NSA) is one of the economic agencies created and managed by the army, its presence can be seen everywhere. In 1979 the NSA established with 52 companies active in the sectors of construction, food

69 Ingy Salama. "Egypt's Military Wields an Enormous Economic and Political ..." Accessed April 24, 2018. <https://www.dandc.eu/en/article/egypts-military-wields-enormous-economic-and-political-power>.

70 Jeff Martini, and Julie Taylor. "Commanding Democracy in Egypt - Foreign Affairs | Egypt ..." (September/October 2011): 131. Accessed May 24, 2018. <https://es.scribd.com/doc/77833031/commanding-democracy-in-egypt-foreign-affairs>.

71 Reports, Special. "Under Sisi, Firms Owned by Egypt's Military Have Flourished." Reuters. May 16, 2018. Accessed September 24, 2018. <https://www.reuters.com/investigates/special-report/egypt-economy-military/>.

products, agriculture, and petrol stations. It manages a network of large clubs, the first local fishery in the country and media outlets. Also, (NSA) manufactures construction materials, manages most of the country's motorways, imports medicines, and wheat.

In 2014, the authority began the national transport of meat, poultry and other food products produced by the army. It organized a huge programme of sales fairs to market its products, sold more cheaply than those of its private sector rivals, thanks to the state facilities it could draw on free of charge.⁷²

Ministry of Military Production (MOMP) operates a whole 30 factories across the country. Civilian products produced in these factories include; domestic appliances, fire extinguishers, medical and diagnostic equipment, drills, television receivers, computers, batteries, electric and water meters, cars, single-engine aircraft, and a variety of foods. As the liberalization process intensified in Egypt, so did the competition between private companies and the military. A predicament they were not happy to be in. One former Minister of MOMP general Sayed Meshal who ran the industry stated that revenue in 1999 accounted for nearly 2 billion Egyptian pounds a year (\$345 million) arising from the selling back of products to civilians.⁷³

The National Organization for Military Production (NOMP) is the third army authority involved in the civil production. Comprising 18 military and civil factories, it plays an important economic role in Abdel Fattah al-Sisi's Egypt. In July 2016, the Health Ministry also agreed on a partnership with NOMP for the purchasing of imported medicines. The organization now imports materials and

72 Jamal Boukhari.

73 Ahmed Ahmed, 12

products for hospitals and universities across the country, from syringes and solutions to electrocardiograph equipment.

But behind the economic empire is another army: that of the conscripted soldiers who do the actual work for all of these businesses and projects, including the megaprojects so dear to the president. These soldiers are becoming the mainstay of economic activity for the army and the regime.⁷⁴

⁷⁴ Jamal Boukhari,

II- Egypt's Economy

2.1 The Economic situation

In 2014, the Government started implementing a bold and transformational reforms program, aimed at spurring the economy, enhancing the country's business environment and staging a balanced and inclusive growth.

The first wave of reforms package focused on rebalancing the macroeconomic aspects, which included difficult policy choices that were adopted simultaneously; such as the VAT Law, reducing energy subsidies, containing the high growth of the wage bill and the liberation of the Egyptian Pound.

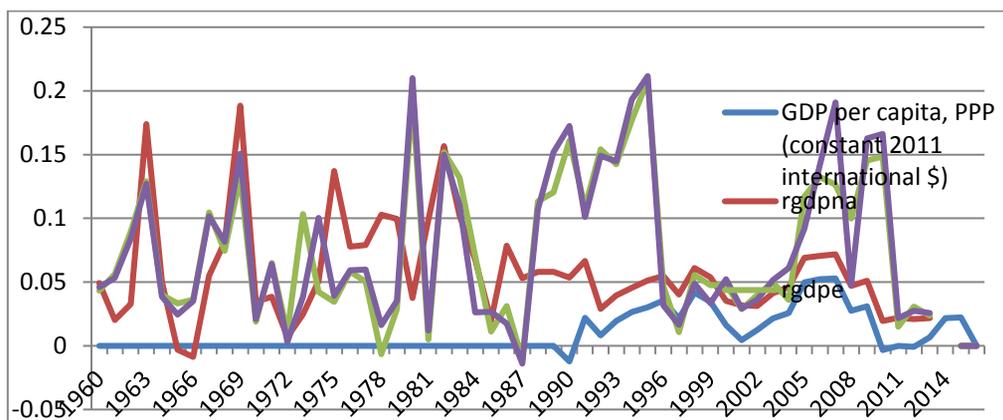
The second phase of reforms targeted investment climate and improving governance, which includes the Civil Service Reform Law that was passed in October 2016, in addition to a set of undergoing reforms targeting to remove investment barriers and attract local and foreign investments. The Government of Egypt's reform program is widely endorsed by key Development Partners, including through the World Bank's programmatic Development Policy Financing (DPF) series, the IMF Extended Fund Facility (EFF) and the African Development Bank parallel financing.⁷⁵

Before the revolution, Egypt enjoyed solid rates of economic growth, in the range of 6-7 percent between 2003 and 2009, real GDP grew by 4.7 percent in 2009 and by 5.3 percent in 2010 (World Bank Data).⁷⁶

⁷⁵ "Overview." World Bank. Accessed May 24, 2018. <http://www.worldbank.org/en/country/egypt/overview>.

⁷⁶ Hoda Abd El Hamid Ali, "The Impact of Foreign Aid on Economic Growth in Egypt." A Cointegration Analysis ,International Journal of Economics and Financial Issues, Vol. 3, No. 3, 2013, Accessed May 24, 2018. pp.743-751
http://www.abrmr.com/myfile/conference_proceedings/Con_Pro_35739/2014_ICBED_35.pdf.

In 2016/17, real GDP grew an estimated 4.1%, slightly underperforming the 4.3% in 2015/16. Growth is driven mainly by investment and private and public consumption, as well as by net exports, which contributed positively for the first time in two years.⁷⁷



In line with the new World Economic Outlook report, the International Monetary Fund (IMF) expects first, Egypt's economic growth to reach 5.5 % in 2019 and 6 % by 2023 as a result of the impact of recent economic reforms. Second, a decline in unemployment rate to 11.1% in 2018 compared to 12.2 percent in 2017⁷⁸

Investment and resilient private consumption expected to improve the economic growth, additionally to a gradual increase in exports (particularly from gas and tourism). In FY18 the budget deficit is expected to decline to 9.8% of

⁷⁷ "Egypt Economic Outlook." African Development Bank. Accessed March 4, 2018.

<https://www.afdb.org/en/countries/north-africa/egypt/egypt-economic-outlook/>.

⁷⁸ Hend El Bahery, El-Behary, Hend. "Egypt's Economic Growth to Reach 5.2% in 2018: IMF." Egypt Independent. April 18, 2018. Accessed May 24, 2018. <http://www.egyptindependent.com/egypts-economic-growth-to-reach-5-2-in-2018-imf/>.

GDP. The fiscal consolidation program is predicted to depend upon revenue mobilization, particularly, energy subsidy reforms also the rise in VAT receipts.

Furthermore, extreme poverty in Egypt is practically eradicated. Using the national poverty threshold, about a third (27.8%) of the population was below the poverty line in 2015. Moreover, the high inflation accumulated over the course of FY15-FY17 has lowered the purchasing power of households across the distribution, reducing the positive spillovers of economic growth, and taking a toll on social and economic conditions.⁷⁹

2.2 ODA

Egypt received a significant amount of external assistance compared to other developing countries. The official development assistance to Egypt has begun to decline from main donors. The major donors to Egypt are the United States Agency for International Development (USAID), European Commission (EC), European member states (EU), Japan and the World Bank.⁸⁰ Net ODA received per capita (current US\$) in Egypt was 26.53 as of 2015. Its highest value over the past 55 years was 105.50 in 1990, while its lowest value was 0.29 in 1969.⁸¹

In point of fact, the January 2011 and June 2013 revolutions changed the political and socio-economic situation of Egypt. This new situation created a

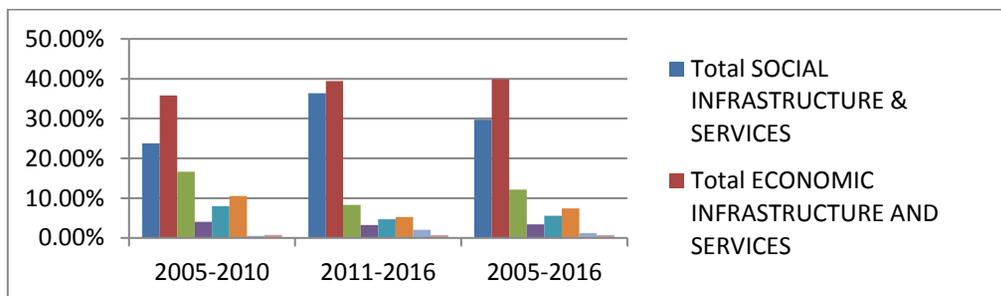
⁷⁹"Egypt's Economic Outlook - April 2018." World Bank. Accessed June 6, 2018.

<http://www.worldbank.org/en/country/egypt/publication/economic-outlook-april-2018>

⁸⁰ "An Analytical Study of the Egyptian System of Aid Coordination and Management." Science Alert. Accessed May 8, 2018. <https://scialert.net/fulltext/?doi=ijaef.2014.1.16#t5>.

⁸¹ Egypt - Net ODA Received per Capita (current US\$). Accessed May 9, 2018. <https://www.indexmundi.com/facts/egypt/indicator/DT.ODA.ODAT.PC.ZS>.

doubtful and ambiguous environment for international donors and the institutions over the last four decades.



As we can see from the total ODA table there was an increase in the Economic and infrastructure sector and for the social infrastructure service in the period of 2011-2016.⁸²

	Total							
	SOCIAL INFRASTRUCTURE & SERVICES	ECONOMIC INFRASTRUCTURE AND SERVICES	PRODUCTION SECTORS	MULTI SECTOR	PROGRAMME ASSISTANCE	ACTION RELATING TO DEBT	HUMANITARIAN AID	UNALLOCATED/UNSPECIFIED
2005-2010	23.76%	35.83%	16.62%	4.02%	7.95%	10.54%	0.52%	0.76%
2011-2016	36.35%	39.44%	8.30%	3.22%	4.67%	5.22%	2.06%	0.72%
2005-2016	29.68%	39.86%	12.14%	3.41%	5.56%	7.44%	1.22%	0.68%

⁸² OECD. "OECD Statistics." OECD Statistics. Accessed May 9, 2018. <http://stats.oecd.org/>.

Official development assistance (ODA) to Egypt in 2009 totaled USD 925 million (OECD 2011a). Since 2005, Egypt has received ODA of, on average, USD 1 billion annually, and ODA has averaged less than 1% of gross national income and approximately 3% of central government expense (WDI, 2011). The top eight donors' contributed 76% of Egypt's core ODA (OECD, forthcoming)

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget. In 2010, 24% of Egypt's aid was reported on budget. Egypt has not managed to halve the share of aid not reported on budget and the year 2010 marks a significant setback when compared to the previous scores of 58% and 57% in 2005 and 2007 respectively. Japan and the United Nations were the only major donors to record scores of over 50%. Between them, the World Bank and the United States provided over USD 1.3 billion in off-budget flows. Many donors recorded worse performance compared to 2007. France was the only donor where government budget estimates were greater than disbursements, suggesting that the major barrier is the flow of information rather from donors to the government rather than an issue of disbursement.⁸³

There is a current and growing debate on the effectiveness of foreign aid, especially in Egypt, as the country is going through a critical period in its transition to democracy. The obvious question is to what extent foreign aid to Egypt will be effective in promoting economic growth. It is recommended that the government pay particular attention to direct the incoming foreign aid to Egypt in productive

⁸³ "Paris Declaration Indicators of Progress." *Aid Effectiveness 2011 Better Aid*, 2012, 199. doi:10.1787/9789264125780-14-en.

activities rather than financing imports, and also it is strongly recommended to rely on its internal resources, to help the country to promote growth and overcome the challenges in the current critical transition period.⁸⁴

⁸⁴ Hoda Abd El Hamid Ali, pp.743-751

III- Egypt's challenges

The Egyptian government faces a lot of challenges to meet the continuing demands of Egyptians after the 2011 uprising in Egypt; a lot of protesters demands stay unachieved. A mixture of local obstacles, jointly with rockiness in the MENA region has hindered Egypt's ongoing transition.

Egypt faces a number of challenges such as political, economic, environmental, and social. Subsidy reform has imposed serious costs on the poorest in Egyptian society, from underequipped hospitals, deteriorating railroads, and highways to overcrowded schools. Egyptian youth are progressively more incapable to join the job market as a reflection to an over-extended education system with the growing population. Repression on free expression, political dissent, and meaningful opposition Under President Abdel-Fattah el-Sisi led to a lack of economic growth.⁸⁵

3.1- Social challenges

3.1.1- Demographics

The explosive rate of Egypt's population growth is one of the main challenges. Still the government efforts in curbing population growth have not been successful even with family planning policies. According to the UN's 2017

⁸⁵ Adel Abbbdel Ghafar, 'Educated but Unemployed: The Challenge Facing Egypt's Youth', Brookings Institution, Policy Briefing, July 2016, 7
https://www.brookings.edu/wpcontent/uploads/2016/07/en_youth_in_egypt-2.pdf

World Population Prospects Report expected that Egypt's population will jump to 150 million in 2050, and an astounding 200 million by 2100.⁸⁶

The population is concentrated in only 8 % of Egypt's land mass which is around a million square kilometers only along the length of the Nile River and in the Nile Delta.

If we look at the data Egypt's population density ranked 115 globally (divided by the total land mass) but in the same time it ranks 14th globally if divided by inhabitable area, that consider Egypt's cities amongst the highest crowded cities in the world.⁸⁷

3.1.2- Education: The paradox

Since Nasser, the nominally free education has been provided by the Egyptian government. In spite of this, the public education quality has degenerated over the decades. While the population more than doubled the government expenditure for educational programmes was stagnated.⁸⁸

An element of the economic reform programme, Egypt has increasingly decreased state subsidies for fuel and food, in order to allocate some of the money saved for healthcare and education. This reallocation hasn't up till now to have a significant impact. In line with (CAPMAS) Statistics, from 2004 to 2017, the government's budget allocated for pre-university education reduced from 11.9 %

⁸⁶ "World Population Prospects - Population Division." United Nations. Accessed June 24, 2018.

https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf.

⁸⁷ "Population Situation Analysis Egypt 2016 Report." UNFPA Egypt | Population Situation Analysis Egypt 2016 Report. May 01, 2017. Accessed May 24, 2018. <http://egypt.unfpa.org/en/publications/population-situation-analysis-egypt-2016-report>.

⁸⁸ Adel Abbbdel Ghafar,9

to 7.4 % in this period. Also, the allocation for university education decline from 3.5 % to 2.3 %.⁸⁹

Along with other countries in the region Egypt's allocation for education is one of the lowest amounts. Furthermore, the insufficient salaries for Professors and teachers impose them to supplement their income through private tutoring, pushing them to teach less and underperform.⁹⁰

Among children age's 15-24 Egypt remains one of the highest illiteracy rates in the Middle East.⁹¹ Generally, Egypt's illiteracy rates around (14.4 % and 26 %) for males and females respectively.⁹² However, 35 % of Egyptian children in school unable to write or read that what Millennium Development Goal (MDG) progress report in 2015 showed.⁹³ On the other hand, Income inequality in Egypt has a direct impact on the quality of education for students. Affluent families in Egypt send their children to private or international schools as a result of the low quality of the education in the public institutions.⁹⁴

3.1.3- Health

Health sector represents another example of the inequality in Egypt, the 2014 constitution particularly article 18 mandates healthcare expenditure with a

⁸⁹ CAPMAS. Center for Mobilization and Statistics, 'Statistical Overview—Education', Accessed May 4, 2018.

http://www.capmas.gov.eg/Pages/StaticPages.aspx?page_id=7193

⁹⁰ Sarah El-Sharaawi, "Egypt's Generation Lost." Foreign Policy. January 23, 2015. Accessed April 24, 2018.

[http://foreignpolicy.com/2015/01/23/egypts-generation-lost/.](http://foreignpolicy.com/2015/01/23/egypts-generation-lost/)

⁹¹ World Bank, 'Literacy Rate Youth Total (% of People Ages 15-24) Egypt', accessed 13 August 2017.

<http://data.worldbank.org/indicator/SE.ADT.1524.LT.ZS?locations=EG&view=chart>

⁹² Al-Masry Al-Youm, "Egypt Illiteracy Rates Stand at 14.4% for Males, 26% for Females: CAPMAS," Egypt Independent, September 07, 2017, , accessed May 2, 2018,

[http://www.egyptindependent.com/egypt-illiteracy-rates-stand-14-4-males-26-females-capmas/.](http://www.egyptindependent.com/egypt-illiteracy-rates-stand-14-4-males-26-females-capmas/)

⁹³ "Egypt's Progress towards Millennium Development Goals 2015." UNDP in Egypt. Accessed May 24, 2018. http://www.eg.undp.org/content/egypt/en/home/library/mdg/egypt_s-progress-towards-millennium-development-goals-2015.html.

⁹⁴ Adel Abbbdel Ghafar,11

minimum of 3 % of GNP.⁹⁵ But still general public health care system is coming under further deterioration. In 2014 Government expenditure on public healthcare has been awfully low, amounting only 2.15 % of GNP– which is very low compared to the worldwide average of about 6 % and the regional average of 3.12 %.⁹⁶

3.2- Economic challenges

Egypt still faces a range of economic obstacles. Even after the implementation of economic reform, and asceticism measures Egypt partially relies on aid, loans from the IMF, fuel shipments from Arab Gulf states, and the raised funds flow from international debt markets to support the political stability and to stabilize its economy. Sadly, in the long term rent-seeking technique won't improve Egypt's economy. For short and longer terms Egypt ought to take actions that promote comprehensive economic development and stability prospects.⁹⁷

3.2.1- Ambitious reforms

After the 2014/2015 fiscal year, Sisi government implemented an ambitious economic reform plan. The motivation of the reforms was to prove to Egypt's regional and international partners and to the IMF that Egypt had a suitable technique in place to recalibrate and development the economy. Moreover, the main goal for the plan is to attract foreign direct investment.

⁹⁵ Mohamed Hamama, "Egypt's Health Sector in the Shadow of Devaluation: All Roads Lead to Ruin." Mada Masr. Accessed June 24, 2018. <https://www.madamasr.com/en/2017/03/24/feature/politics/egypts-health-sector-in-the-shadow-of-devaluation-all-roads-lead-to-ruin/>.

⁹⁶ "Egypt, Arab Rep. ." Egypt, Arab Rep. | Data. Accessed May 7, 2018. <http://data.worldbank.org/country/egypt-arab-rep?view=chart>.

⁹⁷ Adel Abbbdel Ghafar,15

Egypt GDP growth has averaged 2 %, As a result of political and economic instability since 2011. But still, there are some reasons for optimism, after several years of slow growth, three reasons behinds the newfound expectation of economic recovery. First, fiscal reforms have supported to control public finances. Second, the Egyptian pound flotation restrains the black market for foreign currency, and lifted the main restriction on foreign currency liquidity. Third, the giant Zohr field together with the booming development of Egypt's gas reserves, , can probably ensure the domestic supply of energy with potential for export market in the future as well improve the trade deficit.⁹⁸

The government through the subsidy reforms endeavors to reduce the public expenditure. Energy subsidies share 21 % of Egypt's total budget roughly 73 % of all subsidies.⁹⁹Evidently, the energy subsidies considered as a pillar for the poor people, however, the government acted in the opposite way with providing subsidies to higher incomes households, because they consume extra energy per capita.¹⁰⁰ As a part of the IMF reforms, the government raises the energy prices by up to 50 % in 2014,¹⁰¹ which is include electricity; gas and gasoline prices for both industrial and domestic consumption. Not only Energy but also water tariffs have increased by up to 50 %.¹⁰² Due to the fact, the

⁹⁸ Pascal Devaux, 'Egypt: Impressive Economic Transition with Strings Attached', BNP Paribas Economic Research, July-August 2017, Accessed June 4, 2018.

<http://economicresearch.bnpparibas.com/Views/DisplayPublication.aspx?type=document&IdPdf=30137>

⁹⁹ Castel Vincent, "Economic Brief - Reforming Energy Subsidies in Egypt." Accessed March 24, 2018.

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ECON_Vincent_notes_mars_2012_ECON_Vincent_notes_mars_2012.pdf.

¹⁰⁰ Castel Vincent

¹⁰¹ "UPDATE 3-Egypt Raises Fuel Prices by up to 50 Percent under IMF Deal." Reuters. June 29, 2017.

Accessed April 4, 2018. <https://www.reuters.com/article/egypt-economy-idUSL8N1JQ1G5>

¹⁰² Globalwaterintel.com. Accessed April 24, 2018. <https://www.globalwaterintel.com/news/2017/31/egypt-to-slash-subsidies-in-water-and-wastewater>.

purchasing power of poorer Egyptians has significantly decreased because of the flotation of the pound, and the subsidy reform.

3.2.2- Economic inequality

The wealth inequality gap is tremendous and keeps going as a result of the economic favoritism that has benefited aristocracy and Egyptian elites for decades. In line with the (IRIS) study, the wealth inequality ranked Egypt as the eighth worst in terms of wealth distribution.¹⁰³

3.2.3- Failure of traditional revenue streams

Tourist is Egyptian economy's major revenue however since 2011; the tourist numbers drove down due to a government crackdown on political dissidents and uncertainties of political instability. Moreover, Egypt fails to attract foreign investment which has seriously restrained economic process. Also, the project of the New Suez Canal didn't generate enormous increases in revenue as the government promised although the billions of dollars invested.¹⁰⁴

The new administrative capital project with an expected cost of \$300 billion,¹⁰⁵ has faced various challenges with a vast debate on whether or not such a new

¹⁰³ Egypt 2020: The Impact of Military Consolidation on Long-Term Resilience', IRIS, May 2017, Accessed April 24, 2018. <http://www.irisfrance.org/wp-content/uploads/2017/05/Obs-ProspHuma-EGYPT-2020-May-2017.pdf>.

¹⁰⁴ Ismael El-Kholy, 'One year on, are 'new' Suez Canal revenues sinking?' Al-Monitor, 10 August 2016. Accessed April 24, 2018 http://www.almonitor.com/pulse/en_US/originals/2016/08/egypt-suez-canal-expansion-project-anniversary-revenue.html

¹⁰⁵ Eric Knecht, "Egypt's Capital Project Hits Latest Snag as Chinese Pull out." Reuters. February 08, 2017. Accessed March 6, 2018. <https://www.reuters.com/article/egypt-china-construction/egypts-capital-project-hits-latest-snag-as-chinese-pull-out-idUSL5N1FT5IY>.

capital is essential, or whether Egypt would be injects this tremendous investment to improve the current infrastructure or to allocate in healthcare and education.¹⁰⁶

3.2.4- The economic role of the military

The military dominates the Egyptian policy and economy will keep a basic draw back that enhances corruption in addition to discrimination. the government purported to launch strategy that promotes entrepreneurship in hand with increasing (SMEs) projects and encourage everyone to participate in developing the economy. However, the Government acting in contradictory as in 2015, a new law has been issued by president el-Sisi which authorizes the military to establish firms with the contribution of foreign capital or domestic.¹⁰⁷ The law provides special standing and privileges to the military in the primarily economy due to its capability to maintain the production cost very low —conscripts with not paid used as a worker,¹⁰⁸ —that impose obstacles and difficulties for the private sector to vie. The economic reforms supposed to attract new foreign investment in Egypt; but in fact, they fall to engage with the economy structural, that hinder entrepreneurship and the private sector for improvement.¹⁰⁹

3.2.5- Youth unemployment

The rapid increase in unemployment rate has participated to a brain-drain that has led sharply to increase the number of Egyptians emigrating or legally

¹⁰⁶ Khaled Fahmy, "Chasing Mirages in the Desert." Cairoobserver. March 14, 2015. Accessed April 12, 2018. <http://cairoobserver.com/post/113543612414/chasing-mirages-in-the-desert>.

¹⁰⁷ Heba Saleh, "When the Egyptian Army Means Business." Financial Times. December 15, 2016. Accessed June 7, 2018. <https://www.ft.com/content/49b5d19a-bff6-11e6-9bca-2b93a6856354>.

¹⁰⁸ Jamal Boukhari

¹⁰⁹ Adel Abbbdel Ghafar,18

rule as ‘worse than [under] Mubarak’ with an increase in repressive measures.¹¹³ As well as a lot of youth activists who were at the head of the January 25th revolution, many stay imprisoned with a minimum due legal protections or process.

In line with the Amnesty International report in 2015 showed that Egypt’s 2011’s ‘Generation Protest’ had become 2015’s ‘Generation Jail’.¹¹⁴ In the same year, Human Rights Watch reported that since the revolution enormous numbers of those imprisoned have died in custody. the majority of those deaths happened beneath dubious circumstances and Egyptian jails are ‘bursting at the seams’ due to the extensive government quelling and crackdown on political dissent.¹¹⁵

3.3.2- Restrain freedom of expression

A new law in the media regulatory framework issued in 2016 by President el-Sisi the new law established three government- control decision-making bodies with comprehensive powers above licensing and content, with very little protection for the press.¹¹⁶

In a televised speech in 2016, President el-Sisi was harshly sincere concerning his opinion about different political views. He clearly confirmed: ‘Don’t listen to anyone but me’¹¹⁷. Since the 2011 revolution, Egypt ranked third worldwide for jailing journalists rate according to the Committee to Protect

¹¹³"Worse than Mubarak." The Economist. May 02, 2015. Accessed June 24, 2018.

<https://www.economist.com/middle-east-and-africa/2015/05/02/worse-than-mubarak>.

¹¹⁴ "Egypt: Generation Jail: Egypt's Youth Go from Protest to prison" Accessed June 11, 2018.

<https://www.amnesty.org/en/documents/mde12/1853/2015/en/>.

¹¹⁵ "Egypt: Rash of Deaths in Custody", Human Rights Watch, 21 January 2015. Accessed June 24, 2018.

<https://www.hrw.org/news/2015/01/21/egypt-rash-deaths-custody>

¹¹⁶ "Freedom of the Press 2017-Egypt Profile", Freedom House, accessed 22 August 2017. Accessed June 24, 2018.

<https://freedomhouse.org/report/freedom-press/2017/egypt>

¹¹⁷ "Don't Listen to Anyone but Me", Mada Masr, 24 February 2016. Accessed June 24, 2018.

<https://www.madamasr.com/en/2016/02/24/news/u/sisi-dont-listen-to-anyone-but-me/>

Journalists (CPJ), while the imprisonment of journalists continues to increase in Egypt.¹¹⁸

3.3.3- An Islamic insurgency

In Sinai, (ABM) Ansar Beit al-Maqdis group the IS-allied has carried out various attacks on Egypt's military and security forces. Extremist groups found Sinai a fertile ground to grow and activate, to some extent because the government ignore to develop and improve this area particularly in North Sinai and its lack of ability to secure the area's rugged terrain.¹¹⁹ So far, Egypt's military operation in Sinai has failed to eliminate the terrorism till now although the tremendous casualties and the long-term operation.¹²⁰ And still, terrorism Attacks increasing across the country not exclusively in Sinai, as many terrorist attacks that have occurred targeted The Coptic Christian community in Egypt.¹²¹

The revolution has economic consequences. Tourism, a major supply of foreign currency has been badly affected with a decline in the number of the tourists due to fears of terrorist act and instability. Travel warnings advising voters have been issued by several countries around the

¹¹⁸ "2016 Prison Census: 259 Journalists Jailed Worldwide", CPJ, accessed 21 August 2017. Accessed June 24, 2018. <https://cpj.org/imprisoned/2016.php>

¹¹⁹ Sahar Aziz, "De-securitizing Counterterrorism in the Sinai Peninsula", Brookings Institution, 30 April 2017. Accessed June 24, 2018. <https://www.brookings.edu/research/de-securitizing-counterterrorism-in-the-sinai-peninsula/>

¹²⁰ "Egypt is Failing to Stop the Insurgency in Sinai", The Economist, 6 April 2017. Accessed June 24, 2018. <https://www.economist.com/news/middle-east-and-africa/21720310-other-front-war-against-islamic-state-egypt-failing-stop>

¹²¹ H.A. Hellyer, "Why do Coptic Christians Keep Getting Attacked?" The Atlantic, 26 May 2017. Accessed June 24, 2018. <https://www.theatlantic.com/international/archive/2017/05/coptic-christians-egypt-attack/528330/>

world to rethink trip to Egypt, mainly North Sinai.¹²² The number of tourists visiting Egypt was sharply fallen from 14.7 million in 2010 to 9.3 million in 2015,¹²³ with drop from 7.7 % in 2010 to 3.2 % in 2016 in GDP contribution.

3.4- Environment and resource challenges

3.4.1- Pressure on water resources

Due to a number of factors Egypt's water supply expected to come under ever-greater stress. First, still there is an inefficient use of water for agricultural production. Second, the massive increase of population can mean less on the water supply per capita. Third, scarce downfall and high temperatures as sound effects of temperature change would force hyperbolic agricultural irrigation.¹²⁴ Fourth, an accrued manufacturing of waste and unprocessed industrial waste can cause a continuing deterioration in water quality.¹²⁵ All of those elements can share in bigger prices and a larger burden for Egypt's economy, so that Egypt needs to implement an urgent strategy to upgrades infrastructure for water delivery systems and agricultural.

Egypt shares around 55.5 billion m³ of water from the Nile River that is mainly used for agriculture (roughly 85.6 %). However, the Ethiopian Renaissance Dam can have an effect on the offered water provides flowing into

¹²² U.S. Department of State. Accessed May 5, 2018.

<https://travel.state.gov/content/travel/en/traveladvisories/traveladvisories/egypt-travel-advisory.html>.

¹²³ "Egypt Eyes Return to Pre-uprising Tourist Numbers: Minister." Reuters. March 07, 2017. Accessed May 25, 2018. <https://www.reuters.com/article/us-europe-tourism-egypt-idUSKBN16E2JB>.

¹²⁴ Mahmoud M. Fawaz and Sarhan A. Soliman, "The Potential Scenarios of the Impacts of Climate Change on Egyptian Resources and Agricultural Plant Production," *Open Journal of Applied Sciences* 06, no. 04 (2016): , doi:10.4236/ojapps.2016.64027.

¹²⁵ "Egypt's National Strategy for Adaptation to Climate Change and Disaster Risk Management." Grantham Research Institute on Climate Change and the Environment. Accessed May 25, 2018.

<http://www.lse.ac.uk/GranthamInstitute/law/egypts-national-strategy-for-adaptation-to-climate-change-and-disaster-risk-management/>.

Egypt — the dam currently under construction —. On the accurate impact of the dam on Egypt's water supplies, still there are no certain researches but some evaluations expected that water supply possibly will turn down by 25 %.¹²⁶. Obviously, the dam will affect Egypt's overall agricultural production, food security and will an impression on electricity production from the Aswan High Dam.¹²⁷ On the consequences of the dam, there is a potential for conflict between Egypt and Ethiopia within the next 10 years.¹²⁸

3.4.2- Increased energy needs

The demand for energy in Egypt is continue to increase especially with grows of the population along with it is scarce sources; Growing population in hand with energy shortage from time to time leads to blackouts, particularly in the summer months.¹²⁹ Egypt is extremely obsessed with petrochemicals combines with 88 % coming from gas and oil¹³⁰. So, the establishment of sustainable and renewable power sources such as hydro, wind and solar is the only solution.

¹²⁶ Jean-Daniel Stanley and Pablo Clemente, "Increased Land Subsidence and Sea-Level Rise are Submerging Egypt's Nile Delta Coastal Margin", *Geological Society of America Today* 27, no. 5 (May 2017): p.4-11. Accessed May 25, 2018. <http://www.geosociety.org/gsatoday/archive/27/5/abstract/GSATG312A.1.htm>

¹²⁷ Nagwa El-Agroudy, Fatima Ahmed Shafiq and Soheir Mokhtar, "The Impact of Establishing the Ethiopian Dam Renaissance on Egypt", Department of Agriculture Economic National Research Centre, Cairo, 13 January 2014. Accessed May 25, 2018. [https://www.textroad.com/pdf/JBASR/J.%20Basic.%20Appl.%20Sci.%20Res.,%20\(4\)1-5,%202014.pdf](https://www.textroad.com/pdf/JBASR/J.%20Basic.%20Appl.%20Sci.%20Res.,%20(4)1-5,%202014.pdf)

¹²⁸ Fred H. Lawson, "Egypt versus Ethiopia: The Conflict over the Nile Metastasizes," *The International Spectator* 52, no. 4 (2017): , doi:10.1080/03932729.2017.1333272.1-16.

¹²⁹ Andrew Burger, "Egypt's Renewable Energy Drive Gains Steam." *Renewable Energy World*. June 09, 2015. Accessed May 29, 2018. <http://www.renewableenergyworld.com/articles/2015/06/egypt-s-renewable-energy-drive-gains-steam.html>.

¹³⁰ Yng16peddieorg. "Egypt." 19 May 2016. Accessed May 29, 2018. <https://egyptngword.wordpress.com/>.

At the end of 2017, the giant Zohr gas field started the production, Egypt through Zohr gas field aiming to enhance and stabilize the domestic energy market and by 2020 become a net exporter.¹³¹ On the other hand, Egypt is looking for establishing nuclear energy capability which was a national dream since President Nasser, Russia will make it true and will build nuclear reactor.

3.4.3- Climate change

CAPMAS projections explain that the productivity of key agricultural crops in Egypt can face a decline in over the following 10 years.¹³² Moreover, Egypt will suffer from the impact of climate change in the next decades. The Nile Delta only about 1 meter above current sea levels which made it the most critically vulnerable area due to the sea levels rising. The northern part of the delta is already sinking at average of concerning 4 to 8 millimeter annually, the lands being at the moment scoured by the Mediterranean coastal because of compaction of strata underlying the plain, unstable motion and therefore the shortage of enough new sediment to re-nourish.¹³³

3.4.4- Pollution

In line with the WHO report, the greater Cairo experiences a number of the worst pollutions in the global.¹³⁴ Also, the report emphasized that air

¹³¹ EIU Digital Solutions. "Egypt." Egypt Energy: Analysis & Forecasts by The EIU - The Economist Intelligence Unit. Accessed October 29, 2018.

<http://country.eiu.com/ArticleIndustry.aspx?articleid=305669614&Country=Egypt&topic=Industry&subtopic=Energy>.

¹³² Capmas. Center for Mobilization and Statistics . 27 October 2017. Accessed May 25, 2018.

http://capmas.gov.eg/Pages/ShowHmeNewsPDF.aspx?page_id=/Admin/News/PressRelease/20172710591600.pdf&Type=News.

¹³³ Jean Daniel Stanley and Pablo Clemente, "Looming Crisis of the Much-Decreased Fresh-Water Supply to Egypt's Nile Delta." GSA News Releases - Contact. Accessed October 25, 2018.

<http://www.geosociety.org/GSA/News/Releases/GSA/News/pr/2017/17-11.aspx>.

¹³⁴ "WHO Global Urban Ambient Air Pollution Database (update 2016)." World Health Organization. June 26, 2017. Accessed May 25, 2018. http://www.who.int/phe/health_topics/outdoorair/databases/cities/en/.

pollution in the MENA region and Egypt overtakes the international average.¹³⁵ Egypt's air quality has worsened since 1992, as the World Bank remarks.¹³⁶ Additionally, the pollution in the River Nile has sharply increased with critical health problems for Egyptian.¹³⁷ However, high pollution levels can create a negative impact on economic development and the general public health system.

¹³⁵ "Environment ." Environment | Data. Accessed May 15, 2018.
<https://data.worldbank.org/topic/environment>.

¹³⁶ "PM2.5 Air Pollution, Mean Annual Exposure (micrograms per Cubic Meter)." PM2.5 Air Pollution, Mean Annual Exposure (micrograms per Cubic Meter) | Data. Accessed May 7, 2018.
<https://data.worldbank.org/indicator/EN.ATM.PM25.MC.M3>.

¹³⁷ "Egypt's Nile-borne Health Crisis." Middle East Eye. Accessed October 13, 2018.
<http://www.middleeasteye.net/in-depth/features/egypt-s-nile-borne-health-crisis-2047735604>.

Chapter III

BRI initiative

I. The significance of the BRI

1.1- The initiative announcement

The BRI is an ambitious proposal from China, aiming at shaping a platform for heterogeneous and win-win cooperation plus mutual development. In March 2015, China unveiled the Vision and Action Plan on the ‘Belt and Road’ Initiative (translated as ‘One Belt and One Road’ Initiative) to the world.¹³⁸ This Initiative is constituted by the ‘Silk Road Economic Belt’ (hereinafter ‘SREB’) and the ‘21st Century Maritime Silk Road’ (hereinafter ‘CMSR’). The SREB is supposed to start from Central Asia and Southern Asia, run through Western Asia and go all the way to Europe. The CMSR is designed to go in one route from China’s coast to Europe through the South China Sea and the Indian Ocean, and from the South China Sea to the South Pacific in the other. The BRI is grand, taking about 63% of the global population, 29% of the world’s economic output and 23.9% of the global export of goods and services.

in February 2015 during the leadership of Zhang Gaoli, The Leading cluster for Promoting the BRI was established and its office has been placed

¹³⁸ Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road, issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China, with State Council authorization, on 28 Mar. 2015. An English version can be found at http://news.xinhuanet.com/english/china/2015-03/28/c_134105858.htm (accessed 1 June. 2018). The Chronology of China’s Belt and Road Initiative can be found at http://www.chinadaily.com.cn/business/2015-03/28/content_19938124.htm (accessed 1 June. 2018).

under the National Development and Reform Commission, China's top macroeconomic management agency¹³⁹.in addition to the National Development and Reform Commission, the Ministry of Foreign Affairs and therefore the Ministry of Commerce are another two main ministries involved in the implementation of the BRI. Both the security apparatus and the military not involved in an important role in the BRI implementation.

1.2- **The logic of the initiative**

The BRI has become the focal point of China's national strategy. However, the objective of BRI is a subject highly debated by academia, think tanks, and public media while it's begun. Several scholars are explaining the BRI as China's new grand strategy with military aspirations and security aspects. This highlight on the geopolitical motivation and impacts of the BRI tends to come simultaneously with a zero-sum assessment of China's rise.¹⁴⁰ The Marshall Plan has typically been compared to the BRI and interpreted as a threat to U.S and Western hegemony.¹⁴¹

In order to understand the BRI logic, one necessary be aware of both domestic and global economy in which the initiative is embedded. Modern international relations studies stress those theories of world politics supposed to

¹³⁹ "China Sets up Leading Team on Belt and Road Initiative." China Sets up Leading Team on Belt and Road Initiative - Xinhua | English.news.cn. March 29, 2015. Accessed June 2, 2018. http://news.xinhuanet.com/english/2015-03/29/c_134107435.htm.

¹⁴⁰ Theresa Fallon, "Chinas Pivot to Europe." *American Foreign Policy Interests* 36, no. 3 (2014): 175-82. doi:10.1080/10803920.2014.925342.

¹⁴¹ Enda Curran, "China's Marshall Plan." Bloomberg.com. August 8, 2016. Accessed October 25, 2018. <https://www.bloomberg.com/news/articles/2016-08-07/china-s-marshall-plan>.

think about the interaction between international and domestic dynamics.¹⁴²As BRI policies can be interpreted as a result of games played between restriction from domestic institutions and society facing policy-makers in the domestic arena, additionally international constraints facing the international arena.

Due to its escalating weight in the global economy, Currently China doesn't have a purely domestic economic policy. In 2007, after decades of exceptionally sturdy economic growth China has become the world's second-largest economy. It conjointly became the world's second-largest importer and largest exporter. In 2015 investment in China was fourfold the level in Japan and exceeds investment in the U.S and the EU by 35 and 25%, respectively. Due to the vital role of the Chinese economy, it's not shocking that some massive domestic economic project in China might cause influence all over the worldwide economy in direct or indirect.¹⁴³

However, there has been a main shift in mentality in Chinese leaders' strategic thinking from a "small-country" to a "big country" particularly after the leadership change in 2012. Through this adjustment of mentality, Chinese policy-makers started to focus similarly on domestic and international markets by arranging domestic reforms in light-weight of worldviews. China's new leadership has realized that China has to harmonize with its major partners regarding the international consequences of China's rise. .¹⁴⁴

¹⁴² Dina A. Zinnes and James N. Rosenau, "Linkage Politics.," *Midwest Journal of Political Science* 14, no. 2 (1970): , doi:10.2307/2110204.

¹⁴³ Yuan Li, "CHINA'S BELT AND ROAD: A GAME CHANGER? - ISPI." Accessed June 25, 2018, 20.

http://www.ispionline.it/it/EBook/Rapporto_Cina_2017/China_Belt_Road_Game_Changer.pdf.

¹⁴⁴ Ibid,20

The ‘Belt and Road’ Initiative has become the focal point of China’s national strategy.¹⁴⁵ Domestically, it helps China to cope with the sluggish economic ‘New Normal’¹⁴⁶ by integrating China’s inland, northwestern and north-eastern regions into the forefronts of opening up and exporting China’s overproduction capacity to countries over the BRI. More important, internationally, it is China’s reply to the U.S pivoting to Asia¹⁴⁷ and promoting the Trans-Pacific Partnership Agreement (hereinafter ‘TPP’)¹⁴⁸ and the Transatlantic Trade and Investment Partnership (hereinafter ‘TTIP’).¹⁴⁹ China does not want to be marginalized in the world trade and investment system, therefore the ‘Belt and Road’ Initiative reaches out to the countries in the Central, Southern and Western Asia that are not included by the TPP or TTIP.¹⁵⁰ This Initiative may trigger the redistribution of powers in the world trade and investment system in the long run.¹⁵¹

¹⁴⁵ The BRI was written into the decision of the 3rd plenary session of CPC’s 18th Central Committee and became a national strategy and priority since 2014.

¹⁴⁶ After years of high GDP growth, in 2014, Chinese President Xi Jinping acknowledged that Chinese economy entered the so-called ‘New Normal’, which is a new economic era characterized by slower growth and painful restructuring. See Dan Steinbock, China’s New Normal, http://www.china.org.cn/opinion/2014-10/01/content_33648837.htm (accessed 1 June, 2018); Dhara Ranasinghe, A ‘New Normal’ in China: Here Is What It Means, <http://www.cnbc.com/2014/05/12/a-new-normal-in-china-heres-what-it-means.html> (accessed 1 June, 2018).

¹⁴⁷ Noah Feldman, *Cool War: The Future of Global Competition*. New York: Random House, 2013. Aaron Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*. New York: W.W. Norton &, 2011.

¹⁴⁸ "Explaining China's Tripartite Strategy Towards the Trans-Pacific Partnership (TPP) Agreement." *SSRN Electronic Journal*, 2015. doi:10.2139/ssrn.2579356,407

¹⁴⁹ "EU and US Free-trade Talks Launched - BBC News." February 13, 2013. Accessed June 2, 2018. <https://www.bbc.co.uk/news/business-21439945>.

¹⁵⁰ Xiangyang Li, "Recognizing the Global Economic Order's Restraint on China's Peaceful Development." 数字出版物超市-中国知网. Accessed June 2, 2018.

<http://mall.cnki.net/magazine/article/XDGJ201303014.htm>.

¹⁵¹ William W. Burke-White, "Power Shifts in International Law: Structural Realignment and Substantive Pluralism," *SSRN Electronic Journal*, 2014, , doi:10.2139/ssrn.2378912.

The BRI aims to integrate the development strategies of the participated countries to generate synergies and scale back the institutional barriers that prohibit investment and trade exchanges.¹⁵²

1.3- **What are BRI's strategic priorities?**

- Support China's "Go Global" policy
- Increase exports to BRI countries
- Promote industrial restructuring
- Strengthen China's geopolitical role
- Strengthen the RMB's global role
- Reduce industrial oversupply.¹⁵³

1.4- **"Vision and Actions"**

The BRI is expected to encourage engagement and collaboration in five areas:

- **policy coordination** between countries participating in the BRI, particularly in respect of economic development strategies and policies.
- **capacity building** through improvement of connectivity and harmonization of standards in transport, construction of port infrastructure, strengthening cooperation in science and technology, increase of platforms for cooperation and improvement of infrastructure in energy and civil aviation, and structure of cross-border communications networks;

¹⁵² Yuan Li, 22.

¹⁵³ "Belt & Road: Opportunity & Risk - Baker McKenzie." Accessed June 5, 2018. https://www.bakermckenzie.com/media/files/insight/publications/2017/10/beltroad/baker_mckenzie_belt_ro_ad_report_2017.pdf?la=en.

- **liberalization and facilitation of trade and investment** to lower trade barriers, improve transparency in technical trade measures and expand mutually beneficial investment, as well as to strengthen cooperation in emerging industries and industrial parks.
- **financial cooperation** building currency stability, finance frameworks and investment, credit data systems in Asia, encouraging industrial equity investment and private funds.
- **People-to-people exchange**, advancing cooperation in areas like student exchange, youth employment programmes, and training in entrepreneurship.

1.5- China's objectives for the BRI

- Enhancing Chinese exports of equipment and products, as well as its engineering and construction capabilities and technologies;
- Dominant logistics chains to support Chinese trade with Europe;
- Support economic convergence and more balanced development across China;
- Establishing a mechanism to escalate the use of the Renminbi (RMB), as a method of international payment;
- Creating additional overland energy routes to supply oil and gas from Southeast Asia, Central Asia, and Pakistan;¹⁵⁴

Who are the key players to-date?

¹⁵⁴ "The New Silk Route – Opportunities and Challenges for EU Transport." Research4Committees. June 22, 2018. Accessed September 2, 2018. <https://research4committees.blog/2018/01/16/the-new-silk-route-opportunities-and-challenges-for-eu-transport/>.

Chinese government statements point out that Fifty Chinese SOEs have invested or participated in almost 1,700 projects in the participated countries region over the past three years. Major players include: China Communications Construction, China State Construction Engineering, Power China, Sinomach China Railway Construction Corporation, China Railway Group, CNPC, and State Grid

Who are the major financiers?

There are two major financiers. First, (Financiers of Chinese companies) Chinese policy banks: China Development Bank, the Export-Import Bank of China, and Silk Road Fund: Established in 2014 with USD 40 billion of initial total capital. Second, (Financiers of projects in BRI countries) Asian Infrastructure Development Bank (AIIB): Established in 2015 with USD 100 billion of initial total capital. And New Development Bank: Established in 2014 by the BRIC countries.

China will not fully fund BRI. By 2030, we expect that over half of BRI-related projects will be funded by multilateral banks, private capital, and foreign governments.¹⁵⁵

1.6- **Countries participating in the BRI**

<u>East Asia</u>	China, Mongolia
<u>Southeast Asia</u>	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam

¹⁵⁵ "Belt & Road: Opportunity & Risk - Baker McKenzie." Accessed June 5, 2018. https://www.bakermckenzie.com/media/files/insight/publications/2017/10/beltroad/baker_mckenzie_belt_ro_ad_report_2017.pdf?la=en.

<u>South Asia</u>	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
<u>Central Asia</u>	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
<u>Middle East and North Africa</u>	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syria, United Arab Emirates, Yemen
<u>Europe</u>	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine ¹⁵⁶

II - The BRI and China's Foreign policy

2.1- The BRI as China's Major Foreign Policy

We have to take into consideration that around three-fourths of the world's population involved in BRI with 40% of world GDP.¹⁵⁷ The implementation of BRI can more strengthen economic integration between Asia and Europe. However, the current international geopolitical atmosphere, particularly in U.S. and EU, has raised serious challenges to globalization. With President Trump actions such as withdrawal from (TPP), protectionist trade policies, immigration restrictions, China U.S. trade war, and his threatened to pull back from the UN and NATO. All this factors have ignited concrete doubts on the American

¹⁵⁶ "The Belt and Road Initiative." LehmanBrown. Accessed June 5, 2018. <https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/>.

¹⁵⁷ Enda Curran.

hegemony at the long run. We are witnessing a historical turning purpose with a tremendous risk that globalization goes into reverse.¹⁵⁸

In fact, China has defended globalization and boost new multilateralism at a series of global summits.¹⁵⁹ Yet, China continues to be a developing country with a solely common fraction of the US's GDP per capita. China hasn't power or duty to lead and defend globalization alone. The role of Europe as a partner is very important. The BRI is an open proposal from China to Europe to forge a platform for mutual cooperation. The historical responsibility of Europe is to form multilateralism prevail once more. Consequently, China and Europe ought to build advanced property, and multiple cooperation for mutual advantages.

People-to-people bond is a determinant social factor in gathering the public support required for the implementation of the initiative. As the action plan states, "friendly cooperation" consists in promoting cultural exchange among students, and expanding the scale of tourism by simplifying visa application procedures along the BRI countries. Moreover, it aims to strengthen the cooperation of science and technology and encourage research and forums through the creation of think tanks.¹⁶⁰

Zhong Sheng highlighted that BRI doesn't aim to create a mechanism that is "closed, rigid, or anti-foreign" and doesn't aspire to dominate regional affairs establishing a sphere of influence. Actually, he underline that "the BRI is not a

¹⁵⁸ Yuan Li,13

¹⁵⁹ Jinping, Xi. "President Xi's Speech to Davos in Full." World Economic Forum. Accessed May 25, 2018. <https://www.weforum.org/agenda/2017/01/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>.

¹⁶⁰ "National Development and Reform Commission (NDRC) People's Republic of China." Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. March 28, 2015. Accessed June 5, 2018. http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

Chinese matter, but a joint undertaking of all the countries concerned. It is not China's private interests' belt, but it where the nations share interests"¹⁶¹

Li Ziguo emphasize on the importance of the BRI in nurturing the development of less developed western provinces in China, by involving them to the wealthy eastern provinces. As he argues, the BRI initiative "will turn the western interior into the frontier in opening up to the world, development opportunities in the central and western regions will increase, and new growth points will emerge".¹⁶² Foreign Minister Wang Yi¹⁶³ holds that China seeks equal-footed consultation and grants no interference in the decision-making of other countries. He further maintains that the initiative "is based on transparency and openness", and it complements the existing regional cooperation mechanism.

2.2- BRI Internal and External Challenges

The BRI is a very ambitious project with a huge potential in terms of economic growth and political stability. This enormous project additionally includes internal and external challenges that would backfire, aggravating "blind development" and political destabilization¹⁶⁴

The first challenge is that BRI initiative could change China's major trends policy, shifting the interest on westward continental overture at the expense of coastal China, taking into consideration a strong interdependence between

¹⁶¹ Zhong Sheng, "Writing a New Chapter on the Silk Road," *People's Daily*, June 28, 2014

¹⁶² Li Ziguo, Deputy Director of One Belt and One Road Studies Center of Ministry of Foreign Affairs Institute for International Studies, in Huangfu Pingli and Wang Jianjun, "How to Play Well the One Belt and One Road Symphony."

¹⁶³ "Foreign Minister Wang Yi Meets the Press," The Third Session of the Twelfth National People's Congress, March 8, 2015.

¹⁶⁴ Zhang Yunling, "Analysis says One Belt One Road Faces Five Challenges," *Xiaotang Caizhi*, 23 March 2015.32

coastal China and the global economy. This risk consists of the unpredictability of promoting westward policies.

The second challenge is the lack of coordination under the BRI initiative. The Chinese local and provincial governments participated in BRI economic opportunities start pouring substantial subsidies into new initiatives without coordinating themselves. The rush to implement these projects could seriously lead to “duplication and wastage”.

The third challenge lies in the risk of dealing with private funding firms that face financial distress under BRI initiatives. For example, private funding companies such as the “Maritime Silk Road Investment Fund Management Centre”¹⁶⁵ could constitute a risk as “private companies could require public support if [they] should find itself in financial distress”.¹⁶⁶

The fourth challenge for the foreign policy the risk lies in opposition parties in China’s neighboring countries could use the BRI initiative as mean to stir up protests, pointing at China’s interferences in their domestic affairs. For the economic field, consists of in the provision of huge amount of financial resources to low-return projects and high-risk countries, causing excessive reliance on public financing and state-owned enterprises.¹⁶⁷

¹⁶⁵ The “Maritime Silk Road Investment Fund Management Centre”, a private capital company, is planning to set up a “Maritime Silk Road Bank” with \$100 billion in assets to invest in projects in countries, regions, and cities along the routes.

¹⁶⁶ Tang Yiru, “Where does the money come from for the One Belt One Road? Geopolitical risks cannot be ignored,” *Guoji Jinrong Bao*, 9 February 2015.33

¹⁶⁷ “China’s New Opening Up Policy: The One Belt One Road Initiative” Accessed July 5, 2018. https://tesi.luiss.it/17970/1/625102_PASSALACQUA_CLAUDIO_CHR.pdf.

2.3- **BRI Security Implications**

Li Xiangyang¹⁶⁸ emphasized on the importance of establishing a community of destiny to secure BRI cooperation in non-economic fields. Li Xiangyang stresses on the essential of realizing the following “four links.” The first link consists of ensuring the security transport routes with a special focus on the Maritime Silk Road; protective sea-lane security implies non-traditional security cooperation like “jointly combating piracy, joint sea rescue work, and multinational joint law enforcement”. The second link regards the strengthening of antiterrorism cooperation at a regional level, “terrorism is the tumor in the political stability and economic development of many countries along the BRI route, and is also the major hindrance to regional cooperation.” The third link emphasizes the need for establishing a settlement mechanism designed to resolve territorial disputes in the region. The fourth link advocates the significance of creating a mechanism for joint exploitation of marine resources in light of unsettled territorial and sea disputes.¹⁶⁹

U.S considers BRI overseas bases as a means to improve China’s sphere of influence and brings smaller countries under China’s sphere of influence. This point of view lies in Booz Allen Hamilton’s String of Pearl’s theory, arguing that China could turn its maritime infrastructure into military bases. The strategic position of these bases could expand China’s sphere of influence and encircle India, securing safe passages through the Strait of Malacca.¹⁷⁰ As the Chinese perspective points out, China knows that establishing good relations with its

¹⁶⁸ Director of CASS Asia-Pacific and Global Strategic Studies Institute

¹⁶⁹ “China’s New Opening Up Policy: The One Belt One Road Initiative” Accessed July 5, 2018. https://tesi.luiss.it/17970/1/625102_PASSALACQUA_CLAUDIO_CHR.pdf.

¹⁷⁰ Virginia Marantidou, “Revisiting China’s ‘String of Pearls Strategy: Places ‘with Chinese Characteristics’ and their Security Implications,” *Issues and Insights* 14, no. 7 (2014): 8

neighboring countries along the sea routes is of key strategic importance for the creation of the BRI initiative¹⁷¹

2.3.1 **Is the BRI a Chinese Version of the Marshall Plan?**

U.S. perspective and many observers activates a comparison between the U.S. funded Marshal Plan and the BRI.¹⁷²

There are evident differences between the BRI initiative and the Marshal plan in terms of background, content, and aim. Starting from the background, the Marshal Plan unleashed the ideological confrontation between the U.S and the Soviet Union, preventing communist parties in Western Europe from getting into power during the postwar period. Differently, the BRI does not entail this ideological aspect, originating from a global need to promote growth and establishing peace and security.¹⁷³

The Marshal Plan was mainly a recovery program aimed toward providing West European economies with financial support. Differently, the BRI aims to share the production capacity of high quality among the parties involved in the project. While the Marshal plan was as a “one-way export”, the BRI consists in “jointly discussing investment projects, building infrastructure, and sharing the achievements of cooperation”.¹⁷⁴

Focusing on the designed goals of both initiatives, the Marshal Plan mainly worked as a strategic tool to keep the European market under its influence.

¹⁷¹ Morgan Clemens, “The Maritime Silk Road and the PLA: Part Two,” *China Brief* 15, no. 7 (April 8, 2015)

¹⁷² Ben Simpfendorfer, "Beijing's 'Marshall Plan'." *The New York Times*. November 03, 2009. Accessed July 25, 2018. <https://www.nytimes.com/2009/11/04/opinion/04iht-edsimpendorfer.html>

¹⁷³ "China's New Opening Up Policy: The One Belt One Road Initiative" Accessed July 5, 2018. https://tesi.luiss.it/17970/1/625102_PASSALACQUA_CLAUDIO_CHR.pdf.

¹⁷⁴ Wang Yiwei, “China’s New Silk Road: A Case Study in EU-China Relations”. *ISPI*, Milano 2015 (Xi’s policy gambles: the Bumby Road Ahead)

The Marshall plan was based on strict political conditions that excluded all those countries in favor of the Soviet Union. By comparison, the BRI undertaking does not carry any strategic intent and does not place any political condition on countries taking part in the initiative.

China's BRI clearly differs from U.S. Marshall Plan in several ways. First, the BRI is open and inclusive, welcoming all countries to take part in the project. In line with this, the initiative does not possess any ideological background and does not impose any political restrictions. Second, China does not seek hegemony in the international system (as the U.S. did through the creation of the Bretton Woods system), calling for "multipolarization and equal consultations on all international matters".¹⁷⁵ Last, the BRI¹⁷⁶ is designed to be a long-term initiative rather than a contingent fiscal plan such as the Marshall Plan.¹⁷⁷

But maybe the situation is different in the Middle East, If Beijing's BRI strategy comes to fruition, it will be a catalyst for shifting power alliances and the changing fortunes of nation states. First, China desires to play an additional important role in security issues within the Middle East, to point out its responsibilities and capabilities as a rising power. Second, China conjointly hopes to obtain economic and cultural profits from its interactions with the Middle East.¹⁷⁸

¹⁷⁵ Wang Shang, "Commentary: Chinese Marshall Plan Analogy Reveals Ignorance, Ulterior Intentions." Commentary: Chinese Marshall Plan Analogy Reveals Ignorance, Ulterior Intentions - Xinhua | English.news.cn. March 11, 2015. Accessed July 5, 2018. http://www.xinhuanet.com/english/2015-03/11/c_134057346.htm.

¹⁷⁶ The Marshall plan endured four fiscal years and allocated \$ 13 billion in different forms among West European countries through the Organization for Economic Cooperation and Development (OECD)

¹⁷⁷ The Marshall plan (European Recovery Program, ERP) lasted four years from 1948-1952

¹⁷⁸ Xue Li and Zheng Yuwen, "The Future of China's Diplomacy in the Middle East." The Diplomat. July 29, 2016. Accessed July 5, 2018. <https://thediplomat.com/2016/07/the-future-of-chinas-diplomacy-in-the-middle-east/>.

Some see China's growing role in MENA region as signs of an opportunistic long game to fill the "vacuum" left there by the United States under the Obama and Trump administrations. However, these actions are more accurately understood as incremental steps that represent a deepening investment in a strategic region—not necessarily a Chinese plan for an activist engagement in the Middle East.¹⁷⁹

2.4- **BRI and IR theories**

As China continues to push investments and enhancing its economic ties in the region, Asian countries and the main powers in the international community began to enquire concerning China's motivations behind the BRI. These motivations may be analyzed through IR theories: liberalism and realism. On one hand, the liberal analysis holds that China is attending to establish a positive total game in which all countries will reciprocally profit through stronger infrastructure connectivity, increased trade, and new financial institutions. On the other hand, realist argues that China's BRI may be a veiled try to establish regional dominance, create opportunities to convert harbors into overseas bases along the Indian Ocean, and challenge the international order.¹⁸⁰

2.4.1- **The BRI through a Realist lens**

The realist believes that there are important pieces of evidence that support the inspection of China orchestrating a grand strategy. In line with the realist analysis, the BRI and its infrastructure developments improve solely China's national interest. Second, the BRI project permits China to bring south Asian countries underneath its sphere of influence, establishing regional hegemony.

¹⁷⁹ Lily Hindy, "A Rising China Eyes the Middle East." The Century Foundation. April 06, 2017. Accessed July 5, 2018. <https://tcf.org/content/report/rising-china-eyes-middle-east/>.

¹⁸⁰ "China's New Opening Up Policy: The One Belt One Road Initiative" Accessed July 5, 2018. https://tesi.luiss.it/17970/1/625102_PASSALACQUA_CLAUDIO_CHR.pdf.

Third, the BRI through its new institutions- the AIIB and SRF- seek to challenge the Bretton Woods international system. Ranging from the first assumption, realists underline that BRI superior investment in South Asia mirror China's increasing necessitates for natural resources.

China's demand for imported oil, natural gas, and coal is expected to rise by 60% by 2010 and 2035.¹⁸¹ So that, China is functioning on securing supply lines connecting China to the Middle East and Africa Specifically, China is attempting through extra-economic corridors to beat the Strait of Malacca since whoever controls that strait be able to exercise a stronghold on China's supply energy lines. Through a realist lens, China's vision of diversifying supply lines aims to advance solely Chinese national interest instead of promoting domestic growth in its neighboring countries.

Nevertheless, China's strategic actions in securing supply lines don't totally support the realist position unless there are clear pieces of evidence that Chinese-led infrastructures exploit countries' economies collaborating within the BRI project¹⁸²

According to this view, China is attempting through its infrastructures developments to expand its sphere of influence in South Asia, dictating economic and political policies. In keeping with this read, the BRI and its economic corridors act as a strategy to form South Asian countries economically and politically dependent from China¹⁸³

Additionally, India is worried that China's initiatives could interfere in its sphere of influences. Indeed, China has succeeded in surpassing India in trade

¹⁸¹ Jeff M. Smith, *Cold Peace - China-india Rivalry in the Twenty-first Century*. Lexington Books, 2015. 146.

¹⁸² Ibid,147

¹⁸³ John W. Garver, "Development of Chinas Overland Transportation Links with Central, South-west and South Asia." *The China Quarterly* 185, no. -1 (2006): 1. doi:10.1017/s0305741006000026.1-22.

relations with Pakistan, Bangladesh, and Burma, enjoying good economic relations with nearly all countries. Furthermore, realists argue that China is supporting countries that could challenge India's economically. According to this assumption, Beijing's robust relationship with Pakistan enables it to restrain India's influence in the region.¹⁸⁴ Moving to the worldwide level, China's recently conceived financial institutions, the AIIB and the SRF, represent through a realist lens a challenge to the established order of the international system. Additionally, the incapability of providing adequate funds in the region by Japan and U.S. led ADB, pressed China to arise with a multilateral solution.¹⁸⁵

2.4.2- The BRI through a Liberal lens

China has declared to seek economic growth and modernization through peaceful developments since its opening policy in 1978. The launch of the BRI initiative in the region reaffirms this strategic choice, seeking to create a multilateral infrastructure framework that promotes economic integration, mutual cooperation, and a win-win environment.

The first assumption lies in China's need to rebalance its economy by creating stronger economic ties between the wealthy eastern provinces and the less developed western ones as well as with its neighboring countries. The BRI would correct these economic disparities by connecting China to its neighboring countries through the western provinces. Although the realist considers the BRI as

¹⁸⁴ Srinath Raghavan, "Stability in Southern Asia: India's Perspective," in *Crux of Asia: China, India, and the Emerging Global Order*, ed. Ashley J. Tellis and San Mirski (Washington, DC: Carnegie Endowment for International Peace, 2013), 139.

¹⁸⁵ Don Rodney Ong Junio, "Asian Infrastructure Investment Bank: An Idea Whose Time Has Come?" *The Diplomat*. December 04, 2014. Accessed June 25, 2018. <https://thediplomat.com/2014/12/asian-infrastructure-investment-bank-an-idea-whose-time-has-come/>.

an attempt to precede only China's national interest, past and recent evidence show a different view of China's intentions.

China has always adopted a noninterference/ mutual respect policy towards its neighboring countries, recognizing the importance of refraining itself from interfering in domestic affairs of other countries. Besides, China has dynamically supported its neighboring countries by providing economic assistance in terms of infrastructure developments.

In particular, China has invested significant resources in the constructions of ports in Sri Lanka and Bangladesh, providing both countries with fundamental infrastructures designed to strengthen regional integration and promote mutual growth. As the data show, a significant rise in trade occurred between China and its neighboring countries, accounting for \$45 billion in trade.¹⁸⁶

The second liberal view sees the BRI as a tool to increase economic integration through the infrastructure developments. The BRI initiative has the potentials to establish new economic corridors and give the possibility of including China into South Asian organizations such as the South Asian Association for Regional Cooperation (SAARC).

The involvement of China in multilateral organizations may facilitate overcome geopolitical frictions between India and China; gap the trail to new economic corridors under the BRI project. Although these positive trends, India continues to be avoided obtaining concerned during this project, stall any initiative that might more expand China's influence within the region.

¹⁸⁶ Nargiza Salidjanova, Jacob Koch Weser, and Jason Klanderma, "China's Economic Ties with ASEAN: A Country-by-Country ..." March 17, 2015. Accessed July 5, 2018. [https://www.uscc.gov/sites/default/files/Research/China's Economic Ties with ASEAN.pdf](https://www.uscc.gov/sites/default/files/Research/China's%20Economic%20Ties%20with%20ASEAN.pdf).

On its behalf, China must realize a typical ground with India, demonstrating that the BRI doesn't clash against India's own Act Easy policy.¹⁸⁷

Moving to the third assumption, the liberal perspective maintains that the BRI with its newly conceived financial institutions, the AIIB and SRF, seek to beneficially complement the international system by encouraging reforms. The financial engines of the BRI require evidences that support the liberal agenda.

First, the AIIB doesn't confront the international system but rather it modernizes it, by introducing new efficient institutions into the international order. The AIIB presented itself as solution to the lack of developing countries' international recognition, allowing emerging countries to actively take part in this institution and providing fair economic conditions to loans.

Second, China has strained itself to a vote supported equal share among the founding members that almost represents all the South Asian countries, by creating a multilateral system.

Last, the AIIB is open to any country interested in taking part in the project, discrediting the idea that China and the United States will fall into the Thucydides trap.¹⁸⁸

The Chinese perspective based on liberal assumptions demonstrates that China increased military presence in the region is limited to provide a safe endeavor for the Chinese-led construction maritime facilities. As a spokesperson

¹⁸⁷ Ashlyn Anderson and Alyssa Ayres, "Economics of Influence: China and India in South Asia." Council on Foreign Relations. August 3, 2015. Accessed June 6, 2018. <https://www.cfr.org/expert-brief/economics-influence-china-and-india-south-asia>.

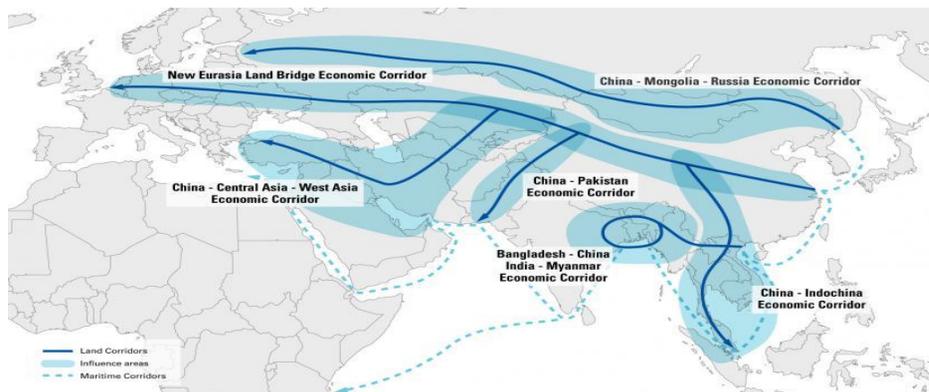
¹⁸⁸ "China's New Opening Up Policy: The One Belt One Road Initiative" Accessed July 5, 201.26. https://tesi.luiss.it/17970/1/625102_PASSALACQUA_CLAUDIO_CHR.pdf.

for the PRC Defense Ministry openly stated, China “has not built any military bases overseas” and does not seek hegemony or military expansion.¹⁸⁹

III The BRI Dimension

3.1 The Dimension of the OBOR initiative

3.1.1 The Corridors - BRI's six trade corridors – opportunities for investment



Source: <https://www.iru.org/where-we-work/iru-in-eurasia-and-russia/new-eurasian-land-transport-initiative-nelti>

1- China-Indochina Peninsular Economic Corridor (CIPEC) ACTIVE

This corridor is from the Pearl River Delta and goes west along the Nanchong-Guang’an Expressway and Nanning-Guangzhou high-speed railway via Nanning and Pingxiang to Hanoi and Singapore. It connected China with the

¹⁸⁹ China Hasn’t Any Overseas Military Bases: Spokesperson. May 26, 2015. Accessed June 6, 2018. <http://www.ecns.cn/2015/05-26/166913.shtml>.

Indochina peninsula and goes through Vietnam, Laos, Cambodia, Thailand, Myanmar, and Malaysia.¹⁹⁰

The nine highways connecting the Greater Mekong Subregion (GMS) interconnect with the ‘North-South Economic Corridor’, ‘East-West Economic Corridor’ and ‘Southern Economic Corridor’, and form a backbone of the GMS transportation infrastructure. These three main economic corridors will combine trade with infrastructure development, investment and other economic opportunities of the GMS countries.

In December 2014, During the Fifth Leaders Meeting on Greater Mekong Sub-regional Economic Co-operation Chinese Premier Li Keqiang recommends three suggestions with regard to deepening the relations between China and the Indochina Peninsula. Countries in these were:

- (1) To conjointly arrange and build an intensive transportation network, likewise a variety of industrial co-operation projects;
 - (2) To form an innovative mode of co-operation for fundraising;
 - (3) To encourage sustainable and co-ordinated socio-economic development.
- Currently, the countries along the Greater Mekong River are constructing nine cross-national highways, linking east to west, and connecting north to south.¹⁹¹

On the other hand, Within this corridor there are many plans for Air route expansion and integration ASEAN and China have already made a deal to allow

¹⁹⁰ "The Belt and Road Initiative." LehmanBrown. Accessed June 5, 2018. 7
<https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/>.

¹⁹¹ ipex instituto de promoción exterior de castilla la mancha. . September 30, 2015. Accessed June 6, 2018.
http://ipex.castillalamancha.es/sites/ipex.castillalamancha.es/files/newsletter/noviembre2015/docs/noticia_12.pdf

Chinese airplanes to use ASEAN gateway city airports. Plus the ASEAN ‘open skies policy’.

2- China - Bangladesh -India-Myanmar Economic Corridor SEMI- ACTIVE

This route includes the four countries mentioned the main part of the corridor is a 2,800-km route running as follows; Kolkata-Dhaka-Mandalay-Kunming. It will include a variety of a chain of railways, motorways, airways, waterways and telecom networks.¹⁹²

Total trade of the four countries reached USD 4,712 billion in 2015; while intra BCIM trade with USD 205 billion. However, India’s exports to China are large, representing 7.2% of India’s total exports. Myanmar’s exports to India and China are quite important – the two countries are Myanmar’s first and third largest trading partners in 2015 respectively. On the import part, China is an important source for all 3 countries within the corridor, as is India to associate degree extent.¹⁹³

Within this corridor, the trade between countries grew by 303% in the last 10 years. Among the four countries, there are some common products that are exported to each other including textiles, apparels, raw materials like copper, iron and steel, and motorcycles.

3- China-Pakistan Economic Corridor ACTIVE

¹⁹² "The Belt and Road Initiative." LehmanBrown. Accessed June 5, 2018. 10
<https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/>.

¹⁹³ Bala Ramasamy, Matthew Yeung, Chorthip Utoktham and Yann Duval, "Trade and Trade Facilitation along the Belt and Road." 2017. Accessed June 10, 2018.
<https://www.unescap.org/sites/default/files/AWP172.pdf>.

This Corridor is 3000 kilometers long and starts in Kashgar ending in Gwadar, linking the Silk Road Economic Belt within the North and therefore the 21st Century Maritime Silk Road within the South.¹⁹⁴

China-Pakistan Economic Corridor (CPEC) is a planned corridor constituting an array of different energy projects, transportation/infrastructure networks, and economic free zones within Pakistan.¹⁹⁵

The largest element of CPEC deals with Pakistan's energy sector. A total of \$ 33 billion – or approximately 72 percent – of the proposed \$46 billion investment relates to energy-resource development, including gas and electricity generation through natural resources such as coal.¹⁹⁶ A further \$2.5 billion is additionally dedicated to the construction of pipelines for transporting liquefied natural gas (LNG) from Iran to the cities of Nawabshah (Sindh) and Gwadar (Balochistan).¹⁹⁷

4- China-Central Asia-West Asia Economic Corridor ACTIVE

This corridor starts from Xinjiang to Alashankou to the railways of Central and West Asia to the Mediterranean Coast and ending within the Arabian Peninsula. The corridor generally covers; Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan in Central Asia and Iran and Turkey in West Asia (although in total including 17 countries in West Asia). This corridor mainly

¹⁹⁴ "The Belt and Road Initiative." LehmanBrown. Accessed June 5, 2018. 7

<https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/>.

¹⁹⁵ Saeed Shah, "China's Xi Jinping Launches Investment Deal in Pakistan." The Wall Street Journal. April 20, 2015. Accessed June 11, 2018. <https://www.wsj.com/articles/chinas-xi-jinping-set-to-launch-investment-deal-in-pakistan-1429533767>.

¹⁹⁶ Ahmad Rashid Malik, "A Miracle on the Indus River?" The Diplomat, December 7, 2015. Accessed June 11, 2018. <http://thediplomat.com/2015/12/a-miracle-on-the-indus-river/>.

¹⁹⁷ Saeed Shah, "China to Build Pipeline from Iran to Pakistan," The Wall Street Journal, April 9, 2015, <http://www.wsj.com/articles/china-to-build-pipeline-from-iran-to-pakistan-1428515277>.

follows the trail of the Ancient Silk Road.¹⁹⁸ CCWAEC requires China to coordinate with actors in six states of varying levels of development and political stability to emphasize the disparity among the states in this corridor.

This corridor has two endpoints: Iran, (a significant source of energy), and Turkey, (entrance to European markets). The prospective economic benefits of this corridor are significant, and it is in China's interests to see a stable political and economic environment in the four Central Asian states that link it to Turkey and Iran. As more Chinese funding for BRI projects in Central Asia ought to be expected.¹⁹⁹

One anxiety with policy harmonization is the issue of political trust. While Sino-Iranian ties are well established, China and Turkey have modest in the way of a shared cooperative history. A tension in Xinjiang with China's Uighur population presents possible stress purpose in its relations with Turkey. Central Asian states are also reluctant to become too dependent on relations with China, with the priority that the quantity of Chinese trade creates potential political influence, a concern for countries that have a long history of being dominated by larger neighbors. For China's side, the Central Asian states are seen as susceptible to radical Islam and terrorism, and a base for Uighur separatists.²⁰⁰ The bombing

¹⁹⁸ "The Belt and Road Initiative." LehmanBrown. Accessed June 5, 2018. 7

<https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/>.

¹⁹⁹ Jonathan David Fulton, "AN ANALYSIS OF TWO CORRIDORS IN CHINA'S ONE BELT ONE ROAD INITIATIVE: CHINA-PAKISTAN AND CHINA CENTRAL-WEST ASIA," November 2016. Accessed June 12,

2018. https://www.researchgate.net/publication/319900179_AN_ANALYSIS_OF_TWO_CORRIDORS_IN_CHINA'S_ONE_BELT_ONE_ROAD_INITIATIVE_CHINA-PAKISTAN_AND_CHINA_CENTRAL-WEST_ASIA.

²⁰⁰ Laura Zhou, "As China Takes Greater Stake in Central Asia, Rewards Bring Their Own Risk." South China Morning Post. September 23, 2016. Accessed July 16, 2018.

<http://www.scmp.com/news/china/diplomacy-defence/article/2022129/china-takes-greater-stake-central-asia-rewards-bring>.

embassy in Bishkek underlines the Chinese concern of security threats within the region.

5- The New Eurasia Land Bridge ACTIVE

This corridor will take the form of a global railway line from China's Jiangsu province primarily during a horizontal line west to Rotterdam in Holland. According to plans it'll be 11,800 km long and can serve over 30 countries. On this corridor, China opened four freight train routes. These contain a route from Chongqing to Duisburg (Germany), a direct route from Wuhan to Mělník to Pardubice (Czech Republic), a route from Chengdu to Lodz (Poland) and one from Zhengzhou to Hamburg (Germany). Additionally, on these routes, China has issued the policy "one declaration, one inspection, one cargo release" to enhance potency and ease.²⁰¹

6- China-Mongolia-Russia Economic Corridor SEMI-ACTIVE

The corridor based on the integration of existing Chinese, Mongolian and Russian regional development strategies. The corridor is designed to support cross-border road and rail links among the three countries. Moreover, the corridor focused on two major routes; First: Beijing-Tianjin-Hebei region-Hohhot-Mongolia-Russia. Second: Dailan-Shenyang-Changchun-Harbin and Manzhouli to Russia's city Chita.

The first meeting of the three countries leaders was on September 11th, 2014; President Xi Jinping anticipated making joint efforts to build a Silk Road Economic Zone, which is highlighting the Silk Road Economic Zone with

²⁰¹ "The Belt and Road Initiative." LehmanBrown. Accessed June 5, 2018. 7
[https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/.](https://www.lehmanbrown.com/insights-newsletter/belt-road-initiative/)

Russia's through the Eurasian Railway and Mongolia's Grassland Plan, additionally building a China-Mongolia-Russia Economic Corridor.²⁰²

3.2. - **Key Port Cities:**

- 1- Kuantan (Malaysia) 2- Kyaukpyu (Myanmar) 3- Jakarta and Batam Island (Indonesia) 4- Colombo and Hambantota (Sri Lanka) 5- Gwadar (Pakistan) 6- Djibouti (near red sea) 7- Mombasa (Kenya) 8- Piraeus (Greece)

Through this chapter, we will spotlight only on two ports cities, Djibouti (near red sea) port and Gwadar (Pakistan) port.

3.2.1- **Djibouti port**

To describe its new naval strategy the Chinese government in 2015, officially used the expression “near seas defense, far seas protection” for the first time. The “far seas protection” that refers to the Chinese navy's responsibilities to guard China's interests abroad.

In 1979 China and Djibouti established first diplomatic relations. In November 2015, China built its first overseas military facility in Djibouti that is additionally home to the most important U.S. military base in Africa. This military base facility indicates that Beijing sees a semi-permanent role for its military in protective Chinese interests overseas.²⁰³

In recent years China and Djibouti's relationship has reinforced as a result of security ambitions and complementary economic between the two countries.

²⁰² X. Zhang and S. Zhang, "China-Mongolia-Russia Economic Corridor and Environmental Protection Cooperation." *R-economy* 3, no. 3 (2017): 161-66. doi:10.15826/recon.2017.3.3.018.p3.

²⁰³ Erica Downs, Jeffrey Becker, and Patrick DeGategno, "China's Military Support Facility in Djibouti: The ..." July 2017. Accessed August 6, 2018.p. 8. https://www.cna.org/CNA_files/PDF/DIM-2017-U-015308-Final2.pdf.

Djibouti could be a small, generally barren country on the Horn of Africa. Geography is its main source of competitive advantage. Djibouti government seeks to maximize its location on one of the world's busiest shipping routes to prompt economic development.²⁰⁴ The goal is to become a regional commercial business hub like Dubai and Singapore.²⁰⁵

Djibouti's ability to grant a safe environment within a dangerous neighborhood has created it enticing to foreign militaries, whose facilities provide the government with a considerable quantity of non-tax revenue.²⁰⁶

- It could be a relatively stable country in an otherwise volatile region.
- A strategically vital position next to the Bab el- Mandeb, a critical maritime chokepoint.
- It serves as the only port for landlocked Ethiopia, East Africa's largest growing economy.
- It has sought-after to leverage its geography to generate currency by leasing land to multiple foreign militaries.²⁰⁷

²⁰⁴ "Djibouti Selected Issues." International Monetary Fund. 2016. Accessed August 6, 2018. <http://www.imf.org/external/pubs/ft/scr/2016/cr16249.pdf>.

²⁰⁵ Edmund Blair, "China to Start Work Soon on Naval Base in Djibouti: Guelleh." Yahoo! News. February 03, 2016. Accessed August 6, 2018. <https://www.yahoo.com/news/china-start-soon-naval-djibouti-guelleh-074246196--business.html>. Frank Kane, "The Man Who Wants to Make Djibouti the Next Dubai," *The National*, March 17, 2015. Accessed August 6, 2018. <http://www.thenational.ae/business/economy/20150317/the-man-who-wants-to-make-djibouti-the-next-dubai>.

²⁰⁶ "Djibouti Selected Issues." International Monetary Fund. 2016. Accessed August 6, 2018. <http://www.imf.org/external/pubs/ft/scr/2016/cr16249.pdf>.

²⁰⁷ Erica Downs, Jeffrey Becker, and Patrick DeGategno.

China's Strategy in Djibouti: compounding economic and Military Interests. China is testing associate rising strategy of using its economic influence to advance its security interests.

China is the main supplier of capital for Djibouti's formidable development program. Chinese companies are providing 37% of the capital, or regarding \$1.34 billion, for the major investment projects comes afoot in Djibouti, which totally worth almost \$3.65 billion.²⁰⁸

China is profoundly concerned within the development of Djibouti's infrastructure. Chinese infrastructure companies offer almost 40% (\$1.4 billion) of funding for Djibouti's major investment projects

- Doraleh Multipurpose Port: Phase 1 opened in May 2017. Chinese state-owned banks and companies established and financed the port. The port is expected to add 9 million metric tons of annual service capacity to Djibouti's port infrastructure, quite doubling the amount of cargo it will handle.
- Ethiopia-Djibouti Railway: Chinese state-owned companies have built and financed the railroad. They will operate it for 6 years, and one firm owns a 10% stake in the Djibouti-Ethiopia joint venture which will administer the operation of the railroad. Once complete, the railway will connect the Doraleh Multipurpose Port to Ethiopia's capital, enhancing Djibouti's role as the gateway to Ethiopia.
- Ethiopia-Djibouti Water Pipeline: A Chinese firm built the pipeline, and China Eximbank, a lending arm of the Chinese government, provided \$322 million in funding. This is all but \$18 million of the total cost of the

²⁰⁸ "Djibouti Selected Issues." International Monetary Fund. 2016. Accessed August 6, 2018. <http://www.imf.org/external/pubs/ft/scr/2016/cr16249.pdf>.

project (\$340 million). The pipeline will greatly reduce Djibouti's water shortfall.

On the other hand, to understand the important role of China in Djibouti let's look at President Ismail Omar Guelleh on the importance of Chinese financing

*The Chinese are the only ones to invest in us in all areas: railways, ports, banks, industrial parks, etc. The French and Europeans are largely absent subscribers. As for the Americans, who have expressed their interest in the Djibouti-Addis pipeline project, their goal is to earn a lot, fast and alone: that is understandable but more complicated than expected. The reality is that no one but the Chinese offers a long-term partnership in Djibouti.*²⁰⁹ — April 2017

Before the establishment of its first military base overseas, Beijing has increasingly involved its military in its pursuit of China's national interests in Africa using its navy to secure its interests in the Gulf of Aden.

Doraleh Multipurpose Port

Chinese companies are owners and developers of Doraleh Multipurpose Port, which opened in May 2017,²¹⁰ a joint venture formed by China Merchants and the Djibouti Ports and Free Zones Authority (DPFZA) in 2013. China Merchants spent \$185 million to acquire a 23.5 percent stake in PDSA.²¹¹ China Eximbank subsequently extended a \$340 million loan to finance the construction

²⁰⁹ Ismail Omar Guelleh, "Nobody Other Than the Chinese Offers a Long-term Partnership in Djibouti." *International Year Book and Statesmens Whos Who*. doi:10.1163/1570-6664_iyb_sim_person_19808.

²¹⁰ "'Djibouti's Doraleh Port Officially Opens." Djibouti's Doraleh Port Officially Opens - Xinhua | English.news.cn. May 24, 2017. Accessed August 26, 2018. http://www.xinhuanet.com/english/2017-05/24/c_136312120.htm.

²¹¹ Xu and Lizhen L., "Analysis on Seaports Overseas Cooperation: The Case of CMPort and Djibouti Port." Erasmus University Thesis Repository. September 21, 2018. Accessed October 6, 2018. <https://thesis.eur.nl/pub/43646/>.

of Doraleh Multipurpose Port.²¹² It was built by China State Construction Engineering Corporation and China Civil Engineering Construction Corporation. Shanghai Zhenhua Heavy Industries provided equipment.²¹³ China Merchants and DPFZA jointly operate the port.²¹⁴

The new port will significantly increase the volume of cargo that Djibouti can handle. Djibouti serviced cargo totaling 6.5 million metric tons in 2016.²¹⁵ The first phase of Doraleh Multipurpose Port, which opened in May 2017, will add 9 metric tons of annual capacity, raising the amount of cargo by 138 percent. The second Phase of Doraleh Multipurpose Port will more expand the port's capacity to 29 metric tons per year.²¹⁶ The ability to receive Capsize vessels and transfer goods to smaller ships for onward shipment to smaller ports will increase Djibouti's role as a transshipment hub for eastern and southern Africa.

Djibouti International Free Trade Zone

DIFTZ will be the largest free trade zone in Africa, and Djibouti wants to attract light industries such as assembly lines for vehicles and consumer goods to the DIFTZ.²¹⁷

²¹² International Monetary Fund. "Djibouti : 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Djibouti." IMF. Accessed August 26, 2018. <https://www.imf.org/en/Publications/CR/Issues/2017/04/06/Djibouti-2016-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44807>.

²¹³ Muluken Yewondwossen, "Doraleh Multi Purpose Port's Heavy Equipments Arrive at Djibouti." Capital Ethiopia Newspaper. August 22, 2016. Accessed August 26, 2018. <http://capitalethiopia.com/2016/08/22/doraleh-multi-purpose-ports-heavy-equipments-arrive-djibouti/>.

²¹⁴ "HOME." CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED. Accessed August 26, 2018. <http://www.cmpport.com.hk/enTouch/about/History.aspx>.

²¹⁵ "Grand plans for Djibouti." World Port Development, April 2017. Accessed August 26, 2018. p. 25, <http://www.portdedjibouti.com/wp-content/uploads/2017/05/Djibouti-Article.pdf>

²¹⁶ Djibouti Ports & Free Zones Authority, "Djibouti Multipurpose Port," Accessed August 26, 2018. <http://dpfza.gov.dj/?q=building-region/djibouti-multipurpose-port>.

²¹⁷ Oxford Business Group, "New Free Trade Areas to Boost Djibouti's Economic Growth," Oxford Business Group, Accessed August 26, 2018. <https://www.oxfordbusinessgroup.com/analysis/room-trade-new-free-trade-areas-set-boost-economic-growth>.

China Merchants plans to repeat the “Port-Zone-City” model is used to transform Shekou, China, from a small fishing village into a commercial hub. The president of China Merchants’ parent company, China Merchants Group, told the *China Daily* in March 2017 that “making full use of Djibouti’s geographical advantages, we are in the process of creating the country the ‘Shekou of East Africa’—a hub for regional shipping, logistics, and trade.”²¹⁸ Now that Doraleh Multipurpose Port is built, Currently, China Merchants initiated the second phase of convert Djibouti into the “Shekou of East Africa.

Again, China Merchants and other Chinese firms are financing and building the Djibouti International Free Trade Zone (DIFTZ) next to Doraleh Multipurpose Port.²¹⁹ Construction began in January 2017 by, Dalian Port Corporation Limited China’s largest public port operator, in which China Merchants owns a 21 percent stake.²²⁰ China Merchants settled two joint ventures with other Chinese firms to facilitate develop the DIFTZ. One will invest in commercial and infrastructure projects in the DIFTZ, and the other will manage these investments, The first joint venture plans an initial investment of \$30 million.²²¹

3.2.2- **The China Pakistan economic corridor CPEC**

Sino-Pakistani relations

²¹⁸ Deng Yangzi. “CMG Wants to Make African Port of Djibouti 'New Shekou'.” *China Daily*. March 7, 2017. Accessed August 26, 2018. http://www.chinadaily.com.cn/bizchina/2017-03/07/content_28455386.

²¹⁹ Oxford Business Group, “Djibouti Moves to Galvanize Trade Development,” March 13, 2017. Accessed August 26, 2018. <https://www.oxfordbusinessgroup.com/news/djibouti-mise-sur-le-d%C3%A9veloppement-de-son-commerce>.

²²⁰ Muluken Yewondwossen.

²²¹ Emmanuel Mair, "China Merchants-led Joint Venture Buys Turkish Container Terminal." *Container Management*. July 06, 2016. Accessed August 26, 2018. <https://container-mag.com/2015/09/18/china-merchants-led-joint-venture-buys-turkish-container-terminal/>.

The relations between China and Pakistani have evolved over time from primarily a Cold War response to external threats to a relationship that additionally encompasses domestic stability for each country, emphasizing the importance of the bilateral relationship. China's importance has been delineated as "the cornerstone of Pakistan's strategic foreign policy."²²² In 1996 President Jiang Zemin made China's first state visit Pakistan, and announced the establishment of an "all around the cooperative partnership." In 2005 the relationship deepened when China and Pakistan signed the Treaty of Friendship, Cooperation, and Good Neighborly Relations, and announced the beginning of negotiations for a free trade agreement. In April 2015 President Xi Jinping made a state visit and signed the 51 Memorandums of Understanding established the all-weather strategic partnership, which is generally viewed as China's highest level of bilateral relations, involving the "full pursuit of cooperation and development."²²³ The resulting relationship has expanded to include extensive trade ties and geopolitical considerations, as Pakistan become a bridge to the Middle East. However, Pakistan was used as a diplomatic conduit for establishing ties with the USA and Saudi Arabia, Currently, Pakistan has come to be regarded as "a central part of China's transforming from a regional to a global power."

Global Trade Corridor

The Indian Ocean region is recognized the world's most vital trade and energy corridor. The global trade corridor accounts for the transportation of an

²²² Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics* (Oxford: Oxford University Press, 2015), 118.

²²³ "Quick Guide to China's Diplomatic Levels." South China Morning Post. January 20, 2016. Accessed August 28, 2018, <http://www.scmp.com/news/china/diplomacy-defence/article/1903455/quick-guide-chinas-diplomatic-levels>.

outsized volume of international long-haul maritime cargo and nearly 80% of the overall traffic of crude products for the entire world.²²⁴ The Strait of Hormuz, is the most important corridor, links and facilitates commerce between regions of the globe.²²⁵ Moreover, almost half of the world's trade by value is routed through this chokepoint.²²⁶ The east-west shipping lane is the main global trade corridor that accounts for thousands of merchant's vessels in the region.²²⁷

Energy plays important role in influencing the geopolitical strategies of those countries, any such disturbance in its supply would have severe economic, political and security consequences for the entire world. The closure of the Strait of Hormuz will cause turmoil of seaborne trade and rise in the global oil prices.²²⁸ Energy supply to industrialized and developing economies is routed through this region. The U.S, China, Japan, European countries and many others are the main importers of crude oil from the Gulf region,²²⁹ almost 17 million barrels of crude oil supply accounting for 20% of the world's per day pass through this main chokepoint.²³⁰

Gwadar Sea Port

²²⁴ Lee Cordner, "Indian Ocean Maritime Security Cooperative Arrangements." *Maritime Security Risks, Vulnerabilities and Cooperation*, 2017, 159-87. doi:10.1007/978-3-319-62755-7_6.p. 73

²²⁵ Cdr P K Ghosh, "MARITIME SECURITY CHALLENGES IN SOUTH ASIA AND INDIAN OCEAN: Response Strategies." January 20, 2004. Accessed September 6, 2018. p. 3 http://tamilnation.co/intframe/indian_ocean/pk_ghosh.pdf.

²²⁶ Azhar Ahmad, "Maritime security post-9/11: Challenges and response." *Journal of the Institute of Strategic Studies of Islamabad (ISSI)*, vol. xxix no. 2 & 3. Retrieved from , p. 87

²²⁷ Muhammad Khan, "The Indian Ocean, United States and Pakistan Navy." *IPRI Journal*. 2012. Accessed September 15, 2018.

https://www.academia.edu/3690901/The_Indian_Ocean_United_States_and_Pakistan_Navy.

²²⁸ Cdr P K Ghosh, p. 3

²²⁹ Ps Das, "Coastal and Maritime Security: Two Sides of the Same Coin." *Indian Defence Review*, vol. 24, no. 1, p. 64

²³⁰ Michael T. Klare, "Energy Wars 2012." *The Nation*. June 29, 2015. Accessed September 2, 2018. <https://www.thenation.com/article/energy-wars-2012/>.

The *China Pakistan economic corridor CPEC* is meant not solely to create obtainable to China, the shortest energy supply route from the Middle East and Africa however also augment trade and cooperation, therefore reinventing Pakistan as an energy corridor between South Asia, China, and Central Asia. The Gwadar port ultimately can provide China with an entry point into the Arabian Gulf and consequently widen its geopolitical influence. The deep-sea port is located at Gwadar in Balochistan, 460 km west of Karachi at the top of the Arabian Sea, approximately 75 km east of Iran's border with Pakistan and 400 km from the Strait of Hormuz, which is the sole sea passage to the Persian Gulf from the open sea. Around 80% of world oil tankers move from the Persian Gulf while 45 % of world oil route takes place through the Strait of Hormuz. Gwadar is already connected to Karachi through the Makran Coastal highway, built with Chinese assistance of \$200 m. China and Pakistan attempt to link the Port via Indus Highway with Ratodero and KKH which leads to Kashgar – around 414 km from Sost-Tashkurgan (China-Pakistan border) and more reaches to Tajikistan, Kyrgyzstan, and Kazakhstan.²³¹

Both Gwadar and Kashgar currently appear to fall under China's 'Go West' and Pakistan's 'Look East' policy. The cornerstone of Pakistan's policy is the establishment of a mutually beneficial relationship with China while China primarily aims at developing its comparatively backward western regions, specifically Xinjiang which is restive as a consequence. The 'Look West' policy serves a twin purpose for China: peace and stability in Xinjiang through economic

²³¹ Shabir Ahmad Khan, "Geo-Economic Imperatives of Gwadar Sea Port and Kashgar Economic Zone ." IPRI Journal XIII, no.2. 2013. Accessed October 26, 2018,p,3.
[http://www.greatgwadar.com/vzpanel/docs/Gwadar Sea Port & Kashgar Economic Zone - Pakistan & China.pdf](http://www.greatgwadar.com/vzpanel/docs/Gwadar%20Sea%20Port%20&%20Kashgar%20Economic%20Zone%20-%20Pakistan%20&%20China.pdf).

development also use this province for flat energy and trade transactions with energy-rich Central Asia.²³²

Gwadar Port will play an essential role in the economic revival of Pakistan. Pakistan's geographical proximity to the landlocked and comparatively underdeveloped western China and the mutual trust that marks Pak-China relations are two of the main causes for Chinese interest in building the Gwadar Sea Port and developing Kashgar as a special economic zone. The two projects signal the transformation of friendly relations into comprehensive cooperation.

The expected revenues from oil and gas transit and land to sea trade via Pakistan can total around \$1,000,000 per year.²³³ It was thought initially that the Gwadar Port will serve only Turkmenistan, Uzbekistan and Tajikistan via Afghanistan due to geographic proximity but now with Kashgar, an economic zone connected to Gwadar by a land route, the Port will not only serve Kazakhstan and Kyrgyzstan but also Afghanistan can gain from the shorter distance it offers for transit.

China decided to build an oil refinery at Gwadar and pipeline from Gwadar to Xinjiang will provide Persian Gulf's and African oil to Western China by reducing the distance by numerous thousand km. The entire length of the gas pipeline from Gwadar Port to Xinjiang via Pakistan is 2500 km whereas the distance from Xinjiang to eastern ports of Shanghai and Beijing through inland China is 4500 km. The distance from Shanghai Port to Gwadar and the Persian Gulf via the Indian Ocean is 10,000 km. It is evident that trade and energy transport from East-African Persian and the Gulf States via Gwadar through

²³² Ibid,4

²³³ Hasan Yaser Malik, "Strategic Importance of Gwadar Port - Great Gwadar." Journal of Political Studies, Vol. 19. February 2012. Accessed September 2, 2018. [http://greatgwadar.com/vzpanel/docs/Gwadar Port - Strategic Importance.pdf](http://greatgwadar.com/vzpanel/docs/Gwadar%20Port%20-%20Strategic%20Importance.pdf).

Pakistan can scale back the distance of about 15000 km to a distance of simply 2500 km. It's not only cost effective however additionally safe and secure in comparison to the maritime route. Presently Chinese oil tankers take 20 days average to reach the Gulf. Moreover, after the completion of the high-speed rail and road networks across Pakistan, oil tankers from eastern China would get to Gwadar, right on the mouth of the Gulf, within 48 hours.²³⁴

Major Projects of Economic Corridor

- Karakorum Highway (Havelian in the Abbottabad District to Thakot)
- Upgrading of Karachi–Peshawar Railway Line
- Jhimpir wind Power project
- Gwadar-Nawabshah LNG Terminal and Pipeline Project
- Thar Block II 2x330MW Coal-Fired Power project
- Thar Block II 3.8Mt/a mining Project
- Gwadar-Ratodero Motorway
- Karachi-Lahore Motorway (Multan to Sukkur)
- The Gwadar Port East Bay Expressway Project
- Gwadar International Airport
- China Central Television
- Iran–Pakistan gas pipeline²³⁵

²³⁴ Christina Lin, "The New Silk Road - The New Silk Road China's Energy Strategy in the Greater Middle East." Washington Institute for Near East Policy. April 2011. Accessed September 5, 2018. <https://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus109.pdf>.

²³⁵"Welcome to Gwadar Port." Welcome to Gwadar Port. Accessed September 6, 2018. <http://www.gwadarport.gov.pk/>.

Chapter IV

Egypt and China economic and political relation

1-The history of China's policy towards Egypt and the Middle East

First of all, Egypt was the first Arabic country that had diplomatic representation with China in 1928. First of September 1943 Cairo announcement was declared from the Egyptian capital that the Japanese occupation to Taiwan is void as it is a part of the Chinese lands and due to the convergence between the goals of each of the Egyptian revolution 1952 and also the Chinese revolution 1949 Egypt took the initiative in 1956 to Acknowledge the People's Republic of China and established the diplomatic Egyptian relation at the extent of ambassadors.²³⁶

Egypt was attractive partner to China due to its government's Powerful opposition to imperialism while China's Communist regime was willing to get away of its isolation and establish a leadership position in the developing world. In April 1955, at the Asian-African Conference in Indonesia, Egyptian President Gamal Abdel Nasser first met Zhou, an encounter that sparked an immediate friendship between the two former revolutionaries.²³⁷

Emphatically, In order to allay fears about their communist orientation, China's leaders had to highlight the status of Muslims in Chinese society. Providing Aid to Egypt served as a plan of action to single out Chinese Muslims

²³⁶ Kyle Haddad-Fonda, *Revolutionary Allies: Sino-Egyptian and Sino-Algerian Relations in the Bandung Decade*. 2013. P ,7.

²³⁷ Ibid, 1

and turn them in one hand, to endorse the Chinese government's outspoken backing for anti-imperialist causes around the globe and in another hand, to sympathize with their co-religionists in the Middle East, through providing opportunities for Chinese Muslims to participate dynamically in international politics.²³⁸

As Polanyi²³⁹ argues that; Instead of economy being embedded in social relation, social relations are embedded in the economic system. We can get to the conclusion that the social relations are defiantly embedded in the political system as well.

Between the 1950s and 1960, China's opened the door with the Middle East for cultural and public exchanges. In May 1955, Egypt and China signed a "Minutes of cultural talks" exchange program between the two countries. Then in August 1955 the first pilgrimage group from China visit Egypt. In 1956 they signed the "Sino-Egypt Agreement on Cultural Cooperation. Also, the Egyptian Minister of Trade and Industry visit China in August 1955 and signed the "Sino-Egyptian Trade Agreements and Protocols" which led to the mutual establishment of trade representatives offices in 1956²⁴⁰

In point of fact, in 1955 and 1956, China's national and international goals were so closely united as to be indivisible. The Chinese government had to show not only that it did not mistreat its Muslim population, but also to ensure those Muslims were fully engaged to the Muslim countries. The motivation of the Chinese government's to promote Islam actually strengthened its position at home

²³⁸ Kyle Haddad-Fonda,p3

²³⁹ Karl Polanyi, *Origins of Our Time: The Great Transformation*. London: V. Gollancz, 1945.p 57

²⁴⁰ Lirong Ma, "China's Cultural and Public Diplomacy to Countries in the Middle East." *Journal of Middle Eastern and Islamic Studies (in Asia)* 4, no. 2 (2010): 32-43. doi:10.1080/19370679.2010.12023154.p33.

when public support for Nasser's government became a propaganda tool that China's leaders could use to improve their relations with their own Muslim citizens.²⁴¹

It's important to mention that China and Arab countries share a long history of exemplary interactions. The past 2,000 years have witnessed uninterrupted exchanges between Arab peoples and the Chinese through land and sea links that expedited mutual learning between two great civilizations. Moreover, over the past four years, we've maintained frequent high-level exchanges, as well as President Xi's flourishing visits to the Middle East and also the visits to China by the heads of state of Egypt, Morocco, Saudi Arabia, and Palestine. Such exchanges have contributed to enhancing political trust and kept bilateral ties consecutively at a high level. China has upgraded its strategic relations with 11 Arab countries. It's supported Arab countries in exploring their own methods of development, and Palestine in restoring the lawful rights of its people. Arab countries, on their part, have given China valuable support on problems regarding its core and main interests.²⁴²

2- China's culture approach

The cultural exchanges between China and the Middle East countries based on substantive cooperation and contact visits with continuing folk art exchanges like acrobatics, dancing, and singing, they organized cultural weeks, film festivals, seminars, art exhibition, health collaboration, sports, and diverse

²⁴¹ Kyle Haddad-Fonda,19

²⁴² Wang Yi, "China and Arab States Draw up a Blueprint for Cooperation in the New Era." GulfNews. July 08, 2018. Accessed September 7, 2018. <https://gulfnews.com/opinion/thinkers/china-and-arab-states-draw-up-a-blueprint-for-cooperation-in-the-new-era-1.2248287>.

activities. This included implementation plans and a series of cultural cooperation agreements to address and resolve the problems from institution construction level.²⁴³

China's cultural exchanges with Middle Eastern countries also entered the third period of rapid development. From 1991 to 1999, China has set up a Sino - Egypt. In 2000 and 2004, China established the "Sino-Africa Forum" and "Sino-Arab Forum" which institutionalizes the cultural exchanges between China and the Middle East. Particularly, in 2004, the Arab Friendship Association was established "by the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and the relevant enterprises and institutions, social organizations and interested people of all circles. It is a national and non-profit social organization for the purpose of promoting relations between China and Arab countries, expanding international cooperation and safeguarding world peace.

On the other hand, China is a symbol of seeking to acknowledge in Islam religion as The Prophet Muhammad (peace be upon him) said: "Seek knowledge even unto China". As some have discerned, the source of the hadith is unreliable. There are yet different hadiths similar to this one: The Prophet Muhammad (peace be upon him) said: "The seeking of knowledge is obligatory for every Muslim." - Al-Tirmidhi, Hadith 74. Also, The Prophet Muhammad (peace is upon him) said: "One who treads a path in search of knowledge has his path to Paradise made easy by God..." - Riyadh us-Saleheen, 245.²⁴⁴

²⁴³ Lirong Ma, p35.

²⁴⁴ Longlin Wang, "Why Did Muhammad Say "Seek Knowledge Even Unto China"?" July 23, 2017. Accessed September 7, 2018. <https://www.quora.com/Why-did-Muhammad-say-Seek-knowledge-even-unto-China>.

The latest report by the Center for Studies of the Forum on China-Arab Cooperation more than 18,000 Arab students are studying in China. The report added that China has established 12 Confucius Institutes and 4 Confucian Classes in nine Arab countries since 2004. The total number of students participating in the academic training was about 70,000. About 5,000 cultural activities were organized, with some 680,000 students. The number of Arab students in China rose from 1,130 in 2004 to 18050 in 2016, with an annual growth rate of 26 percent, while the number of students studying in Arab countries rose from 242 in 2004 to 2,433 in 2016, with 21% of annual growth rate.

In the same context, Liao Jing, an Arabic professor at the Shanghai University of International Studies in China, said in her recent research entitled "Adaptation of Arab Students Coming to China" she highlighted that the number of Arab students in China is booming. They reached a record number Thanks to the friendly relationship between the Arab countries and China. In 2016 the number of students reached 14 thousand students, an increase of 13 percent compared to 2015.²⁴⁵

Recently, The Egyptian Chinese cultural exchange reinforced the mutual understanding between the two countries. The culture exchange was carried out in many fields including Education cooperation that is regarded as one of the most important fields to provide annual exchanging mechanism between seniors, the cooperation between educational establishments with the mutual acknowledgment

²⁴⁵ “ Seek Science Even in China" 18,000 Arab students in Dragon Land. Chinese government sets up 12 Confucius Institute to teach language in 9 Arab countries. 14,000 Chinese students study in Egyptian universities.” Youm7. June 26, 2018. Accessed September 6, 2018.
<https://www.youm7.com/story/2018/6/26/%D8%A7%D8%B7%D9%84%D8%A8%D9%88%D8%A7-%D8%A7%D9%84%D8%B9%D9%84%D9%85-%D9%88%D9%84%D9%88-%D9%81%D9%89-%D8%A7%D9%84%D8%B5%D9%8A%D9%86-18-%D8%A3%D9%84%D9%81-%D8%B7%D8%A7%D9%84%D8%A8-%D8%B9%D8%B1%D8%A8%D9%89-%D9%81%D9%89/3844654>

of education certificates and mutual projects both countries universities and increasing the number of the newcomers student every year, the development of teaching Chinese language at many Egyptian universities (Ainshams_ Cairo_ Tanta_ Alminia_ Helwan²⁴⁶ and finally Port-said University), and establishing education organizations including the most important Confucianism institute in both Cairo University and Port-said University.²⁴⁷

Egypt has tried to prove its political quality to China in other ways. In May 2017, China called for the return of all Uighur students from overseas, members of the Muslim ethnic minority in the far western region of Xinjiang. Enthusiastically, the Sisi administration heeded the call rounding up hundreds of Uighurs studying at Cairo's Al-Azhar University for deportation. Those students were virtually definitely sent en masse to China's massive detention camps for Uighurs upon arriving back in the country.²⁴⁸

In 2018, The Ambassador of China in Cairo said that Al-Azhar Al-Sharif establishes among its students the values of peace, coexistence, and patriotism. This is what makes the countries of the world keen to send their students to this ancient university to be pillars of peace and social stability. Iguo expressed thanks to Al-Azhar for sponsoring the Chinese students studying in Al-Azhar, expressing

²⁴⁶ The Future of Egyptian – Chinese & Arab- Chinese Relationships in the 21st Century. Accessed September 6, 2018. <http://www.helwan.edu.eg/chinese/2ndConference/en/index.html>.

²⁴⁷ Salwa Al Said Farrag, "Egyptian-Chinese Relations: Opportunities and Risks for Egypt." 2015. Accessed September 9, 2018. [https://www.psa.ac.uk/sites/default/files/conference/papers/2015/Egyptian-Chinese relations Opportunities and Risks for Egypt_1.pdf](https://www.psa.ac.uk/sites/default/files/conference/papers/2015/Egyptian-Chinese%20relations%20Opportunities%20and%20Risks%20for%20Egypt_1.pdf).

²⁴⁸ David Wood, "Egypt Loves China's Deep Pockets." Foreign Policy. August 28, 2018. Accessed September 9, 2018. <https://foreignpolicy.com/2018/08/28/egypt-loves-chinas-deep-pockets/>.

his country's aspiration for further cooperation with Al-Azhar in scientific fields.²⁴⁹

3- China's comprehensive strategic partnership with Egypt

Egyptian-Chinese relations consider as one of the most significant bilateral axes in Africa and the MENA region.

Both, Egyptian president Abd al-Fatah al-Sisi and Chinese President Xi Jinping held talks to improve their countries' bilateral relationship to a "comprehensive strategic partnership In December 2014." The two leaders assured to enhance political, economic, cultural, military, and technological cooperation together with management at the regional and international level. Since 2014, it shows that a new era of strategic economic and political ties has certainly initiated between the two countries.²⁵⁰

For Beijing, the rising strategic alliance with Egypt aiming to enhancing its power and influence in the Middle East, Moreover, increase its commercial engagement, and reinforce its strategic position at the expense of the U.S.

Egypt and China comprehensive strategic partnership not only motivated by economic imperatives but also strategic intentions play important role. China perceives Sisi's regime as a partner who can open the door to achieve influence within the Middle East countries at Washington's expense Since China-Egypt

²⁴⁹ "Ambassador of China in Cairo: Al-Azhar establishes among his students the values of peace, coexistence, and patriotism. " Youm7. June 12, 2018. Accessed September 10, 2018.

<https://www.youm7.com/story/2018/6/12/%D8%B3%D9%81%D9%8A%D8%B1-%D8%A7%D9%84%D8%B5%D9%8A%D9%86-%D8%A8%D8%A7%D9%84%D9%82%D8%A7%D9%87%D8%B1%D8%A9-%D8%A7%D9%84%D8%A3%D8%B2%D9%87%D8%B1-%D9%8A%D8%B1%D8%B3%D8%AE-%D9%84%D8%AF%D9%89-%D8%B7%D9%84%D8%A7%D8%A8%D9%87-%D9%82%D9%8A%D9%85-%D8%A7%D9%84%D8%B3%D9%84%D8%A7%D9%85-%D9%88%D8%A7%D9%84%D8%AA%D8%B9%D8%A7%D9%8A%D8%B4/3831743>

²⁵⁰ Mordechai Chaziza, Home." Rubin Center. December 25, 2016. Accessed September 10, 2018.

<http://www.rubincenter.org/2016/12/comprehensive-strategic-partnership-a-new-stage-in-china-egypt-relations/>.

relations promise unprecedented opportunities and far-reaching prospects, China intend to wedge itself between Egypt and the U.S.²⁵¹

Moreover, president Xi expressed China's support for the Egyptian people's right to decide on their own political system, together with its criticism of external attempts to interfere in Egypt's internal affairs. Particularly, after the Egyptian military toppled elected president Mohammed Morsi. This is consider concrete evidence that China has no qualms to deal with the Sisi regime and remains silent relating to Egypt's internal affairs.²⁵²

Egypt is one among the countries on the front line of the regional war on terrorism, so that, China consider Egypt as a major partner in the war against terrorism in the Middle East.²⁵³ Furthermore, China has escalating concern over the threat by the Islamic State and it's necessitating to restrain the threat far-off from China's borders. Both countries face exceptional security challenges. Together they seek to combat terrorism and extremism by providing intelligence, arresting and repatriating suspects, collecting evidence, and eliminate terrorist funding sources.²⁵⁴

In addition, China views strong strategic ties with Egypt as part of its agenda to expand its political influence and commercial connections globally. Egypt provides China with an entrance to the African continent's natural resources, additionally as an enormous market potential for Chinese goods. Egypt is linked to African countries through trade agreements and tax exemptions. These

²⁵¹ Ofir Winter, Assaf Orion, and Galia Lavi, "Egypt and China following Xi's Visit." Inss.org.il. February 11, 2016. Accessed September 10, 2018. <http://www.inss.org.il/index.aspx?id=4538&articleid=11434>.

²⁵² The National. "China Inks \$55bn Middle East Deals." The National. January 21, 2016. Accessed September 10, 2018. <https://www.thenational.ae/world/china-inks-55bn-middle-east-deals-1.195430>.

²⁵³ Ofir Winter, Assaf Orion, and Galia Lavi.

²⁵⁴ "China, Egypt Oppose Linking Terrorism with Specific Nations, Religions." Xinhua | English.news.cn. January 22, 2016. Accessed September 11, 2018. http://www.xinhuanet.com/english/2016-01/22/c_135033234.htm.

create many industrialization advantages and investment opportunities for both countries with potential to exporting into African markets.²⁵⁵

Cairo and Beijing announced a five-year, multi-sector cooperation agreement. During the visit by Chinese President Xi Jinping to Egypt on January 20-22, 2016, this agreement injected a substance into the “comprehensive strategic partnership” formed during President Abdel Fattah el-Sisi’s trips to China in December 2014 and September 2015. Egypt and China additionally declared 2016 as “the Egyptian-Chinese cultural year.”²⁵⁶

As such we witnessed China step up its regional profile early last year when President Xi visited Saudi Arabia, Egypt,²⁵⁷ and Iran, and released its first Arab Policy Paper to gesture its goal of increased engagement in the Mideast.²⁵⁸

By the side of the eighth ministerial meeting of the China-Arab States Cooperation Forum. Chinese President Xi declared that China and the Arab countries had agreed to launch a "Sino-Arab future-oriented strategic partnership of comprehensive cooperation and common development." Calling the Arab states China's natural partners in Belt and Road cooperation.

Xi added that China stands ready to work with the Arab side to coordinate the development strategies and actions."We must strive to uphold peace and stability in the Middle East. Xi said that China and the Arab states have to

²⁵⁵ Christina Lin, pp. 32-55.

²⁵⁶ Ofir Winter, Assaf Orion, and Galia Lavi.

²⁵⁷ "China president back home after visits to Saudi Arabia, Egypt and Iran." Xinhua, January 24, 2016. Accessed September 10, 2018. <http://en.people.cn/n3/2016/0124/c90883-9008539.html>

²⁵⁸ Gal Luft, "China's New Grand Strategy for the Middle East." Foreign Policy. January 26, 2016. Accessed September 13, 2018. <https://foreignpolicy.com/2016/01/26/chinas-new-middle-east-grand-strategy-iran-saudi-arabia-oil-xi-jinping/>.

strengthen strategic trust, stay committed to dialogue and consultation, uphold the principle of sovereignty, champion inclusive reconciliation and fight terrorism.²⁵⁹

China's interests in the Mideast because a source of energy, providing more than half of China's crude oil imports. It is also a hub for market access in Europe and Africa, and the region is a forward front for counter-terrorism, especially for China and other Asian states that continue to count on the Mideast for energy imports. Fundamentally, they need security and regional stability of supply lines.

4- Egypt and China strategic partnership

Since the mid-1950s, Egypt and China have maintained friendly and equal relations in political, economic, and cultural exchanges

On each Chinese leader's first trip to the region, Egypt is the only Middle Eastern country visited by Xi, Hu Jintao, and Jiang Zemin. China saw the logic to encourage sensible relations with Egypt, an important regional player and the home to Arab League headquarters.²⁶⁰

As we mention before Gamal Abdel Nasser, former president of Egypt and Cold War schemer, was not averse to playing hardball with powerful countries. In 1955, Nasser grew bored with of dallying from Washington on a long-stalled arms deal. He surprised the West by approaching the Soviet Union, buying military equipment through Czechoslovakia, and flaming fears of a Middle Eastern arms race.

²⁵⁹ "China Focus: China, Arab States to Forge Strategic Partnership." China Focus: China, Arab States to Forge Strategic Partnership - Xinhua | English.news.cn. July 10, 2018. Accessed September 12, 2018. http://www.xinhuanet.com/english/2018-07/10/c_137315080.htm.

²⁶⁰ Shannon Tiezzi, "The Belt and Road and Suez Canal: China-Egypt Relations Under Xi Jinping." Asia Dialogue. February 16, 2016. Accessed July 26, 2018. <http://theasiadialogue.com/2016/02/16/87681/>.

Six decades later, Egypt is looking for the best political bargain it can get once again, creating diplomatic overtures to Beijing and Moscow whereas maintaining its critical U.S. and the Persian Gulf backers. As under Nasser, the Egyptian leadership has become annoyed with the U.S. The relationship grew frosty through the presidency of Obama, who refused to invite al-Sisi to Washington amid accusations of human rights violations. Sisi has since made a state visit to Donald Trump's White House, but still, the long-term strategy remains unclear.²⁶¹

Egypt is a traditional U.S. partner with which China is forging ever-deeper ties. For decades, U.S. had thought about Egypt to be among its most dependable and cogent allies within the Middle East.” However, this stability could have returned at a price. Over the years, the U.S. administration long neglected the autocracy, corruption, and abuses endured under the Mubarak regime, and provided Egypt with significant military and economic aid in exchange for Egypt's pro-U.S. orientation.²⁶² However, both countries relations tumbled somewhat within the wake of the political turmoil and Mubarak's ouster in 2011. On June 2014, when Sisi took office the relations have continuing to deteriorate, exacerbated partly by the military intervention that toppled Morsi. The U.S. momentarily cut off the military aid to Egypt, even though the human rights issue and freedoms still solid a pall over Washington-Cairo relations.²⁶³

²⁶¹ David Wood.

²⁶² "Remarks by President Obama Before Bilateral Meeting with President El-Sisi of Egypt." National Archives and Records Administration. September 25, 2014. Accessed September 11, 2018. <https://obamawhitehouse.archives.gov/the-press-office/2014/09/25/remarks-president-obama-bilateral-meeting-president-el-sisi-egypt>.

²⁶³ Mohamed Saied, "Why Hasn't Sisi Visited Washington Yet?" Al-Monitor. April 11, 2018. Accessed September 9, 2018. <http://www.al-monitor.com/pulse/originals/2015/10/egypt-us-relations-sisi-visit.html#>.

Moreover, Egypt and U.S. bilateral trade decreased from \$7.8 billion in 2014 to \$6.1 billion in 2015.²⁶⁴ Consequently, Egypt may become more reliant on Chinese investments and also as an export market alternative to the U.S. for the long term. The current tensions in Egypt-U.S. relations have allowed China to insert itself as a wedge between the two countries to replace U.S. as Egypt's main economic and strategic partner.

The Sisi administration is set to balance its partnership with Washington by diversifying its alternatives to Egypt's traditional reliance on the U.S. As a consequence, Egypt has welcome Chinese political support and economic investment. China, however, sees great strategic potential in Egypt, as a key partner in fulfilling its broader regional and global ambitions. Consequently, China can for certain know the way to require advantage of the situation at this stage, mainly in the economic sphere that most interests Egypt.

Sisi visit China more than four times and Xi's reciprocal visit to Egypt in Jan 2016 marked China's rising position in the Middle East and also the shifting geopolitical in the MENA region.²⁶⁵

It's necessary similarly to grasp **why** the Sisi administration considers relations with Beijing to be essential. There are two reasons:

Economically, Egypt like several African countries has been dynamically looking for Chinese investment, seeing it as an alternative to the Western investment with its rigorous conditions. Egypt and China have harmonized activities in numerous fields and the ability to complement each other's

²⁶⁴ Branch, Foreign Trade Data Dissemination. "Foreign Trade: Data." U.S. Trade with Egypt. April 21, 2009. Accessed August 26, 2018. <https://www.census.gov/foreign-trade/balance/c7290.html>.

²⁶⁵ Mordechai Chaziza, "Home." Rubin Center. December 25, 2016. Accessed August 3, 2018. <http://www.rubincenter.org/2016/12/comprehensive-strategic-partnership-a-new-stage-in-china-egypt-relations/>.

advantages. Chinese investment is essential for Egypt's economic growth and for declining the unemployment rate, that create a tangible threat to the regime stability.²⁶⁶

Geopolitical, Egypt desire to send a concrete message to its previous U.S. partner alluding to its strategic alternatives and its frustration with the U.S. attempts to interfere in Egypt's internal affairs. Strategic cooperation with China is convenient to Egypt's desire to shape a sovereign foreign policy based on purely Egyptian interests and is not limited to international and regional axes.

Accompanied by a high-level Egyptian delegation President Sisi participated in The Forum on China-Africa Cooperation (FOCAC) in Beijing in September 2018. President Sisi noted the development of bilateral relations between Egypt and China and the achievement of comprehensive strategic relations, reflecting the confidence between the two countries. He pointed to the economic and investment cooperation between the two countries which has developed over the last four years, which will greatly benefit during that period, particularly in the trade volume between the two countries. The President welcomed the high-level exchange of visits between the two countries during the past four years, referring to the four visits he made to China, as well as the visit of the Chinese president to Cairo.²⁶⁷

²⁶⁶ Ibid.

²⁶⁷ Akhbar Elyoum, " Sisi praises China's support for development in Egypt, especially in the administrative capital. " Septemper,1,2018. Accessed September 6, 2018.

<https://akhbarelyom.com/news/newdetails/2717611/1/%D8%A7%D9%84%D8%B3%D9%8A-%D9%8A%D8%B4%D9%8A%D8%AF-%D8%A8%D8%AF%D8%B9%D9%85-%D8%A7%D9%84%D8%B5%D9%8A%D9%86-%D9%84%D9%84%D8%AA%D9%86%D9%85%D9%8A%D8%A9-%D8%A8%D9%85%D8%B5%D8%B1-%D8%AE%D8%A7%D8%B5%D8%A9-%D9%81%D9%8A-%D8%A7%D9%84%D8%B9%D8%A7%D8%B5%D9%85%D8%A9-%D8%A7%D9%84%D8%A5%D8%AF%D8%A7%D8%B1%D9%8A%D8%A9>

Al-Sisi stressed Egypt's keenness to further strengthen and activate the mechanisms of the China-Africa Cooperation Forum, especially during its presidency of the African Union in 2019, in light of the consensus available on the development priorities of African countries and China. President Sisi affirmed Egypt's support for the Chinese President's "Belt and Road" initiative, especially as Egypt is a cultural and historical partner of China in the initiative to revive the Silk Road. Al-Sisi mentions that: "The BRI goes further than its commercial aspect to shape a number of additional cultural and civilization axes which aim to accomplish interconnection among peoples, the goals which Egypt has long supported and sought to strengthen."²⁶⁸

President Sisi called for greater concerted efforts to promote ties between Cairo and Beijing in all domains. Also said the FOCAC confirmed that China hooked up immense importance to Africa's development. Egypt completely supports China in hosting a flourishing summit, "Egypt speaks positively of China for upholding a just stance on the Middle East issues and is ready to strengthen coordination with China in multilateral areas".²⁶⁹

5- The BRI and Suez Canal

Egypt is poised – and eager – to play a pivotal role in China's "Belt and Road" initiative. Indeed, Due to the strategic importance of the Suez Canal, Egypt

²⁶⁸ Akhbar Elyoum, "President Sisi meeting with his Chinese counterpart". September, 1, 2018. Accessed September 6, 2018. <https://akhbarelyom.com/news/newdetails/2717753/1/%D8%B5%D9%88%D8%B1-%D8%A7%D9%84%D8%AA%D9%81%D8%A7%D8%B5%D9%8A%D9%84-%D8%A7%D9%84%D9%83%D8%A7%D9%85%D9%84%D8%A9-%D9%84%D9%84%D9%82%D8%A7%D8%A1-%D8%A7%D9%84%D8%B1%D8%A6%D9%8A%D8%B3-%D8%A7%D9%84%D8%B3%D9%8A%D8%B3%D9%8A-%D8%A8%D9%86%D8%B8%D9%8A%D8%B1%D9%87-%D8%A7%D9%84%D8%B5%D9%8A%D9%86%D9%8A>

²⁶⁹ Egyptian Gazette, "LEAD ALL: Sisi-Xi summit gives further boost to Egypt-China strategic ties." September, 1, 2018 . Accessed September 6, 2018. <http://www.egyptiangazette.net.eg/index.php/component/k2/item/8654>

may finally end up actually turning into China's "gateway to Europe," even more so than the Eastern European countries that have vied for the title.²⁷⁰

An economic cooperation agreement signed in Cairo in 1995 between Egypt and China.²⁷¹ The Agreement for Economic and Commercial Cooperation (AECC) aims at encouraging trade exchange and developing economic cooperation and stipulates the establishment of a joint committee for trade exchange and economic cooperation. The committee's first meeting was held in Beijing in October 1996.²⁷²

President Hosni Mubarak's visit to China in 1999, Chinese governmental and non-governmental delegations began a series of visits to Egypt with the express purpose of gauging the investment climate and business atmosphere in Egypt. During the visit made by President Hosni Mubarak to China in 1999, a contract was signed for planning an SEZ between the Egyptian-Chinese Joint Company and the Chinese TEDA Company. The SEZ was to be located in the North Western Gulf of Suez.²⁷³

The New Suez Canal is a parallel canal to the old one; it was constructed to increase the benefits from the Suez Canal and is considered the flagship project for the current government. It's necessary to notice that the project was funded by investment certificates issued to Egyptians only. The project was thought-out a national triumph, in barely a matter of days the government was capable to collect

²⁷⁰ Mordechai Chaziza,

²⁷¹ Egypt and China have signed the following bilateral agreements: Egypt-China Trade Agreement (1985); Bilateral Investment Protection Agreement (1994); Agreement for Economic and Commercial Cooperation (1995); Agreement on the Avoidance of Double Taxation (1999); Agreement for Cooperation in Maritime Transportation (1999); Agreement for Economic and Scientific Cooperation (1999); and Agreement for Establishing Egypt-China Business Council (2002). (Ministry of Trade and Industry, 2009).

²⁷² Ahmad El-Gohari, Dylan Sutherland, "'CHINA'S SPECIAL ECONOMIC ZONES IN AFRICA: THE EGYPTIAN CASE.'" Global Economic Recovery: The Role of China CEA Conference. University of Oxford, U.K. July 12-13, 2010. Accessed September 6, 2018. <http://www.ceauk.org.uk/2010-conference-papers/full-papers/El-Gohari-and-Sutherland-CEA-Final.pdf>.

²⁷³ *Ibid*,22

EGP 61 billion through investment certificates and rather than spending a period of three years to complete the project, it was finalized within a year. The goal of the project was to maximize earnings from the Suez Canal by increasing its capacity from 49ships/day to 97 ships/day and the revenues from around USD 5.5 billion to USD 13 billion by 2023.

The main goals of the New Suez Canal are: 1) Attract a lot of ships to utilize this maritime route, reaffirming it as a focal international maritime route. 2) double the longest doable elements of the waterway to facilitate traffic in each direction. 3) Reduce the transit time for ships from 18 to 11 hours for the southbound convoy. 4) Decrease the wait time for vessels to become 3 hours at the most rather than of 8-11 hours, so lowering on trip costs. 5) Enhance the capability of the waterway to accommodate more ships daily to satisfy the expected growth in world trade. 6) Enhance the Egyptian national economy by boosting the flow of foreign currency in the country and turning Egypt into an international logistics center.²⁷⁴

On August 9th, 2015, Al Sisi issued Decree No. 330/2015 to establish a special economic zone (SEZ) in the area bordering to the Canal, as an extension to the long-term projected regional development plan to transform the strategic waterway into an industrial hub, the “Suez Canal Economic Zone” (SCZone) across over an area of 461 square kilometers and 6 maritime ports.

The Suez Canal Economic Zone (SCZone located on the major trade route between Asia and Europe, more than 8% of world trade passes through every year. Spanning 461 km², almost two-thirds the size of Singapore, the SCZone consists

²⁷⁴ "THE SUEZ CANAL ECONOMIC ZONE - N Gage Consulting." N Gage Consulting, 2016. Accessed September 16, 2018. http://ngage-consulting.com/downloads/SuezCanal_report_April_2016-NGAGE_CONSULTING.pdf.

of two integrated areas (Ain Sokhna with Ain Sokhna Port - East Port Said with East Port Said Port), two development areas (Qantara West - East Ismailia), and four ports (West Port Said Port - Adabiya Port - Al Tor Port - Al Arish Port).



Every development and integrated area creates investment opportunities in industrial and commercial enterprises, infrastructure and real estate development, logistics, amenities, and state-of-the-art technology. Designed port expansions will maximize the capacity for managing maritime traffic and for providing related services.²⁷⁶

Egypt signed several International trade agreements, which further enhance market access include: Greater Arab Free Trade Area (GAFTA), Egypt-EFTA (Iceland, Liechtenstein, Norway and Switzerland) free trade agreement

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<https://www.google.com/imgres?imgurl=https%3A%2F%2Fnews.cgtn.com%2Fnews%2F3241444f33557a6333566d54%2Fimg%2F4af91353-8440-4599-8c8c-f27705606a42.jpg&imgrefurl=http%3A%2F%2Fcasino-zodiac.org%2Fsuez-canal-economiv-zone&docid=qCAfxV05rvVFKM&tbnid=JZvTBOEpO-stXM%3A&vet=10ahUKEwjipLbQ6ejdAhXGWLwKHesoCikQMwgzKAMwAw..i&w=1080&h=608&itg=1&bih=608&biw=1366&q=Suez%20SEZ&ved=0ahUKEwjipLbQ6ejdAhXGWLwKHesoCikQMwgzKAMwAw&iact=mrc&uact=8#h=608&imgdii=JZvTBOEpO-stXM.&vet=10ahUKEwjipLbQ6ejdAhXGWLwKHesoCikQMwgzKAMwAw..i&w=1080>

²⁷⁶ Suez Canal Area Development Project - Overview. Accessed April 6, 2018.

<https://www.sczone.eg/English/aboutsczone/Pages/overview.aspx>.

,Egypt-EU Partnership Agreement, Agadir Agreement (free trade zone among the Arabic Mediterranean Nations), COMESA Agreement (Common Market for Eastern & Southern Africa), Egypt-Turkey Free Trade Agreement, and Qualifying Industrial Zones (QIZ).

Various investment opportunities exist in at the (SCZone) and therefore the development nearby areas; we've divided these opportunities into 6 segments:

- 1) Ports & Logistics field: Opportunities exist within both “the development of East Port Said Port and Ain Sokhna Port” and the associated terminals and facilities, as well as instrumentation terminals.
- 2) Maritime Services field: opportunities exist within the development of maritime-related activities as well as shipbuilding and ship repair services, vessel scrapping, bunkering, and recycling.
- 3) Industry field: Potential opportunities in East Port Said, Ain Sokhna, and Qantara for light, medium and heavy industry. Contain consumer electronics, pharmaceuticals, automotive, food processing, textile, and petrochemicals.
- 4) ICT field: the SCZone creates several opportunities to engage in R&D, software development, among other activities. Particularly that the city of Ismailia is designed to become Egypt's Tech Valley and additionally the administrative center for SCZone.
- 5) Renewable Energy field: the renewable sector is highly promising with potential developers to build clean energy industries using solar and wind farm energy.
- 6) Infrastructure field: Opportunities exist in infrastructure is infinite and is that the most required at this stage.

On the other hand, The Suez Canal Economic Zone (SCZone) have several Incentives As Companies operating within the SCZone are entitled to: 100% foreign ownership of companies, 100% foreign control of import/export activities, Imports exempt from customs duties and sales tax, Customs duties on exports to Egypt imposed on imported components only not the final product, and Fast-track visa services.²⁷⁷

Djibouti, Egypt, and Ethiopia are the hotspots of China's engagement in Africa within the scope of BRI as well as Zambia, Tanzania, and Angola. No other country invests more within the development of Egypt's Suez Canal Corridor than China. A Chinese company signed a contract on constructing the new multi-purpose terminal at Alexandria Port (Egypt). The Hutchison Ports Company based in Hong Kong operated the port. China Railway Construction Corporation is currently constructing a 70 km railway from the expanding capital Cairo to its surroundings.²⁷⁸

Moreover, Egypt has a huge skilled workforce that also happens to be competitively priced. Taken into account Egypt's labor force to be one of the largest and youngest within the region is roughly 27.6 million. Also, Egypt's the labor force is highly trained, with 300,000 university graduates entering the labor market annually (20,000 are engineers, 15,000 are science and technology graduates and 22,500 are foreign language speakers).²⁷⁹

For China, strategic interest in Egypt unlike China's other Middle Eastern partners; ties with Egypt aren't actuated by oil imports, however by an additional

²⁷⁷ Suez Canal Area Development Project - Overview.

²⁷⁸ Julia Breuer, "Two Belts, One Road? The Role of Africa in China's Belt & Road Initiative." *Blickwechsel*. July 2017. Accessed August 6, 2018. https://www.eu-china.net/uploads/tx_news/Blickwechsel_OBOR-Afrika_Maerz2018_03.pdf.

²⁷⁹ "THE SUEZ CANAL ECONOMIC ZONE - N Gage Consulting." p, 17

geographic calculus. China has been desperate to increase its presence in the crucial canal for many years – back in 2000 when the-President Jiang Zemin visited Egypt; he expressed China’s concern in “the development of Egypt’s Suez Gulf particular Economic Zone.” Chinese investment in the Suez Canal starts for the next decade to take off under Xi Jinping and his new “Belt and Road” initiative.²⁸⁰

For the duration of President Xi’s visit to Egypt, both countries signed deals in investment and aid worth billions of dollars, including the development of the Suez Canal axis and economic and trade cooperation in (SCZone). These deals aim to increase Chinese presence in Egypt’s Suez Canal zone from 32 Chinese companies, which are investing more than \$400 million to 100 companies and an investment of \$2.5 billion in the next phase of the project.²⁸¹ The agreements also include the first phase of construction of a new Egyptian administrative capital, a \$1 billion financing agreement for Egypt’s central bank, and a \$700 million loan to the state-owned National Bank of Egypt.²⁸²

In fact, Xi expressly encouraged Chinese firms to invest in Egypt’s major projects, including building a new administrative capital outside of Cairo developing and the Suez Canal Corridor. Egypt and China have already taken steps to collaborate on those projects.²⁸³

On the sidelines of the official visit of Al Sisi to China in 2018, the Chairman of the Suez Canal Authority and the Chairman of the Suez Canal

²⁸⁰ Shannon Tiezzi.

²⁸¹ "China, Egypt Agree to Boost Cooperation under Belt and Road Initiative." Xinhua. January 22, 2016. Accessed June 24, 2018. http://www.xinhuanet.com/english/2016-01/22/c_135033384.htm.

²⁸² "China, Egypt Clinch 21 Investment Deals." Data:blog.title. January 21, 2016. Accessed September 6, 2018. http://www.chinadailyasia.com/nation/2016-01/21/content_15376318.html.

²⁸³ Shannon Tiezzi .

Economic Zone Authority Mohab Mamesh, signed 3 agreements with major Chinese firms in the fields of spinning, weaving, gypsum board manufacturing, non-woven products, About one billion dollars, to work in the area of Teda industrial zone economic Suez Canal Ain Sokhna.²⁸⁴

For Egypt, the strategic geographical location of the Suez Canal offers it an important status, explaining why it's the only African country to officially sign bilateral agreements with China on BRI. The initiative merely cannot afford to exclude Egypt. Moreover, the inclusion of Djibouti has been a result of "logical" assumptions than from official pronouncements. This can surely be explained under the quest for global dominance and the geopolitics of the horn of Africa as stated earlier. Djibouti and Egypt are exceptionally critical because of 30% of world shipping going through the entrance of the Red Sea from the Indian Ocean and on to the Suez Canal.²⁸⁵ However, other than this, the BRI initiative in Egypt is anticipated to own different positive impacts. The Egypt-China Suez Economic Zone a result of the initiative can produce over 10,000 jobs for Egyptians. On the other hand, President Al-Sisi gets to have a partner in China

²⁸⁴ Al youm 7, "We publish the details of the economic zone contracts signed in China with investments of US \$ 1.1 billion".September 3, 2018. Accessed September 6, 2018.

<https://www.youm7.com/story/2018/9/3/%D9%86%D9%86%D8%B4%D8%B1-%D8%AA%D9%81%D8%A7%D8%B5%D9%8A%D9%84-%D8%B9%D9%82%D9%88%D8%AF-%D8%A7%D9%84%D9%85%D9%86%D8%B7%D9%82%D8%A9-%D8%A7%D9%84%D8%A7%D9%82%D8%AA%D8%B5%D8%AF%D9%8A%D8%A9-%D8%A7%D9%84%D9%85%D9%88%D9%82%D8%B9%D8%A9-%D8%A8%D8%A7%D9%84%D8%B5%D9%8A%D9%86-%D8%A8%D8%A7%D8%B3%D8%AA%D8%AB%D9%85%D8%A7%D8%B1%D8%A7%D8%AA-1-1/3935391>

²⁸⁵ Raphael Ziro Mwatela and Mwatela Changfeng, "Africa in China's 'One Belt, One Road' Initiative: A ..." IOSR Journal Of Humanities And Social Science (IOSR-JHSS) Volume 21, Issue12, Ver. 1. December 2016. Accessed June 24, 2018. <http://iosrjournals.org/iosr-jhss/papers/Vol. 21 Issue12/Version-1/B2112011021.pdf>

for his ambitious projects which is the new administrative capital aside from Cairo.²⁸⁶

Tiezzi (2016)²⁸⁷ argues that the Maritime Silk road is unachievable without Egypt. This makes Egypt an indispensable member of BRI. The Suez Canal is an added sweetener financing to the core project with the "road" China gave \$ 1 billion to Egyptian central bank, and \$700 million loans to the National Bank, with the colossal sums of \$ 230 million and \$ 45 billion respectively being the costs that China will foot. The infrastructural impact has already been highlighted.

Tiezzi (2016) says "imagine the New Suez Canal, accomplished with Chinese funding and managed by a Chinese company as the gateway between Europe and Asia". The advantages are going to be outsized. Chinese footprints in matters of worldwide security, and exclusively the Mediterranean region are going to be felt.

Finally, at the previous chapter we explained the implementation of BRI in Djibouti in comparison with the China-Egypt Suez Economic Zone, we can argue that before the BRI initiative, considerable efforts have been made by the Egyptian government to liberalize and improve the investment regime in Egypt. Efforts have also been made to the court and attract not only Chinese investors but also worldwide investment, Although that no other country invests more in the development of Egypt's Suez Canal corridor than China, Egypt government more strong and independent than Djibouti and will not accept China ownership for the port and will not accept military base on the Suez Canal corridor.

²⁸⁶ Ibid.

²⁸⁷ Shannon Tiezzi .

In comparison with the Gwadar port the implementation of BRI in Suez Economic Zone will be more comfortable and convenient for both countries as there is no other country complain about the project like India in case of Gwadar, But it's the opposite as the BRI in Suez Economic Zone will improve the trade and economic scale for the Middle East and African countries.

6- China and Egypt Trade & investments

The investment profile of Chinese firms in Egypt in 2008 was typified by a duality: on the one hand, a small number of large firms exist, on the other; many of relatively small investments, mostly in the manufacturing sectors. The average registered capital of each firm stood at only \$400, 000. Of the 567 Chinese invested companies, 461 were in manufacturing sectors accounting for approximately 45% of all inward investments. The largest numbers of firms were established in textiles (167 firms, accounting for nearly 13% of all Chinese investment in Egypt). The second hottest sector was chemicals (140 corporations, once more accounting for around 13% of all investment). Following this, engineering (72 companies), construction materials (47 companies) and food (23 companies) were the foremost vital industrial sectors.²⁸⁸

In 2008, Egypt hosted almost 600 Chinese firms, around 5% of all officially recognized subsidiaries of Chinese TNCs. this number had risen to 900 invested firms by 2009. Though Egypt has boundless natural resources, Egypt is willing to increase the volumes of Chinese OFDI.²⁸⁹

²⁸⁸ Ahmad El-Gohari, Dylan Sutherland,9.

²⁸⁹ Ibid, 3.

In fact, China was the 28th largest investor in Egypt (GAFI, 2008) by 2008. However, this doesn't exemplify the rapid increase in investment and also a significant number of Chinese firms entering the Egyptian market since 2000. By 2008 a total of 567 Chinese firms had made investments in Egypt, with a registered capital totaling nearly \$225 million and a paid-in capital of \$142 million.²⁹⁰ In 2017 the number increase to \$150.6 million²⁹¹

Two key observations with regards to the investment profile of Chinese firms in Egypt in 2008 are first; that there are a comparatively large number of Chinese investments in the manufacturing sector. These dominate in textiles and chemicals. In particular, there are six large projects within mining services and construction.²⁹²

Since 2010, Egypt and China have enjoyed speedy development in economic and trade cooperation. According to the Chinese ambassador to Egypt Song Aiguo, bilateral trade between China and Egypt reached a record high of \$11.6 billion in 2014, representing an increase of 96 percent compared to 2009. Moreover, in the first three quarters of 2015, reciprocal trade amounted to \$9.67 billion, an increase of 13 percent year-on-year, making Egypt China's third biggest trade partner on the African continent.²⁹³ Through around 1,213 Chinese companies investing in the sectors of construction, industry, and services, China ranks fourth among investing countries in Egypt,

²⁹⁰ Ibid,9

²⁹¹ Monthly Statistical Bulletin. Accessed July 6, 2018.

<http://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/MonthlyStatisticaclBulletin.aspx>.

²⁹² Ahmad El-Gohari, Dylan Sutherland, 11.

²⁹³ Global Times. "Chinese President Arrives in Egypt for State Visit." Global Times. January 21, 2016. Accessed August 15, 2018. <http://www.globaltimes.cn/content/964816.shtml>.

The turning point in bilateral relations was Xi's state visit to Egypt in January 2016 when the two countries were celebrating the 60th anniversary of establishing diplomatic relations he emphasizes on the huge potential for commercial initiatives between the two countries. In course of the visit, the two countries signed 21 Memoranda of Understanding (MoU) aimed at ramping up Chinese investments in Egypt with diverse fields of economic cooperation. As of the end of 2016, the two countries are currently planning 15 projects in electricity, infrastructure, and transport with investments that could total \$15 billion.²⁹⁴

In 1994 Egyptian exports to China was US\$10.6 million which is increased to US\$342.5 million in 2008. The crucial point is that the growth rate has been characterizing by sharp fluctuations. The negative growth rate, of 40.8 % in 1995, was reborn into a rocket increase within the following two years, valued at 22.1 in 1996 and 118.3 %, in 1997. Exports from Egypt to China declined by around 48 % in 1998, as compared to 1997, and this was followed by continued ups and downs til they recorded their peak of 449.1 % in 2002. Over 2007-2008, exports from Egypt to China climbed from US\$129.1 million to US\$342.5 million, recording an increased rate of 165.2 %.

In fact, Chinese exports into the Egypt market have shown comparative stability. They increased from US\$194.4 million in 1994 to nearly US\$642.5 million in 2000, or 230.4 % larger than their value in 1994. After registering slight declines during 2001-2003, Chinese exports to Egypt have been

²⁹⁴ Lin Noueihed, "China's Xi Visits Egypt, Offers Financial, Political Support." Reuters. January 21, 2016. Accessed August 17, 2018. <https://www.reuters.com/article/us-egypt-china-idUSKCN0UZ05I>.

continuously increasing, while they climbed from US\$675.3 in 2004 to more than US\$4.4 billion in 2008, representing an increased rate of about 656 %.²⁹⁵

Egypt's Exports to China reached \$70.8 million with 0.4% of total exports in July/March 2016/2017 and for import \$3283.0 million with 7.4% of total imports as the highest country. The volume of trade between the two countries reached \$3353.8 million with 5.6% as the third partner after the United Arab Emirates and the U.S respectively.²⁹⁶

Although it is quite obvious that China's exports to Egypt have been far greater than its imports from Egypt, resulting in a large trade surplus in favor of China. But we can strongly argue that China is a very important trade partner for Egypt.

Furthermore, Chinese firms view Egypt as a business environment with significant profit potential, and thus many are willing to participate in major projects in Egypt, such as nuclear energy, electricity, petroleum, natural gas, railways, ports, mining, construction materials, chemical and optical industries, textile, electrical appliances, and other fields.²⁹⁷

In April 2014, an MOU and a preliminary agreement were signed between Aviation Industry Corporation of China (AICC) and Egypt's Ministry of Transportation to develop an 80- kilometer electric railway from El-Salam City to Sharqeya and Belbeis in greater Cairo. This line will also connect the third metro line presently under construction in Cairo. The project will finance by The

²⁹⁵ Assem Reda Abu Hatab, Nada Abdelhamed Shoumann, Huo Xuexi, "Exploring Egypt-China Bilateral Trade: Dynamics and Prospects." *Journal of Economic Studies* 39, no. 3 (2012): 314-26. doi:10.1108/01443581211245892.

²⁹⁶ Monthly Statistical Bulletin. Accessed August 26, 2018.

<http://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/MonthlyStatisticaclBulletin.aspx>.

²⁹⁷ Hou Liqiang, "Chinese companies boost operations in Egypt." *China Daily*. February 15, 2016. Accessed August 26, 2018. http://www.chinadaily.com.cn/business/2016-02/15/content_23481956.htm.

Chinese firm through the loan that will be due over a 20-year period, with an estimated cost at \$ 800 million; the railway will take three years to complete.²⁹⁸

In December 2014, Egypt signed an initial agreement with China Harbor Engineering Company (CHEC) to construct a high-speed train project line covering the 900- kilometer distance between Alexandria and Aswan, close to Egypt's border with Sudan. The project would cost \$10 billion, and the train's speed would reach 350 kilometers per hour, allowing it to cover the distance between Egypt's the two cities in three to four hours. Egypt will contribute 20 percent of the labor the project will require, local materials, and executive oversight.²⁹⁹

The energy sector is one of the most important fields of cooperation between the two countries. In 2015, the Egyptian Ministry of Petroleum, together with China's Star Oil & Gas (SOG), established an International Drilling Materials Manufacturing Company. The Chinese company will invest \$250 million to establish a seamless pipe rolling mill to supply the entire MENA market. This joint venture demonstrates Chinese firms' activities in the Egyptian energy sector, also China's aspirations to use Egypt as a hub to branch into alternative markets within the region.³⁰⁰

The China National Nuclear Corporation (CNNC) and the Egyptian Nuclear Power Plant Authority (NPPA) signed an MOU for nuclear energy

²⁹⁸ Sara Aggour, "Ministry of Transportation Signs \$800m MOU with China for Railway Project." Daily News Egypt. April 05, 2014. Accessed August 18, 2018. <http://www.dailynewsegypt.com/2014/04/05/ministry-transportation-signs-800m-mou-china-railway-project/>.

²⁹⁹ "Egypt's high-speed train project in progress: Minister." The Cairo Post. March 14, 2015. Accessed August 26, 2018. <http://thecairopost.youm7.com/news/141695/business/egypts-high-speed-train-project-in-progress-minister>.

³⁰⁰ Emma Scott, "China-Egypt trade and investment ties- seeking a better Balance," The Centre for Chinese Studies, June 2015. Accessed August 26, 2018. http://www.ccs.org.za/wpcontent/uploads/2015/06/CCS_PB_China_Egypt_Trade_Ties_Emma_Final_2015.pdf.

cooperation in May 2015 that might open a second overseas marketplace for Chinese nuclear power technology.³⁰¹

One of the largest solar panel manufacturers in the world (Yingli Solar), Chinese solar energy company and photovoltaic, signed a MOU with Egypt's Ministry of Electricity and Energy In 2015, for development of a solar energy plant in which they established a target of 50 gigawatts of total solar photovoltaic (PV) capacity for local consumption in the following three years.³⁰²

In January 2016, Egypt signed a MoU with China Railway Construction Corporation (CRCC) to construct a sixth metro line in Cairo. The 30-kilometer metro line will start from New Maadi in southern Cairo to Al-Khosous in Al Qalyubia, with a total of 24 stations and an estimated 1.5 million passengers daily. The estimated cost of the project around \$3.5 billion, the financing of which remains under negotiation between the two parties.³⁰³

Minister of Commerce and Industry Tariq Qabeel said there are huge opportunities for Chinese automakers to compete in the Egyptian market in the field of electric bus production, especially in light of the current trend of the Egyptian government to introduce environmentally friendly electric car technology to operate in Egypt. This came during a meeting with Chinese Ambassador Song Iguo to discuss means of enhancing the Egyptian-Chinese

³⁰¹ "China, Egypt Agree to Nuclear Cooperation." China, Egypt Agree to Nuclear Cooperation - World Nuclear News. May 28, 2015. Accessed August 21, 2018. <http://www.world-nuclear-news.org/NP-China-Egypt-agree-to-nuclear-cooperation-2805154.html>.

³⁰² Mengjuyue, "Yingli Will Build 500MW Solar PV Project in Egypt." OFweek News. February 10, 2015. Accessed August 26, 2018. <https://en.ofweek.com/news/Yingli-will-build-500MW-solar-PV-project-in-Egypt-25326>.

³⁰³ "Egypt to Sign MOU With Chinese Company to Construct Sixth Metro Line." All Africa. January 11, 2016. Accessed August 26, 2018. <http://allafrica.com/stories/201601041476.html>.

economic relations in various fields of investment, especially in industrial sectors.³⁰⁴

Han Ping, the Economic and Commercial Counselor of the Chinese Embassy in Cairo mentions that the second phase of the Egyptian-Chinese industrial zone in Ain Sokhna (TEDA) has been finalized and is prepared to receive investors as some Chinese firms have already signed business contracts. Ping added that the second phase of China-Egypt TEDA Suez Economic and Trade Cooperation zone will contain a motorbike company, a textiles city, and a logistics center. Ping highlight that the volume of investments is predictable to hit \$ 2 billion within the few years, on the same truck companies that have already operated in the first phase project like Jushi in fiberglass industry have reached a production of 200,000 tons annually.³⁰⁵

In 2018, Dr. Sahar Nasr Minister of Investment and International Cooperation met with a delegation from the Chinese Government, 8 major Chinese companies and China Fortune Land Development Co., Ltd (CFLD) specialized in the establishment of new cities during their visit to Egypt at MIIC premises. On the other hand, MIIC launched an investment map, including all investment opportunities in various areas in Egypt's governorates, developed in coordination with all line ministries, mentioned the Minister, who called on Chinese companies to identify Egypt's distinguished investment opportunities and benefit from the incentives of the Investment Law. During the meeting, Chinese

³⁰⁴ "Minister of Commerce: huge opportunities for Chinese companies to produce electric buses in Egypt. " Almasry Alyoum. February16. 2018. Accessed August 26, 2018. <https://www.almasryalyoum.com/news/details/1259844>

³⁰⁵ "China economic counselor: Second phase of China-Egypt TEDA zone finalized." A News. September 17, 2017. August 26, 2018. <http://www.akhbarelyaom.com/en/22235/china-economic-counselor-second-phase-of-china-egypt-teda-zone-finalized>

companies expressed their keenness on injecting new investments in the Egyptian market during the upcoming period. On his part, Vice-Chairman of Sinoma Chinese Company Mr. Liu Zhijiang asserted that his company was determined to invest in Egypt through establishing an iron and steel factory with a production capacity of 2 million tons annually and with investments worth approximately USD 100 million.³⁰⁶

In 2018, Dr. Amr Talaat, Minister of Communications and Information Technology, meet with Song Aiguo, Ambassador of China in Cairo. During the meeting, Dr. Amr Talaat emphasized the active role of the Chinese companies operating in the Egyptian market in the field of telecommunications and manufacturing of optical fiber, smart meters, and other related industries.³⁰⁷

On the other hand, for the tourism field, Egypt has been awarded as one of the top ten tourist destinations in the Chinese tourist market in terms of high-quality tourist destinations.³⁰⁸ The number of Chinese tourists visiting Egypt has improved by 94% during the year 2017, compared to the same period last year, according to Xinhua News Agency. In line with statistics issued by the Egyptian Embassy in Beijing, during the first five months of the ongoing year, 2017,

³⁰⁶ "Chinese Companies Commend Egypt's Investment Climate, Intend to Inject New Investments." MIIC - Chinese Companies Commend Egypt's Investment Climate, Intend to Inject New Investments. August 9, 2018. Accessed September 1, 2018. <http://www.miic.gov.cn/English/MediaCenter/News/Pages/Chinese-Companies-Commend-Egypt's-Investment-Climate,-Intend-to-Inject-New-Investments.aspx>.

³⁰⁷ "Minister of Communications Receives Chinese Ambassador and " Aiguo " Praises the Egyptian Reform Program." Al youm 7. August 19.2018. Accessed September 1, 2018. <https://www.youm7.com/story/2018/8/19/%D9%88%D8%B2%D9%8A%D8%B1-%D8%A7%D9%84%D8%A7%D8%AA%D8%B5%D8%A7%D9%84%D8%A7%D8%AA-%D9%8A%D8%B3%D8%AA%D9%82%D8%A8%D9%84-%D8%B3%D9%81%D9%8A%D8%B1-%D8%A7%D9%84%D8%B5%D9%8A%D9%86-%D9%88-%D8%A2%D9%8A%D9%82%D9%88%D9%87-%D9%8A%D8%B4%D9%8A%D8%AF-%D8%A8%D8%A8%D8%B1%D9%86%D8%A7%D9%85%D8%AC-%D8%A7%D9%84%D8%A5%D8%B5%D9%84%D8%A7%D8%AD/3917792>

³⁰⁸ "Egypt among top ten Chinese tourist destinations in 2017." Egypt Today News. December 14, 2017. Accessed September 1, 2018. <http://www.egypttoday.com/Article/9/36654/Egypt-among-top-ten-Chinese-tourist-destinations-in-2017>

Chinese tourists visiting Egypt reached 150 thousand.³⁰⁹ Chairman of the Egyptian Investment Group in China, Hany al-Sharqawy, and President of the Federation of Chinese Chambers of Commerce, Benjamin Wan, signed a contract on Wednesday in an effort to attract one million Chinese tourists. According to the agreement, state-owned and private-sector tourism companies will organize tourist trips for 350,000 Chinese tourists for the remainder of the year, to reach one million tourists in 2018.³¹⁰

For the construction field, the construction of the Central Business District (CBD) engaged by China State Construction Engineering Corporation (CSCEC) in Egypt's new administrative capital. Chang Weicai, the chief executive officer of the CSCEC Egypt Company, told Xinhua onsite that the construction is expected to be finished within 3.5 years, adding that over 90 percent of workers will be hired locally. Moreover, The Chinese contribution in a large national project in Egypt has reflected the Asian power's commitment toward Egypt and signaled the historical ties between the two countries, said Diaa Helmy, secretary general of the Cairo-based Egyptian-Chinese Commerce Chamber.³¹¹ We have to mention also that the share of African workers in Chinese infrastructure projects on the continent is often perceived to be too low, but the case is different with Egypt as over 90 percent of workers will be hired locally as required by local regulation.

³⁰⁹ "Chinese tourists to Egypt increased by 94% in 2017." Egypt Today News. August 15, 2017. Accessed September 1, 2018. <http://www.egypttoday.com/Article/9/17536/Chinese-tourists-to-Egypt-increased-by-94-in-2017>

³¹⁰ "Egypt plans to attract one million Chinese tourists in 2018." Egypt independent news. August 1, 2018. Accessed September 1, 2018 <https://www.egyptindependent.com/egypt-plans-to-attract-one-million-chinese-tourists-in-2018/>

³¹¹ "Egypt, China Join Hands to Build up Egypt's New Capital." China News Service Website - Headlines, Stories, Photos and Videos. Accessed September 2, 2018. <http://www.ecns.cn/news/feature/2018-07-09/detail-ifyvuhv1812671.shtml>.

Egypt and China are set to start building a satellite called Misr Sat 2. The project aims to send satellite technology in Egypt and benefit from China's experience in remote sensing. China is not one of the countries that are keen to preserve the secrets of this technology. Cairo hopes that China will allow it to participate in the manufacture of the satellite through the introduction of local components up to 50%, which contributes to the acquisition of significant expertise in this area in the long term. Egypt is in dire need of this satellite for security purposes related to monitoring the country's borders, and stop the infiltration of terrorist elements and arms smuggling.³¹²

During the participation in The Forum on China-Africa Cooperation (FOCAC) in Beijing on September 2018, Dr. Mohamed Shaker, Minister of Electricity, signed conditional contracts for the coal, pumping and storage plants, revealing that these contracts are conditional upon the approval of the Egyptian and Chinese parties on all items related to the project to start implementation. The contract includes construction of a 6,000 MW power station and a 2400 MW power plant with total investments of \$ 8 billion and \$ 700 million.³¹³

³¹² "Egypt and China are preparing to start building a satellite." I24News.September 2,2018. Accessed September 2, 2018.

<https://www.i24news.tv/ar/%D8%A3%D8%AE%D8%A8%D8%A7%D8%B1/%D8%A7%D9%84%D8%AA%D9%83%D9%86%D9%88%D9%84%D9%88%D8%AC%D9%8A%D8%A7/183222-180901-%D8%A8%D8%B7%D9%88%D9%84%D8%A9-%D8%A5%D9%86%D9%83%D9%84%D8%AA%D8%B1%D8%A7:-%D9%84%D9%8A%D9%81%D8%B1%D8%A8%D9%88%D9%84-%D9%8A%D9%81%D9%88%D8%B2-%D9%88%D8%AE%D8%B7%D8%A3-%D8%A3%D9%84%D9%8A%D8%B3%D9%88%D9%86-%D9%8A%D9%83%D8%A8%D8%AF%D9%87-%D8%A7%D9%84%D9%87%D8%AF%D9%81-%D8%A7%D9%84%D8%A3%D9%88%D9%84>

³¹³ "We publish the details of the conditional contracts with the Chinese side in the field of electricity .. The establishment of a coal station capacity of 6 thousand MW and other pumping and storage of 2400 MW with investments of 8 billion dollars .. Source: The cost of the two stations the largest in the history of the sector." Al youm 7. September,1,2018. Accessed September 2, 2018.

<https://www.youm7.com/story/2018/9/1/%D9%86%D9%86%D8%B4%D8%B1-%D8%AA%D9%81%D8%A7%D8%B5%D9%8A%D9%84-%D8%A7%D9%84%D8%B9%D9%82%D9%88%D8%AF-%D8%A7%D9%84%D9%85%D8%B4%D8%B1%D9%88%D8%B7%D8%A9-%D9%85%D8%B9-%D8%A7%D9%84%D8%AC%D8%A7%D9%86%D8%A8->

Minister of Commerce and Industry Eng. Amr Nassar said that the government seeks to make Egypt a regional center for Chinese investments. He pointed out that the multiplicity of presidential visits between Egypt and China is a great evidence of the strength of bilateral relations and their desire to develop this relationship. The minister pointed out that the government will work during the coming period to reduce the trade deficit between Egypt and China by working on several axes. He pointed out that the value of Egyptian exports to China was doubled in 2017 to reach about 1.3 billion dollars against about 500 million dollars in 2016, Valued at \$ 776 million, or 139.8%.

Egypt has started to direct more exports to the Chinese market, especially the Egyptian exports of agricultural crops, where many steps have been taken to implement more Egyptian agricultural crops in the Chinese market. A protocol of cooperation between the two countries was signed to allow Egypt's grape exports to China in November 2017; the grapes are the second Egyptian agricultural crops after the citrus fruit to enter the Chinese market. Egyptian citrus exports to China have witnessed a remarkable development over the past year, rising from \$ 23 million in 2016 to \$ 78.3 million in 2017, which reflects the status of Egyptian citrus in the Chinese market and gives an opportunity for more exports of other Egyptian agricultural crops to the Chinese market.³¹⁴

<https://www.youm7.com/story/2018/9/4/%D9%88%D8%B2%D9%8A%D8%B1-%D8%A7%D9%84%D8%AA%D8%AC%D8%A7%D8%B1%D8%A9-%D9%86%D8%B3%D8%B9%D9%89-%D9%84%D8%AC%D8%B9%D9%84-%D9%85%D8%B5%D8%B1-%D9%85%D8%B1%D9%83%D8%B2%D8%A7-%D8%A7%D9%84%D9%83%D9%87%D8%B1%D8%A8%D8%A7%D8%A1/3933163>

³¹⁴ "Minister of Trade: We seek to make Egypt a regional center for Chinese investments." Al youn 7. September 4, 2018. Accessed September 7, 2018.

<https://www.youm7.com/story/2018/9/4/%D9%88%D8%B2%D9%8A%D8%B1-%D8%A7%D9%84%D8%AA%D8%AC%D8%A7%D8%B1%D8%A9-%D9%86%D8%B3%D8%B9%D9%89-%D9%84%D8%AC%D8%B9%D9%84-%D9%85%D8%B5%D8%B1-%D9%85%D8%B1%D9%83%D8%B2%D8%A7-%D8%A7%D9%84%D9%83%D9%87%D8%B1%D8%A8%D8%A7%D8%A1/3933163>

Chapter VI

Conclusion

- In order to figure out if China's Belt and Road Initiative could be the rescue plan for Egypt economy we designed our conclusion on the expectation for Egypt's political and economic situation which is based on two assumptions;

First, the Egyptian people have the ability to ignite another revolution. However, we can argue that Egypt's modern history was witnessed numerous revolutions which is mean that Egyptian people have the capabilities and the practical practice to implement it again. But why?

The Egyptian government faces a lot of challenges to meet the continuing demands of Egyptians after the 2011 uprising in Egypt; many of the demands of protesters remain unmet. We also have to take in the consideration that the Youth was the main engine for the 2011 revolution. And the youth still did not have anything to lose, not a social position in society or a good job. Young people, as a result, became increasingly frustrated and upset.

In last Egypt's presidential election as all credible challengers were barred, arrested or withdrew before campaigning began, the election was widely seen as a referendum on the policies that defined El-Sisi's first term: combating terrorism

[%D8%A5%D9%82%D9%84%D9%8A%D9%85%D9%8A%D8%A7-%D9%84%D9%84%D8%A7%D8%B3%D8%AA%D8%AB%D9%85%D8%A7%D8%B1%D8%A7%D8%AA-%D8%A7%D9%84%D8%B5%D9%8A%D9%86%D9%8A%D8%A9/3936444](#)

and reviving the economy. Although El-Sisi cruised to a second term as Egypt's president, and he has create a few stability to the country, however his popularity has been eroded by tough economic reforms that have hit people's livelihoods laborious and by suppression on dissidents.

Egypt has been ruled with military authoritarianism since 1952 and has seen only four leaders in 59 years. The short period of democracy trial finished with the 30 June revolution in 2013, which proved the military dominance over the politics, economy, and media with an increase in repressive measures. One can easily draw a correlation between military rule after the 2013 coup (revolution) and the massive drop in the economy and living status. External debt has risen from \$38bn to quite \$80bn, a lot of funded by the UAE, Saudi Arabia and therefore the International Monetary Fund (IMF). Taxes have skyrocketed after the regime opted for enormous tax hikes to all products and services. The horridness of the regime changing into frighteningly clearer by the day, Lawlessness and police abuse of citizens is the norm. Disappearances, common torture, and a tool of choice all this is done in the name of fighting terrorism and an Islamic-based armed rebellion. However, as befits a venerable pattern of authoritarianism, there's continually time to repress and frighten any regime critics, real or imaginary.

Second, the Egypt government could success in implementing a bold and transformational reforms program that will enhance the country's business environment and staging a balanced and inclusive growth. As, Both the IMF and World Band expects an increase in Egypt economic growth in 2019 and also predicts a decline in Egypt's unemployment rate.

On balance, Egypt's Giant Zohr Gas Production will achieve “self-sufficiency of natural gas, ease the burden on the state budget and cut the imports bill with potential for a lucrative export market in the future. The New Suez Canal achieved direct unstopped transit in the two directions and stepping up the permissible draft to 66ft all through the Suez Canal. Also, the revenues expected to increase to \$ 13.226 billion in 2023; almost 259% that shall certainly to improve Egypt’s national income. On the other hand, Investors looking for exposure to the Middle East and Africa will need to build in exposure to Egypt, as it's one of the largest countries in the region both by population and economy. The Egypt government launched the new investment law with guarantees and various incentives for investors. However, Egypt launched mega projects such as (New Capital, New Al Amria City, The Golden Triangle, Al Galala City and Tourist Compound, East Al Ismailia City, and the Suez Canal Economic Zone) in order to attract local and foreign capital to the diverse investment opportunities in Egypt.

- My expectation about the impact of the BRI in Egypt’s economic and foreign policy it has been divided into two perspectives that is also enhance and trigger off Sisi administration to consider relations with Beijing to be essential:

Political perspective

The Egyptian Chinese relations achieved flourishing Substrates for mutual external politics that were counted as pillars that helped continuity as:

- The mutual respect for legal politics by keeping the principle of noninterference in interior affairs

- Keeping political autonomous support as while China was calling for peaceful living, Egypt was one amongst the Founding countries of the non-aligned movement within the frame of the international non-aligned movement to stand up the influences of the two great power.

- Keeping the continuity of the bilateral relation developmental function by supporting the increase of commerce exchange size.

Egypt was looking for alternative strategic alliances, following the deterioration of its relations with the US due to Washington's attempts to "interfere" in Egypt's internal affairs after the Arab uprisings. For Cairo, the "comprehensive strategic partnership" with Beijing constituted a significant shift in its foreign policy orientation, after its decades-long, US-centric policies. On the other hand, China's non-interventionist approach was welcomed by decision-makers in Cairo.

Cairo the second-largest recipient of military aid from the U.S, It is important to mention that the U.S., through its military aid to Egypt, has achieved leverage and influence over the Egyptian military as well as over the Egyptian political life. Therefore, China and Egypt may seek to support their military relationship and have even given signs that China is looking for supplanting the U.S. as Egypt's major military partner, if China truly aspires to take over the role played by the U.S., it will need to become Egypt's top military supplier, and that is unlikely to happen any time soon. However, U.S remains firmly positioned to retain its strategic leverage over Egypt within the predictable future. But China and Egypt may start military exercises soon especially after the establishment of the first Chinese military base in Djibouti as China will need also to protect its

economic route in the north of the Red Sea through Suez Canal. Moreover, it will be a good opportunity for Sisi administration to support their policy for fighting against terrorism. As the high-level meetings between Chinese and Egyptian leaders is a significant evidence for symbolizing the importance of the strategic partnership between the two countries.

The BRI would enhance the security of energy supply lines to China, But China would still need to step up its security footprint—whether establishing new naval bases by maritime choke points (e.g., Gwadar, Djibouti), increasing its UN peacekeeping presence to guard infrastructure workers and investments (e.g., South Sudan), improve security cooperation with countries. As Egypt could be the next base.

Finally, we can get to the conclusion that since President Nasser until President Sisi Strategic cooperation with China was always alternatives to the U.S, as cooperation with Beijing suits Cairo's desire to forge a sovereign foreign policy. In addition, China's Belt and Road Initiative is the rescue plan for Egypt economy.

Economic perspective

Economic interests are the primary consideration in the burgeoning comprehensive strategic partnership between the two countries, as in other key countries that will greatly involve Chinese cooperation in infrastructure projects, with additional investment in industrialization. Egypt's desire to develop its own economy, attached to China's economic restructuring, create numerous opportunities for both countries to carry out infrastructure construction and capacity cooperation. Consequently, if Egypt continues to benefit from superior

Chinese investment, it may well considerably decrease economic dependence on Washington within this decade.

In fact, the relationship between Egypt and China has not continuously been smooth, and there stay behind some serious issues, like the trade imbalance since the 1980s, which has worsened considerably over time and without determined corrective action, seems set to distort further Egypt's overall trade balance in future. However, the new era of the relation between the two countries, especially after the BRI initiative, open the door for Egypt to attract a massive foreign direct investment from China which in somehow will reduce the pressure on the trade imbalance.

Furthermore, Egypt's exports enter two main destinations, which are the USA and EU, Egypt has a strong need to open new markets for its exports and diversify export destinations so as to avoid the political and economic issues related to the geographic concentration in foreign trade. China offers a probably giant market for Egyptian products. China's demand for imports can still rise. So, Egypt and China ought to explore the possibility of signing a Free Trade Agreement sooner.

In point of fact, it is expected that Beijing will benefit in turn by gaining a foothold in the MENA region and beyond. This could be of vital importance to Chinese economic interests, particularly with its BRI initiative, Given Egypt's geostrategic significance, open economy, and relatively cheap labor force.

Simultaneously, Egypt holds an important geographic position as a trading location (with access to European, US, African and Arab markets). The position

of the SCZone at a major port area, with access via the Suez to Europe, is of obvious significance. The involvement of significant infrastructural investment in transportation, utilities, communication, and buildings, moreover, is perhaps illustrative of the strategic trade importance China places on the zone.

Much has been made of China's grand building plan for the BRI Initiative. Egypt has the chance to function as the "hub" for the BRI into Africa and the Middle East. The Chinese have already selected it as one of the top 5 countries for acquisitions and mergers potential over the following 5 years. The Suez Canal Economic Zone (SCZone) could play a significant role for China as well by transferring Chinese production to the nations with substantial imports, it may be possible to decrease the growing trade deficits: "The booming expansion of China's exports has been increasingly inflicting a protectionist reaction in many host countries, that has prompted China to substitute direct investments for exports.

For the tourism field, Egypt is one of the most important countries in the world attractive to Chinese tourists due to its originality and history. The Chinese tourist market to Egypt is very important for Egypt economy, the problem is the lack of sufficient airlines to transport the number of tourists, due to the lack of charter flights between the two countries, the increase in the number of flights and the diversity of means of transportation between China and Egypt will raise the number of Chinese tourists. Possibly investors and businessmen will be offered the opportunity to launch an airline to operate these flights.

- On the other hand, our conclusions for the motivations of China BRI are;

For the overall motivations of China BRI, we can say that BRI has become the focal point of China's national strategy. The initiative has typically been painted as "grandiose" or "truly monumental". In accordance with its doubtless vast impact, the initiative has aroused immense interest, both economically as well as politically.

The initiative aims to enhance the connectivity of Asian, European and African continents and their adjacent seas to promote a free flow of economic factors, efficiently allocate resources and deeply integrate markets. China aims to become the hub to connect the energetic East Asia economic at one end and developed European economic at the other.

In the BRI Initiative, there are more than 100 countries and international organizations participating at different stages. The widespread desire to participate in this project shows that the involved countries believe in the positive effects that may be achieved by partnering with China. However, growing Sino-European monetary ties largely explain the decision by the UK, France, Germany, and Italy, to join as founding members the Asian Infrastructure Investment Bank (AIIB), seen as a potential rival to the World Bank, despite US pressure to stay out. China continues to be a developing country with only one-seventh of the US's per capita GDP. China has neither the flexibility nor the requirement to defend and lead globalization alone. Seeking Europe as a partner is incredibly necessary. The BRI Initiative is an open proposal from China to Europe and all countries in the world, to forge a platform for diversified cooperation. The objective of the Belt and Road Initiative is a topic heavily debated by academia, think tanks, and public media since its birth. Some scholars

are inclined to interpret the BRI as China's new grand strategy with security and military aspirations.

Although it remains to be seen how successful BRI will be, The BRI faces great challenges that need to be assessed in order to avoid negative impacts on China's domestic economy and foreign policy. In the economic field, the risk lies in the provision of a huge amount of financial resources to low-return projects and high-risk countries

The United States has raised concerns about the strategic implications behind China's BRI initiative, pointing out that China aims to change the international order through the creation of new international organizations. By contrast, China has argued that it does not seek to change the current international order but rather it tries to complement the international order through the establishment of new organizations. The American perspective considers BRI overseas bases as a tool to enhance China's sphere of influence and brings smaller countries under China's sphere of influence.

On the other hand, The Maritime Silk Road represents the greatest challenge for the implementation of the BRI due to the South China Seas territorial disputes and China's overseas bases along the maritime line. The realist perspective considers the Maritime Silk Road and its overseas bases as a strategy to increase China's influence in the region. However, in the next years, China needs to provide further shreds of evidences that confirm the liberal perspective over the realist one, demonstrating that the BRI infrastructure developments along the sea lines aim to promote economic growth, regional integration, and political stability.

This great potential of the Initiative contains internal and external challenges that could backfire, provoking “blind development” and political destabilization. China has advanced the Public-Private Partnership (PPP) model for the execution of BRI projects. But, the public coffers of the LDCs are inadequate to invest in the proposed large-scale projects, and also the private sectors in most of the LDCs do not have the capacity to invest and carry out such projects. This leaves the partner countries to take loans through Chinese banks and China-led multilateral financing institutions such as Asian Infrastructure and Investment Bank (AIIB), New Development Bank under the BRICS, China Development Bank and Exim Bank of China. Needless to mention, the loans received are to be paid back in a definite period of time. If the BRI projects result in higher trade volume, there will be a win-win situation. Otherwise, it will add a financial burden to the LDCs pushing them into the external debt crisis. It is also to be taken into account that the LDC economies are typically prone to various risks such as foreign exchange risk, a risk of recession and risk of commodity price volatility; and are plagued by structural and institutional inefficiencies including lack of pre-existing infrastructure and corruption.

Simultaneously, Chinese contractors and investors can realize themselves working across a growing variety of BRI countries. Success in one country doesn't necessarily imply success in another, particularly wherever legal and regulative variations are significant. To create really international businesses, Chinese firms will need to depend on skilled advisers and local partners to navigate these ambiguous and conflicting legal and regulative variations.

Lastly for the motivations of China BRI initiative in the Middle East,

First, we have to mention that, China has developed cultural diplomacy with Middle Eastern countries through various channels such as government, academia, business, civilian contacts, research and educational training, social activities, religion, finance, and communication and media at various levels.

China's demand for imported oil, natural gas, and coal is expected to rise by 60% by 2010 and 2035. So that, China is functioning on securing supply lines connecting China to the Middle East and Africa. So, if Beijing's BRI strategy comes to fruition, it will be a catalyst for shifting power alliances and the changing fortunes of nation states. First, China desires to play an additional important role in security issues within the Middle East, to point out its responsibilities and capabilities as a rising power. Second, China conjointly hopes to obtain economic and cultural profits from its interactions with the Middle East.

On the other hand, China's growing role in the Middle East can be seen as signs of an opportunistic long game to fill the "vacuum" left there by the United States under the Obama and Trump administrations. However, these actions are more accurately understood as incremental steps that represent a deepening investment in a strategic region.

As such we witnessed China step up its regional profile early last year when President Xi visited Saudi Arabia, Egypt, and Iran, and released its first Arab Policy Paper to gesture its goal of increased engagement in the Mideast. By the side of the eighth ministerial meeting of the China-Arab States Cooperation Forum. Chinese President Xi announced that China and the Arab countries had approved to establish a "Sino-Arab future-oriented strategic partnership of comprehensive cooperation and common development." Calling the Arab states

China's natural partners in Belt and Road cooperation. Xi added that China stands ready to work with the Arab side to coordinate the development strategies and actions."We must strive to uphold peace and stability in the Middle East. Xi said that China and the Arab states have to strengthen strategic trust, stay committed to dialogue and consultation, uphold the principle of sovereignty, champion inclusive reconciliation and fight terrorism.

China's interests in the Mideast because a source of energy, providing more than half of China's crude oil imports. It is also a hub for market access in Europe and Africa, and the region is a forward front for counter-terrorism, especially for China and other Asian states that continue to count on the Mideast for energy imports. Fundamentally, they need security and regional stability of supply lines.

In addition, China has demonstrated increasing concern over the threat exhibit by the Islamic State and its need to remain the threat far from China's borders. With the rise of deadly extremism, both countries face exceptional security challenges. Thus, both seek to combat terrorism and extremism by providing intelligence, arresting and repatriating suspects, collecting evidence, and eliminate terrorist funding sources.

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국문초록

일대일로로의 영향: 이집트 경제와 외교 정책

이 논문은 일대일로가 이집트 경제 및 대외 정책에 가져오는 기대 효과를 조사합니다. 일대일로는 중국 국가전략의 중심에 있습니다. 그러나 일대일로의 탄생부터 그것의 목적은 싱크 탱크, 학계 및 대중 매체에 의해 심도 있게 논의되어왔다.

이 연구는 중국 정부의 일대일로 계획의 시작인 2013 년부터 최근까지의 외국인직접투자의 동향을 조사합니다. 중국의 경우 이집트를 전략적인 관점에서 더욱더 바라보았습니다. 중국의 다른 중동 파트너들과의 관계와는 다르게 이집트와의 관계는 석유의 수입이 바탕이 되지 않고 지리적인 계산이 바탕이 됩니다. 중국은 오랫동안 유럽으로 수출을 할 때 수에즈 운하를 주된 운송경로로 이용해왔습니다. 결과적으로 중국은 수십 년 동안 이 핵심적인 운하에서 입지를 강화하기를 희망하였습니다.

이 연구는 이집트의 정치적인 현황, 이집트 혁명의 역사, 아랍의 봄, 그리고 2011 년 이집트 혁명의 동기에 대하여 살펴봅니다. 또한 이집트 경제의 전망, 이집트의 공적개발원조, 그리고 이집트의 경제적, 정치적, 사회적 문제에 대하여 설명합니다.

이 연구는 더 나아가 중국과 이집트간의 포괄적인 전략적 파트너십에 대한 동기를 특히 약화되고 분배된 미국의 중동 국가에 대한 권력을 중심으로 살펴봅니다. 중국은 중동에 발판을 마련함으로써 성공적으로 이득을 취할 수 있습니다.

이 연구는 이집트가 일대일로를 아프리카와 중동 지역에 연결해주는 허브역할을 함으로써 상당한 이득을 취할 수 있다는 점을 발견했습니다. 중국은 이미 5 년 내에

인수합병 시 잠재력이 가장 높은 상위 5 개국 중 하나로 이집트를 선정했습니다.
이집트는 인수합병 대상 나라 .또한 수에즈 운하 경제 구역은 수입이 상당한
나라들에게 중국의 생산품을 전달해주는 역할을 할 수 있습니다.

주요어: 일대일로, 이집트의 대외 정책

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