Russia and Egypt: A Precarious Honeymoon

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Egypt arguably numbers among Russia’s strongest allies in the Middle East. Since first seizing power through a coup d’état in 2013, AbdelFateh al-Sisi has regularly been seen in the company of President Vladimir Putin. In turn, bilateral cooperation between their two countries has flourished in a broad range of areas, chiefly: defense, energy, agriculture, high-tech industries, education and culture. Carrying through on this, Egypt has bought large volumes of Russian-made advanced weapons. The upsurge in weapons acquisition is also accompanied by strong demographic ties. Around 35,000 Russian citizens currently reside in Egypt, reflecting Moscow’s keen interest in Cairo as a pivotal power in the Middle East. Egypt, in turn, considers Russia as a key global and regional actor.

At the same time, relations between the two countries, going far back in history, are best described as complex. Since World War II, the two countries passed through phases of close collaboration followed by alienation, stagnation, rapprochement and revival. Current relations however are witnessing a major uptick. Much of this stems from the current geopolitical dynamics found in the Middle East, and opportunities created by the US policies in the region. However, structural domestic factors in Egypt and regional realities also impose limits on the burgeoning partnership between Moscow and Cairo.

This essay addresses the regional context shaping their bilateral relations, while highlighting the main drivers behind the surge in economic, military and diplomatic exchanges. It also outlines genuine major or potential constraints hindering the future of Russia and Egypt’s thriving partnership.

**The Pendulum Effect**

Tsarist and Soviet Russia occasionally engaged with Egypt when it fell under the Ottoman Empire, and later under the British protectorate. In the 18th century, Russia made its first arms deliveries to Egypt, when Mamluk leader Ali Bey declared his independence. Through the 1920s and 1930s, the Bolshevik government attempted to prop-up local Communist forces in Egypt. However, bilateral ties were only formalized and put on permanent footing in the latter half of the 20th century. Since then, the relationship went through four distinct phases. In the 1950s-1970s, under Gamal Abdel Nasser, the Soviet Union and Egypt would become close partners and nurture strong links. Soviet aid helped build 97 considerable industrial enterprises, including the famous Aswan dam, iron and steel plants in Helwan and Nag-Hammadi, hundreds of kilometers of high-voltage electricity transmission lines, amongst many others. The USSR also educated tens of thousands of Egyptian engineers and industrial specialists, as well as army officers. The Soviets further provided modern

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military equipment, and dispatched thousands of military advisors to train the budding Arab republic’s forces.⁴

The second period began in 1970 with the rise of Anwar Sadat to power, lasting until the mid-1990s. Egypt’s reorientation to the West resulted in the expulsion of Soviet advisors and the progressive evacuation of the Soviet navy and air force from Egypt, accompanied by a rapid pivot towards the US. At the time, Sadat instituted a halt on joint-projects with the Soviets and downgraded diplomatic ties. The third period, between the mid-1990s to the end of the 2000s, brought new forms of cooperation. The two states sought means to resume relations, and adapt them to the changing world. The 1997 and 2001 visits of Hosni Mubarak to Russia produced a set of agreements institutionalizing the rejuvenated partnership between Moscow and Cairo. Putin’s trips to Egypt in 2005 and 2007 gave the relationship a strong boost forward, laying the groundwork for the current rapprochement. From 2010 onwards, the most recent period, Egypt and Russia further intensified cooperation, thanks to a confluence of global and regional-level factors.

What’s behind the intensified partnership?
Russia exploits Egyptian elites’ growing distrust of the US. Traditionally, America has focused on security relations with Israel, Egypt and Saudi Arabia. But in 2011, when former Egyptian president Hosni Mubarak was forced to resign under popular pressure, perceptions towards the US in Cairo changed. The Egyptian secular establishment felt betrayed by the United States. First, Washington did nothing to save its ally Mubarak in 2011. Second, it suspended its annual transfers of $1.3 billion in aid, as a response to the 2013 military coup which toppled President Mohammad Morsi and ousting the Muslim Brotherhood. As a result, Egypt began to diversify its international partnerships, while looking to upgrade its relations with Russia.
The shift in Cairo’s posture offered Moscow a valuable opportunity. Russia had demonstrated a rather unemotional and pragmatic attitude towards Egypt in the aftermath of the 2011 revolution. President Putin met Morsi on the sidelines of the BRICS summit in Durban, South Africa in March 2013, whereupon the red carpet was unrolled for his arrival to Moscow just the following month. But when Morsi was deposed by the Egyptian military, Moscow swiftly embraced the country’s new leader, Abdel Fateh al-Sisi. Overall, beginning from 2013, cooperation intensified. Since Sisi seized power, he has met with Vladimir Putin a total of eight times. The initial meetings were of great help to the Egyptian strongman in gaining international legitimacy. The summits injected life into the previously dormant Commission for Trade and Economic Cooperation. In parallel, the countries’ ministers of defense and foreign affairs also initiated regular meetings in a “2+2” format. This in itself signals the high degree of convergence, and the importance Russia and Egypt assign to one another.

It should also be highlighted that Egyptian foreign policy has traditionally avoided putting all its eggs in one basket. Even under Sadat and Mubarak, though relations were scaled back drastically, Cairo maintained political and economic ties to Moscow. In 1982, for instance, Egypt solicited the Soviet Union to resume supply deliveries of spare parts for the Aswan Dam hydroelectric station and send civilian experts. Two years later, consultations on foreign policy matters were resumed on lower-levels as well. Reengagement allowed Egypt to keep the door open, and maintain the option of a renewed relationship with the Soviets on the table. The same holds true today. Despite being a strategic partner of the US, Cairo is consistently deepening relations with Moscow across the board, in the field of defense first and foremost. In March 2015, Moscow and Cairo set up the commission on military and technical cooperation, with Cairo receiving a license to assemble Russian T-90S tanks shortly thereafter.

At the same time, Russian leadership clearly understands that, irrespective of its fading appetite to intervene militarily in the regional affairs hidden behind belligerent rhetoric (e.g. Iran), the US remains the key player in the Middle East, and the partner of choice for Egypt. Russia’s increased foothold in the region (a military presence in Syria, warming ties with Saudi Arabia, UAE, Qatar, Egypt) over the last years also makes it necessary for Moscow to coordinate with the US, beyond pursuing unilateral initiatives aimed at exploiting opportunities.

Opportunities
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Moscow’s policy towards Cairo is driven by two major factors: security and economic interests. Russia views Egypt as an important regional partner in the fight against terrorism and for consolidating its position in the Mediterranean. In the economic domain, Russians are interested in Egypt as a buyer of Russian agricultural products, weapons, as well as nuclear and industrial technologies.

Security

In October 2015, when a Russian jet crashed over the Sinai Peninsula, Russia singled out Egypt as its furthest battlefield in the struggle against terrorists. The terror attack claimed by ISIS killed all 224 people onboard. In response, Moscow banned direct flights to Egypt, seriously damaging Egypt’s tourist industry which saw a loss of nearly $3 billion annually. Before 2015, nearly 3 million Russian tourists visited Egyptian resorts annually. In 2018, only 145,000 Russians came to the country according to the Egyptian tourism ministry, a fractional 5% of the pre-2015 figure. The 2017 resumption of flights by Aeroflot and Egypt Air to Moscow and Cairo has not made a difference. Russia has not re-opened direct flights to Egyptian sea resorts, arguing that security requirements have not been fully fulfilled. More importantly, the partial normalization of transport connections hands Moscow effective leverage over Egypt. As long as the direct flight ban exists, Moscow is in position to exert political pressure and defend its interests.

In late November 2017, Russia and Egypt drafted an agreement on the joint use of air-space and air bases by the two militaries. The deal has not been finalized yet, but once it reaches the implementation stage it will establish legal grounds for Russia’s access to Egyptian infrastructure and vice versa. The agreement will also allow Moscow to broaden its footprint in North Africa and to project more influence in regional conflicts. For instance, Russia might use Egyptian military air-fields for refueling or emergency landings, as well as for reconnaissance flights throughout the broader region, granting it significant force projection capabilities. Potentially, it may also open the door for talks on a similar agreement regarding naval facilities which would allow Moscow to enhance its naval outreach in the Mediterranean. Moreover, Egypt is looking at the intervention in the Syria experience, and sees opportunities for working with Russia in the campaign against ISIS in Sinai.
As active fighting in Syria is abating (barring the Idlib Province), Russia is in a position to potentially divert resources elsewhere in the Middle East. Egypt may be a gathering ground to start from. During 2017 Russia reportedly deployed a small contingent of special forces and military advisors to Sidi Barrani, a Mediterranean town close to the Libyan border. Though refuted by Russia and Egypt, the reports in question suggested that talks were underway with respect to leasing an Egyptian airbase, at the location of a former Soviet naval base. Such negotiations are likely to continue, with the Russian military obtaining access to Egyptian defense infrastructure. In addition, Egypt is a springboard to Libya where Moscow hopes to contribute to a political settlement in the war-torn country, and restore lost business contracts.

Russia and Egypt have already made headway in counter-terror cooperation. Paratroopers from the two countries held their first-ever joint drills in the Egyptian desert in October 2016. Navies exercised in the Mediterranean near Alexandria in June 2015. Exercises have become regular, with Russia hosting in 2017, and Egypt in 2018. Growing military-to-military linkages signal a new level in relations, demonstrating that Russia is ready to assist Cairo in its fight against terrorism originating from Libya and Sinai. Moscow and Cairo have also established a working platform for sharing experience on countering terrorism.

Intense security cooperation with Egypt is testament to Russia’s interest in establishing a foothold in North Africa, and being able to project force in Libya. Cairo along with Saudi Arabia and the UAE support General Haftar and his Libyan National Army (LNA). Haftar’s forces operate from the city of Tobruk close to the Egyptian border, controlling nearly all of eastern Libya. Cairo is naturally interested in maintaining tight control over the border and preventing the infiltration of any terrorist elements. Moscow can help on this account, not least of all because it is well-informed about dynamics on the ground in the volatile North African country. According to head of Russia’s contact group on Libya, Lev Dengov, Russia “can monitor the situation and affect it from all sides”. Russia maintains working contacts with all parties in Libya, including the LNA, Government of National Accord (GNA), Misrata, and southern tribes – maintaining equidistance from everyone. This is not to say that Russia is interested in getting involved in another conflict militarily, but to indicate its willingness to play the mediator’s role between the parties. It is noteworthy that in 2019 Moscow received both general Haftar and the foreign minister of the Libyan Unity Government Mohamed Taher Siala. Moscow seems to believe that its experience in Syria, especially the work of its reconciliation centers, may be applicable.

Egypt also assisted Russia in negotiating deals on de-escalation zones in Syria. In 2016-2017, Egypt hosted several rounds of talks between Russian defense officials and different Syrian opposition groups, which resulted in establishing two de-escalation zones in Syria (Eastern Ghouta and Homs). The so-called “Cairo group” of the Syrian opposition enjoys good relations with Russia and is more inclined towards compromise, in contrast to the Higher Negotiations Committee based in Riyadh, Saudi Arabia. It also has a military wing that operates on the ground in several provinces (al-Hasakah, Deir Az Zor and Raqqa) while cooperating with the Syrian Democratic
Forces. In this manner, Egypt has proven to be an important platform that can unite different opposition groups in order to make progress in Syria, while providing an extra channel of communication to the Saudi Arabian-led GCC.

Economic cooperation
Trade between Egypt and Russia grew significantly, from $3 billion in 2013 to $7.6 billion in 2018 making Moscow Egypt’s third most significant partner after the EU and China.

Agricultural products, energy and arms dominate these trade exchanges. In recent years, nearly 30% of Russia’s export to Egypt was constituted of agricultural products. Russia is the largest exporter of grain to Egypt, providing for nearly 65% of its demand. Thanks to the food embargo introduced in response to EU sanctions on Russia, it has become a major importer of Egyptian vegetables and subtropical fruits. Nearly 80% of Egypt’s exports to Russia are made up of vegetable products. Imports of agro-products are cheaper due to the Egyptian pound’s devaluation. Beneficial exchange rates create better conditions for Russian companies to localize production to Egypt.

Since 2001, the Russian oil company Lukoil has been extracting oil near the Red Sea port of Hurgada. In October 2017, Rosneft acquired a 30% stake from the Italian energy firm ENI in a concession agreement for the development of the Egyptian Zohr field, the largest gas field in the Mediterranean Sea.

In May 2018, Russia and Egypt signed a deal to establish a Russian Industrial Zone in East Port Said which is expected to increase the number of Russian companies and investments. In coming years Russia plans to invest nearly $6.9 billion in establishing its industrial zone. In 2018, the total number of the Russian companies in Egypt was 451. Moscow aims at establishing a diversified industrial production and logistics hub in Egypt, which will also aid it in getting access to other countries in the Middle East and Africa.
In 2020, Egypt is also expected to sign a free-trade agreement with the Russian-led Eurasian Economic Union (EEU), which will ease exchanges between the two countries. Egypt will obtain access to a large market, while Russia will benefit from its regional integration project, gaining greater international legitimacy.

Arms contracts feature prominently in the two country’s economic relations. In 2014, Russia and Egypt signed several deals worth over $3.5 billion for the delivery of new fighter jets (MiG-29M/M2), helicopters (Mi-35M), S-300VM missile complexes, coastal defense systems, etc. Later, in 2015 Egypt purchased 50 Ka-52 helicopters for its two Mistral helicopter-carriers (which were initially ordered by Russia in France but were not delivered because of Crimea-related anti-Russian sanction in 2014). By the end of 2018, the two countries struck another arms deal worth at least $2 billion for deliveries of a few dozen Su-35 fighter jets (Flanker-E).

All those large arms contracts became possible thanks to the US decision to suspend military aid and block delivery of hardware to Egypt after the 2013 coup. Russia effectively exploited the opportunity and struck gold in lucrative arms deals on a unseen scale since the 1960s.

Moreover, Russia also aims to build Egypt’s first nuclear power plant (NPP) in el-Dabaa, alongside a plan to open $25bn loan line to Egypt for the project, repayable in 35 years. In effect, Moscow is gearing to create an entirely new industry in the country and train a generation of specialists. As of now, the NPP has received a permit of site approval from the Egyptian Nuclear Regulation and Radiological Authority (ENRRA), with works on the site possibly beginning in 2020.

The upturn in economic ties has already made Egypt Russia’s second most significant partner in the Middle East and North Africa after Turkey. There is further potential to be developed, especially in the energy field and manufacturing sectors. Moscow has managed to monetize historical links and profit from fissures in Egypt’s relationship with the U.S. Still, trade and investment cooperation have their limits. Russia’s trouble-ridden economy, targeted by Western sanctions, has little chance to compete in the long-run with the US and the EU. Both have more to offer, especially in terms of technology and FDI.

Limits
Russia and Egypt do not see eye-to-eye on a number of regional issues: specifically, the role of Hezbollah and Iran in the region and the war in Yemen to name a few. Still differences on various regional affairs have already existed before. Soviet intervention in Afghanistan has not derailed the slow but steady normalization of bilateral relations under President Mubarak in 1980s. Opposite views on regional issues have also not hindered the burgeoning bilateral relations since the 2010s. What may put constrains on the relationship in the short to mid-term are

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structural factors: the US-Egypt strategic partnership, financial dependence on the Arab Gulf states and America’s sanctions policy.

The Egypt-US strategic partnership
It is important to remember that overwhelming majority of Egypt’s principal economic partners (barring China and Russia) are also US allies. This includes the UAE, Saudi Arabia, Canada, and the EU which top the list. The US provides $1.3 billion in financial assistance to Egypt. Aside from this, since 2011 Cairo is dependent on funding from the Saudi-led GCC which helps Egypt to keep its economy afloat, which to a certain extent, restrains Cairo from public criticism of the Kingdom’s policies in the region. Over the last four years, GCC transfers—financial aid, grants, direct investments, zero-interest loans—have come to total more than $35 billion.38 Since the 2011 uprising, Gulf countries have supported Egypt with a staggering $92 billion.39 Egypt also relies significantly on the IMF and the World Bank, etc. This is a solid argument against those who question Egypt’s strategic priorities.

However, this is not to say that Cairo shares an identical approach with Saudi Arabia and the UAE on critical regional issues such as Iran, Yemen, Syria. Thus, Egypt’s staunchly-held views and effort to assert autonomy, when combined with its alignment with the US and the Gulf, make it a valuable partner for Russia. Its weight, as it is the most populous (over 95 million) Arab country and impact on public opinion across the Middle East should be taken into account as well. In the end, Egypt is significant thanks both to its size and its willingness to chart a foreign policy of its own, despite links to the US and the Gulf.

There is no doubt that Egypt looks to Russia as a counterweight to American influence, and a source of leverage. However, with the new US administration and its more or less traditional approach to the region (which is reflected in a continued lack of will to be further involved), Cairo might easily tilt back to Washington as in the pre-Obama period. Moreover, if Trump’s Middle East policy demonstrates commitment to Egypt, as it did with regard to Saudi Arabia, or indeed pressure Cairo to decrease its cooperation with Moscow, the likelihood of such a scenario will definitely grow. In the end, the US has more to offer to Egypt than Russia does.
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The US policy on sanctions
US sanctions can become additional roadblock to Russia-Egypt military-technical cooperation. In August 2017, President Donald Trump signed the Countering America’s Adversaries Through Sanctions Act (CAATSA). Under this legislation, countries trading with Russia’s defense and intelligence sectors can face secondary sanctions. It means that the US is in a position to sanction Egypt for cooperation with Russia in the military-technical field.

Egypt’s new contract with Russia for the purchase of Su-35 fighters is potentially at risk. Egypt is among the most important US partners in the region, and its continuous interest in Russian military technologies and weapons is an irritant for the U.S.

Washington has already imposed secondary sanctions on Beijing over its purchase of Russian Su-35 fighter jets and S-400 anti-aircraft systems and has taken punitive action towards Turkey over its acquisition of the S-400 as well. This establishes a precedent, sending a clear signal to Russian partners that the US may sanction them as well. The US already warned Cairo it would face sanctions if it goes through with the procurement of Russia’s Su-35 fighter jets. In fact, it puts many countries at risk, including Moscow’s long-time partners, and not only Egypt.

However, given Egypt’s shaky economy, it is unlikely that America will impose hard sanctions on its partner. Such a move can generate significant risk, and would certainly undermine President Abdel Fattah el-Sisi who enjoys close relations with the current US administration. Both Egypt and the US are interested in forging a compromise.

Over-reliance on GCC financial aid
As was already mentioned, Egypt is highly dependent on GCC partners that provide it with necessary financial and economic aid. Overreliance on grants and loans puts Egypt in a tricky situation and constrains its external behavior. At the same time, it is thanks to this funding that Egypt is able to pay Moscow for its goods, including grain and arms. Thus, if GCC states decrease or stop helping Egypt or decide to condition their aid, this may have a direct influence on Moscow’s economic ties with Egypt. Although, Russia’s export to Egypt is relatively hard to replace given the attractive cost-benefit ratio of Russia’s arms and wheat, there is still a risk that cooperation with Cairo may be spoiled by external factors.

Conclusion
It is patently clear that both Russia and Egypt are interested in developing and profiting from closer bilateral ties. Egyptian leadership seeks to diversify its international partnerships in
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order to expand its strategic autonomy, while maximizing geopolitical and economic returns. At the same time, Moscow would like to ensure that no major power shift occurs in Egypt, or the wider region, while simultaneously reaping security and commercial benefits from cooperation. Turmoil in Libya along with Russia’s ambitions to play a constructive role there as well to increase its visibility in North Africa reinforce Russian reliance on Cairo as well.

That said, it is important to keep track of the policies Trump’s administration will take vis-à-vis Cairo. They will reflect to a large extent whether Egypt will keep Russia at its disposal or will deviate from its traditional approach and instead put all eggs in one basket.

Russia’s policy towards Egypt will likely remain driven by security and economic interests. As long as the regional context and processes allow Moscow to extract more benefits from ties with Cairo, it will continue to do so. But if the situation changes against Russia’s favor, Egypt will not be able to do much to tip the balance. Moscow has neither the capacity nor the requisite influence to counter the US or EU if they move to deepen ties with Cairo. There is no doubt that Russia is gradually building up links with the Egyptians, marketing itself as an indispensable partner in all spheres. At the same time, it has also learned its lessons from past experiences and will not overinvest in a relationship that could shift overnight.

Intensified Russia-Egypt relations and Russia’s increased visibility in the region challenge but also offer several opportunities to Europe. First of all, it is an opportunity for developing anti-terror cooperation and joint measures aimed at stabilizing Libya. Moscow’s role as a moderator which maintains working contacts with all conflicting parties in Libya creates an opportunity for the EU and Russia to set up cooperation. Given the importance of Libya’s stability to European security on the southern flank of the EU, Russian cooperation could contribute to that. Secondly, Russia is set to increase its military presence in the Mediterranean with its leased-naval base in Syria’s Tartus, while maintaining its negotiation of access to Egyptian military infrastructure. This creates a certain challenge for Europe, given that since the collapse of the USSR, Russia has not been this active in the region. Moreover, it also creates necessity for greater coordination in the sea. Third, the competition between Russian and European arms producers for the North African arms market will intensify; with Egypt playing the role of a significant consumer in this contest.
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The Sharq Forum is an independent international network whose mission is to undertake impartial research and develop long-term strategies to ensure the political development, social justice and economic prosperity of the people of Al-Sharq. The Forum does this through promoting the ideals of democratic participation, an informed citizenry, multi-stakeholder dialogue, social justice, and public-spirited research.

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