Dear Friends of the Global Diwan,

Summer is already here and we hopefully went through the worst of this unprecedented lockdown period. Since the launch of the Global Diwan in March of this year, we made good progress towards our objectives: the club and its network will be operational by September. Alexandre Houssard and I will give you more practical information on the club further away in this letter.

Our second issue will see a focus on Egypt with two articles, one by Régis Monfront laying the attractive features of its economy and one by Antoine Ripaud on the start-up environment and youth of the most populated country in the Arab world.

In addition, the French diplomat Charles Thépaut will provide his analysis on the concept of “great power competition” in the present sequence of geopolitical antagonism between the USA, China and Russia.

Our partner SSF offers a scrutiny on the extensive Chinese projects of the “New Silk Roads” in the Middle East and the balance China seeks between its economically assertive endeavours and politically discreet diplomacy in the region.

The next issue of our Newsletter is due in September. Until then, we wish you a safe and enjoyable summer!

Éric Schell
Executive Chairman

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**How will the club operate?**
by E. Schell and A. Houssard

**Response to Hervé Novelli’s article on Tourism**
(N°1 issue – May 2020)

**Egypt standing the test of the Covid-19 global pandemic**
y by Régis Monfront

**Could Egypt become a start-up nation?**
by Antoine Ripaud

**“Great Power Competition”**
by Charles Thépaut

**The Middle East at the New Silk Roads Junction**
by SSF
### Why The Global Diwan?

We wanted to create something that didn’t exist anywhere else: a business club that would be a unique place of meeting and influence in Paris, London and Berlin and in the great Arab cities. These meetings will provide opportunities for leaders in business, politics as well as academics and civil society to build privileged relationships in an exclusive network regularly enhanced with high-level and dedicated encounters.

### Is the club only in Paris for the moment?

The club was launched in Paris indeed but isn’t a francocentric product! Its calling is European and its mission is to provide to our continent and to the European Union a venue of influence to dialog with neighbouring continents. We have an initial partner in London focused on energy issues, and we will soon have correspondents in Berlin.

### What do the Middle East and North Africa regions represent for you?

The whole region from Maghreb to Mashriq and the Middle East in particular holds a major geostrategic importance. It is the centre of the wheel around which revolves three continents: Europe, Asia and Africa. From the Arab countries, one can successively look towards the great neighbours, Turkey and Iran, and also India and Pakistan, then come back to Africa where enormous investments and infrastructure projects are being developed. Our special ties with Maghreb open us to the Mediterranean, while London offers its privileged relationship with the Commonwealth and finally Berlin gives perspectives towards central, eastern Europe, Russia and the Caucasus.

### Does the COVID-19 crisis change the frame of the initial project?

Although the club was officially launched before the pandemic had spread across the globe, it paradoxically strengthened our value proposition. In the coming months, decision-makers will have to find new growth levers. Civil society will have a role to play in the next global economic revival alongside and complementing state funding. Our club will help companies to seize new opportunities. The need for meeting and fostering relations of trust is more vital than ever.

### What do you offer to your members?

Membership will open access to small scale meetings where decision-makers will build privileged ties at personal, thematic or geographic levels.

- **4 quarterly dinners a year** to initiate dialog in the most relevant manner. Each dinner will be organised around a topic and a keynote speaker. Exchanges will be held under the Chatham House Rule (no smartphone, journalist or photographer) by turns in Paris, London, Berlin, and in the Arab capital cities.

### What else do you do?

Our webinars: We have held two successful webinars, useful for both entrepreneurs and investors. The first one dealt with the post-COVID strategy of the Gulf sovereign wealth funds in Europe and France specifically. Our latest webinar discussed Turkey’s economic and geostrategic positioning taking into account the recent unfolding of events. New episodes will follow in September with relevant topics regarding what is happening in the region as well as attractive business opportunities.

Our newsletters: published every other month, it is a way for the Global Diwan to think before acting. We approach the relevant topics within our geographic scope without prejudices. In this N°2 issue, we focused on Egypt. In September, we will take an interest in Saudi Arabia and Iran. Our aim is to give the floor to a new generation of experts from the region or diplomats that develop reputed analysis like Charles Thépaut in the present issue.

### What is your ambition?

To show that Europe – the so-called Old World – is still booming with ideas, projects and still has considerable inner resources. Europe is redefining itself through multipolarity which is a favorable prerequisite to build close and trustful relationship with our neighbours.
Addendum
by the former
Tunisian Minister
for Tourism

In response to Hervé Novelli’s article in our previous Newsletter (N°01), “Tourism in the Post COVID Context”, the former Tunisian Minister for Tourism (2007-2010) M. Khelif Lajimi honoured us with a contribution of his own:

Tourism is a major component of the economies around the Mediterranean basin and potentially a key driver for sustainable and inclusive growth of the whole region including southern countries. The numbers of tourists more than doubled between 1995 and today to an estimated 350 million. MENA countries welcomed 87 million international tourists in 2018 who generated USD 77 billions of revenues in 2017.

“The COVID-19 global pandemic has put a brutal stop to tourism and its related sectors like the airline industry or small businesses (handicrafts, commerce) of the southern Mediterranean countries. The impact of this crisis will weigh heavily on GDP, employment and current account balances.

In Tunisia, tourism represents 7% of GDP and 400,000 direct and indirect jobs. The current situation is a difficult one. The sector has stopped with -50% of entries and -28% of currency revenue at the end of April. At the time of writing, the whole of the hotel complex (250,000 beds) is closed at the exception of a few units that have been used to repatriate Tunisian nationals that were put under medical control during the quarantine period.

In 2019, there were 9 million entries and 1,5 billion euros in revenue derived from tourism. To support the sector, the government has implemented a guaranteed credit line of EUR 150 million. Hotels and restaurant are back in business on June 4 while waiting for the European tourists’ countries to reopen their borders at the end of June.

How to recover?

The interpenetration of the tourism sector between both shores of the Mediterranean compels us to a collective response. The North-South solidarity must play out. The only efficient measure to save the 2020 season would be to put into force “reciprocal agreements” between the European countries that provide most tourists: France, Germany, Italy, Great Britain and Spain; and the Mediterranean countries welcoming those tourists: Tunisia, Marocco, Egypt and Turkey. The reciprocal agreements would allow the arrival of European tourists in the southern countries. This would revive businesses activity on both sides of mare nostrum: tour operators, travel agencies, airlines and hotels. The reciprocal agreements will of course include strict health protocols at all levels of the travel chain, from the airports and transfers, to the hotels, restaurants and beaches. These measures will complement the actions already taken by the European countries to allow their nationals to spend their holidays in Europe.”
FOCUS ON

Egypt

Egypt standing the test of the Covid-19 global pandemic

Régis Montfront

A limited outbreak of Covid-19 so far

As of mid-June, Egypt has avoided a devastating outbreak according to official data. With 1400 casualties, the death toll is less than seven per one million citizens and below some wealthier states in the region. Egypt has elected for a looser confinement strategy: restaurants are closed but public transports, factories and shops are operating at quasi-usual activity levels.

Nevertheless, the Covid crisis has already had an impact on an economy dependent on three traditional financial sources contributing to the balance of payments. Obviously, it creates some looming pressure on the exchange rate but the authorities are active to defend it.

Foreign remittances from expatriates working in the Gulf, tourism and Suez Canal royalty fees represent respectively 10 %, 6 % (i.e. a total of 16 % of export revenues) and 2 % of GDP. The economic difficulties of the Gulf States which host 7 of the 10 million Egyptian expatriates have triggered the return home of a significant part of the workforce. Tourism has disappeared as Egyptair has discontinued its flights. The reduction of oil consumption combined with a drop of prices has reduced the Suez Canal royalties pegged to the oil prices all the more as slack demand encourages ship-owners to circumnavigate Africa.

As a result of these shortfalls and the exit of some foreign capital, a financing need ranging between USD 10 and 20 billion will have to be addressed for the year ending June 2021.

The implementation of a reform program supported by the IMF between 2016 and 2019 has strengthened the ability of Egypt to take up to the challenges of the COVID. Over the last three years Egypt has made substantial progress in stabilizing its macroeconomic situation:

• After the currency adjustment which took place at end 2016, the Economic growth has been steadily improving since the beginning of the reform and at 5.6 % for the fiscal year 2018/19, ranks among the highest in the region. Consequently, even taking into consideration the COVID shock, GDP growth should remain positive in 2020. On a relative view, it is a great comparative advantage for this country in a world where positive growth will be rare.

• In the same period the budget reached a primary surplus of 2 per cent of GDP, but the budget deficit will be obviously huge in 2020, as elsewhere, with the COVID impact on public finances.

• The public government debt ratio fell from 94 % to 74 % of GDP between 2017 and 2019 whilst the external debt was reduced from 41 % to 34 % of GDP. Un fortunately, the trend will be reversed in 2020, with a growing public debt, and it is one of the fragility of the country, which will have to be addressed in the forthcoming years.

WILL COVID-19 DERAIL THE SUCCESS OF THE ECONOMIC PROGRAM IMPLEMENTED BY EGYPT SINCE 2016?
FOCUS ON Egypt

Over the last three years Egypt has made substantial progress in stabilizing its macroeconomic situation

- Egypt has initiated reforms to support private sector development and job creation (better integration of women and youth in the labor market).
- Social protection has been a cornerstone of the government’s reform program. Several initiatives are aimed at improving living standards over the medium-term: doubling the value of cash transfer allowances offered through smart cards, raising transfers for milk and children’s medicines, expanding the social solidarity pensions to include medical coverage, as well as expanding the social safety net (the Takaful and Karama programs) which currently covers 2.2 million households and approximately 9.4 million individuals, or approximately 10 percent of the population.

These sound policies contributed to the resilience of the economy as evidenced by the economic indicators.

- The GDP growth is expected to reach 2% for 2019/2020 and 2.8% for 2020/2021, one of the highest rate of growth in the region.
- Foreign exchange reserves went down from USD 45.5 billion in February 2020 to USD 37 billion in April but still represents 7 months of imports, above the 3 months threshold alert.
- The IMF has already approved a USD 2.8 billion in new emergency financing and is in talks to extend a standby loan of up to USD 5 billion.
- International investors demonstrated their confidence as recently as May 21st 2020.

Egypt successfully issued bonds for a total of USD 5 billion with 4, 12 and 30 years tranches whilst the total investor demand amounted to over USD 20 billion. The 30 year tranche represented 40% of the total amount raised.

International rating agencies (namely Standard & Poor’s and Moody’s) confirmed the country ratings which had been upgraded in 2019. The confirmation of these ratings with a “stable outlook” reflects the confidence in the country’s ability to positively deal with the COVID-19 crisis.

Egypt has embarked over the last few years in a program of national projects aiming at upgrading the country’s infrastructure (transportation, electricity), tackling the demographic growth and urban density (new capital, new towns), and developing the national resources (gas and renewable energies).

These programs will be impacted by the current crisis. At this stage the focus on the construction and transportation sectors appears to be maintained in spite of delays which should not have a long-term impact. Two sectors might be affected more lastingly. The transformation engaged by the electricity sector over the last few years may be delayed. The gas sector hit by exogenous factors (world prices of oil and gas) has recorded a brutal slowdown.

The inaugurations of the New Capital and New Alamein have been postponed from 2020 to 2021 but work keeps being carried out and financial support for construction companies has been announced.

The Northeast Line of the Cairo Subway was inaugurated in May and construction works keep going for the overall Cairo Metro project.

With the reduction of the electricity consumption (between 4 and 7% in April 2020), the government has announced that no electricity price increase will be implemented within the next 3 to 5 years, jeopardizing the liberalisation of the sector and the renewable energy program (the government had set an 20% renewable energy contribution goal to the energy mix by 2022).

Over the last five years Egypt has become a net exporter of gas and a regional energy hub.

The fall of liquefied natural gas (LNG) prices below the tariff (5 US per million British Thermal Unit) set by the Ministry of Oil and Natural Resources as the minimum profitability threshold for exports might delay the investments and hence the growth of this critical industry for Egypt.

Covid will inevitably impact negatively the virtuous economic path undertaken by Egypt as well as the pace of structural reforms but the confidence of the international business community and the capacity to maintain a modicum of economic growth ensure the long-term success and attractiveness of Egypt as a regional economic power.
Could Egypt become a “start-up nation”?

Antoine Ripaud

A LARGE MAJORITY OF THE ARAB WORLD POPULATION IS UNDER THE AGE OF 30. FOR SEVERAL YEARS, YOUTH HAS BEEN A MAJOR CHALLENGE FOR GOVERNMENTS OF THE MENA REGION. UNFORTUNATELY, WHEN THIS SUBJECT IS MENTIONED, IT IS MOSTLY IN REGARD TO THE UNEMPLOYMENT FIGURES, WHICH IS ANOTHER KEY CHALLENGE: GOVERNMENTS ARE FACING THE ASPIRATIONS AND NEEDS OF A GROWING POPULATION, A CONNECTED AND EDUCATED YOUTH, AND ARE NOT CAPABLE OF ATTRACTING AND RETAINING THEM.

Egypt is no different from the other countries in the region. With its 100 million inhabitants, the country must engage in reforming the entrepreneurial ecosystem if it wants to become an innovative leader in the Arab and African world and offer a future for the young generation. For now, the horizon for this young generation in terms of work opportunities is not attractive.

Egypt represents 26% of the MENA population, with more than 60% under the age of 30. In 2019, youth unemployment (total labor force aged from 15 to 24) was reported at 32.43%. For this population, which is increasingly urbanised and tech-minded, launching a start-up or a small and medium-sized enterprise (SME) can be a good alternative. This option is facilitated by a simple and low cost business-registration, as opposed to cities like Dubai. Beyond that, the Egyptian youth expresses a strong desire for independence, a wish to control one’s own future, reinforced since the 2011 Revolution. Moreover, the political stability, brought by the new regime led by the President Abdel-Fattah El-Sisi created a more secure environment for businesses and investments.

"Egypt has a number of key advantages for it to become a regional, even a global center for tech start-ups like the size of its consumer base.

Egypt has a number of key advantages for it to become a regional, even a global center for tech start-ups like the size of the consumer base, the level of mobile penetration (93% in 2019) and the technological literacy of the growing youth population. Furthermore, the country has seen a significant spike in venture capital companies, international funds, incubators and accelerators over the last couple of years. This trend is followed by a governmental awareness regarding the start-up sector. Through his action with the Central Bank of Egypt (CBE), President El-Sisi expresses his economic goals for the country: increasing financial inclusion, improving SME access to banking and financing, and supporting the transition to a digital and cashless economy. Due to one of the highest unbanked populations (67%), FinTech is a priority for the country. In 2019, Egypt and the World Bank signed a $200 million agreement to support entrepreneurs and SMEs, thus pursuing the efforts of the government. Indeed, in the last previous years, the latter took measures developing fiscal and non-fiscal incentives in order to attract and retain talent for the local FinTech ecosystem. In 2013, it also launched Fekretak Sherbetak, a platform to support entrepreneurial projects. Moreover, the CBE established a FinTech and Innovation Unit to address regulatory and governance matters and facilitate regulatory updates.

To allow joint work and the sharing of knowledge, the Egyptian authority
FOCUS ON
Egypt

In spite of the increased number of incubators, the emergence of co-working areas in Cairo and Alexandria, the birth of hundreds of start-ups, a gap remains between the political objectives and the harsh reality.

expanded its international cooperation. Amongst which a partnership with the European Union on entrepreneurship development, with programs like INNOEgypt (40 Egyptian start-ups to be incubated) or in March 2020, Safir, aiming at expanding in 9 MENA countries. However, France is still a bit shy in her cooperation with Egypt in this sector. In January 2019, during his visit to Cairo, President Macron signed a declaration of intent to strengthen entrepreneurship and promote the growth of digital start-up in Egypt. On November 6th of the same year, the first Franco-Egyptian start-up competition was introduced.

In spite of the increased number of incubators, the emergence of co-working areas in Cairo and Alexandria, the birth of hundreds of start-ups, a gap remains between the political objectives and the harsh reality. The government symbolic programs and endeavours are yet still few and far between. An important lack of visibility on regulatory matters, uncoordinated initiatives, a fragile legal framework, added to communication issues, prevent entrepreneurs from knowing and understanding how to start their business. Transferring foreign currency outside the country is still difficult, intellectual property is still weak, most of the patents are registered offshore. Notwithstanding some success-stories like Instabug (that could become the first unicorn of the country) or Swvl, that does not portray the real situation and the difficult access to investment for most start-ups in Egypt.

"The first steps are effective – incubators and co-working areas - but then, there is a strong absence of channelling between entrepreneurs and investors. There are no investments in the Egyptian start-up. This is one of the biggest weaknesses in the country in the start-up ecosystem" says Alban de Manonville (French co-founder of an innovative start-up in Egypt, Bassita, rewarded by the Egyptian Minister of Innovation and Technology and winner of the French prize Orange for social entrepreneurship in Africa).

According to UAE-based platform MAGNiTT, 404 deals were signed in 2018 in 8 MENA countries (Tunisia, Bahrain, Oman, Saudi Arabia, Jordan, Lebanon, Egypt and the UAE). With 21% of all investments (up 6% from 2017), Egypt reaches the second rank behind the UAE (28%). But these figures do not reflect the reality per inhabitants: Egypt counting 100 million whilst the UAE only 9.5 million. Besides, the start-up sector is mainly male for the moment, concentrated in Cairo and Alexandria and limited to the middle and upper class and the well educated, with enough resources to launch a business.

Launching a start-up in Egypt is possible, but, for now, only for a few.
“Great power competition” might not be so great in the Middle East

Charles Thépaut

The COVID-19 pandemic has obviously been a powerful new trigger for this debate, with Beijing being perceived by the US administration as responsible from the spread of the virus because of its lack of transparency in the early stages of the outbreak. It is however not a new discussion. Confrontation with Russia in the context of numerous crisis (Ukraine, Syria, INF treaty) has fed the idea of power competition for a long time and the rivalry with China has been a topic on which experts inside and outside the US administration have been debating and writing about for years. Great power competition has been listed as the big challenge for the US military in several key documents and strategies. The current geopolitical context just seems to give more traction to this focus on China.

This debate puts the Middle East in a peculiar situation. American experts have indeed not really figured out whether it is an area of expression or of diversion from the Great power competition. While China saw the “pivot (away from the Middle East) to Asia” as a containment initiative, the Belt Road Initiative is seen in Washington as the embodiment of this new form of a tectonic rivalry playing out everywhere, including in the Middle East. Chinese experts bet on the weakening of US traditional alliances. American experts study the prospects for 5G developments in the Gulf, debate the potential development of Chinese power projection in the region. Control over infrastructures, trade and energy relations are reassessed, for instance showing that China surpassed the US as the world’s biggest oil importer in 2017, while the US became a net exporter of oil in 2019...

The great analytical framework is therefore in place but there is more than just one paradox to it in the Middle East. The biggest one is that the notion of great power competition would require the US to refill the vacuum it left in the Middle East in the first place. Russia, Iran, and to some extent Turkey, have been the biggest winners of US fatigue in the Middle East. Despite his great disdain for Barack Obama’s legacy, President Trump continued the « pivot to Asia » and attempted like his predecessor to withdraw from a Middle East deemed too complicated and no longer at the heart of American interests. President Trump enforced certain redlines (on chemical weapons in Syria and about killing Americans in Iraq, as we have seen with his decision to kill Qassem Soleimani) and exerts sweeping economic sanctions against Iran and Syria. This “remote” Foreign policy nevertheless highlights that he is not interested in shaping the regional architecture, engaging in complex diplomatic efforts or pushing back on Russian or Iranian influence on the ground.

A key question for US experts in the coming months and years is therefore to clarify the modalities of what I called the “American pullback” from the Middle East and its articulation with the global competition with China and Russia. At the end, all actors will rely on trade and interdependencies. Competition for markets
shares and infrastructures will be fierce but it is unlikely they produce the kind of blocks and alliances that shaped the cold war. For instance, Chinese trade in the Gulf still relies on the American security umbrella and Beijing might be using US mistakes in the region to achieve limited economic goals more than displaying a comprehensive strategy in the region. At the end, China does not seem to be exporting a model for the region. It is rather exporting goods and services and wants to prevent others from trying to export their model in China.

A subsequent paradox is that by focusing only on great power competition against China, the US might further underestimate the importance of the tiring and patient work of bilateral relations which eventually build a strong set of alliances capable of containing China. Countries in the Gulf are already hedging their bets, trying to preserve their bilateral relations with Washington while developing cooperation with Moscow and Beijing despite American displeasure. Egypt is in a similar situation. The new Iraqi government is also trying to find its own balance between Washington and Tehran.

The focus on grand strategies might also push Washington to disregard the need for regional security architectures to stabilize conflicts on which American adversaries are thriving. In addition, one can expect that local factors and bilateral relations will shape US policy in the Middle East more than experts in Washington. Indeed, local and regional dynamics have been the main drivers of regional politics in the last years, especially since the 2011 uprisings, and they are likely to shape what great powers can or cannot do more than these powers can shape the region.

“Great power competition” might end up not being so “great”. It might just be a fancy name to describe a more open phase of globalized competition. In the Middle East like elsewhere, the recipe for power might therefore not be so new: a combination of long term relationships, diplomacy, economic leverage and hard power altogether. The real question is whether global powers will have the attention, the patience, the resilience and the resources to commit to this hard work in a post-COVID economic crisis.

The Arab World in Pieces
From the Arab Springs to the American Pullback
Charles Thépaut
Publisher: Armand Colin

Strong tensions exist between regional powers such as Iran and Saudi Arabia whilst the Obama and Trump presidencies mark a long and inevitable withdrawal of the USA from the world’s policeman role. In the meantime, Russia and China become key players in the regional game.

And the great merit of Charles Thépaut’s new edition of «The Arab World in Pieces: From the Arab Springs to the American Pullback » (only available in French as of now) is to give us food for thoughts on these strategic issues, with some maps, glossaries, chronologies and lucid analyses to support them.

A must read for all the Global Diwan’s friends.

Eric Schell
The Middle East at the New Silk Roads Junction

by SSF (Scutum Security First)

It is at the west of the Middle Kingdom, at the junction of three continents (Asia, Africa and Europe), in a region of four seas (Black Sea, Mediterranean, Red Sea, and Arabian Sea), and at strategic maritime passages (Strait of Hormuz and Bab Al-Mandab, Bosphorus Strait and Suez Canal) that converge both parts of the Chinese infrastructure megaproject of the New Silk Roads.

“One Belt, One Road” (OBOR) has become the “Belt and Road Initiative” (BRI) which includes a land component, the “Silk Road Economic Belt”, and a maritime component, the “Maritime Silk Road Initiative” that crosses and surrounds a Middle East bristled with conflicts and full of energy resources.

The countries of the region were called “natural partners” by President Xi Jinping and have seen in the BRI an opportunity to successfully complete their programs: UAE Vision 2021, Oman Vision 2020, Jordan Vision 2025, Bahreïn Vision 2030, Qatar Vision 2030, Saudi Arabia Vision 2030, Koweït Vision 2035. All of which share the same objective of economic diversification by finding a way out of the dependence on a hydrocarbon economy.

To make a fortune, one has to build a road first (Chinese proverb)

It would certainly be a mistake to see the BRI as a tool of regional integration or the attempt to constitute a vast free trade zone whereas Beijing alleges that the priority is to provide the aforementioned countries with essential infrastructures to trade as defined in two official documents: « Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road » (2015) and « China’s Arab Policy Paper » (2016).

Disregarding the rivalry and conflicts between regional powers and putting forward its neutrality and purely economic objectives, Beijing has signed memorandums of understanding with countries of the Arab League, with the Organisation of Economic Cooperation and Development, the Organisation of Islamic Cooperation, OPEC and the EU (Cyprus). Double taxation agreements were signed with Saudi Arabia, Bahrain, Cyprus, Egypt, the UAE, Israel, Kowait, Oman, Qatar, Syria and Turkey.

The cooperation model in the “China’s Arab Policy Paper” is described under the “1+2+3” form, “1” represents energy, “2” infrastructures and “3” nuclear power, space and new energies.

China imports 45% of its oil from the Middle East (1 803 000 bpd in July 2019 from Saudi Arabia alone) and has become the first investor in the region with more than 30% of foreign direct investment (FDI), applying one of the founding principles of its foreign policy: promoting economic development as an essential instrument for security.

The latter is always a concern for Beijing that benefits from the silence of the Muslim world regarding the Uyghurs’ fate in the Xinjiang province. However, its military base in Djibouti closely monitors the activities of the regional terrorist groups.

The naval incidents in the Strait of Hormuz in 2019 compelled China to be openly involved in the securing of the strategic maritime routes for its oil supply in addition to its usual anti-piracy operations.

In the Chinese vision, the BRI’s maritime component is central inasmuch as it covers 50% of the trade between China, South East Asia and Europe. Many ports and industrial parks are being interconnected with Chinese companies buying significant shares as in Gwadar in Pakistan, Duqm in Oman, Khalifa Port in the UAE, Djibouti port, Jizan in Saudi Arabia, Port Said and Suez in Egypt but also Cyprus, the Piraeus,
Malta, Trieste, Genoa or Marseille in the European Union. Moreover, Chinese companies have long been ready to invest massively in the future reconstruction programs in Syria, Iraq and Yemen.

Discussions on civil nuclear programs are at an advanced stage with Saudi Arabia. In other domains – presented as the “digital Silk Road” – with the satellite navigation system BeiDou used in the region, which 30th and last satellite was put into orbit on June 23, 2020. Many countries have agreement for Huawei’s 5G deployment as well numerous projects in solar, hydroelectric and wind energy industries.

Diplomacy and the debt trap

China has always asserted that such programs would rely on foreign investors and countries acting as project leaders to whom loans would be granted. Experts insist on the latter point: the loans are refundable and most of the time go along with project completion by Chinese companies. It is not financial assistance granted to third party countries. Today, with the recession induced by the COVID-19 pandemic, many BRI’s stakeholders have difficulties making repayments.

In this way, Pakistan wants to renegotiate agreements on the China–Pakistan Economic Corridor (CPEC) while Malaysia last year successfully renegotiated the east coast high speed railway line project. This negotiation allowed Beijing to express its soft power while depicting itself as an attentive and flexible partner rather than a diehard money-lender. These examples and the current crisis (the IMF forecasts in 2020 a recession for all Middle Eastern countries with the exception of Egypt) could encourage other countries to open discussions with Beijing, especially as many large-scale projects – particularly in the Gulf countries – were stopped or postponed due to the COVID pandemic.

However, the ways of the Chinese companies involved in the BRI are more and more contested. Namely, the almost exclusive use of Chinese personnel, the little knowledge transfers, the granting of projects to Chinese companies without real invitation to tenders and the exclusion of local companies from their national market putting them at risk of extinction.

The “Health Silk Road”

Criticised for the pandemic’s management and for statistics that were called a “bad joke” by the Iranian Ministry of Health spokesman and having to deal with xenophobic reactions towards its nationals in the Middle East, China made a point of countering messages showing that the progression of the virus followed the BRI itinerary as well as the assumption that the coronavirus was a “Chinese virus”.

The shipment of medicines and equipment to the region’s countries increased. Tests and medical equipment were sent to Egypt, medicines were sent to Turkey, gear to Israel, masks to Oman, significant assistance was sent to Iran and all these aids were subjected to extensive communication campaigns although the equipment was not always of the quality expected.

The difficult choice between the USA and China

The balance will surely be arduous to find for many Middle Eastern countries between the USA, that act as a military protector, and China, not much committed on security but essential for their economies. Chinese presence is bound to strengthen in the zone, were it only to secure its oil supplies. The question lies in China’s ability to avoid committing itself in the geopolitics of such a complex region, thus not bearing the risk of terminating its “zero enemy” doctrine.

Besides being a business club, intellectual work and curiosity – the gate to understanding other cultures – hold a distinct place in our Diwan. We welcome people from different horizons and nothing interests us more than to have contributors sharing their insightful and challenging views in our columns. Please do not hesitate to get in contact with us if you wish to share your work with our audience.