

SQUARING THE CIRCLE AT THE INDIA-EGYPT SUMMIT

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June 24, 2023 12:08 am | Updated 12:48 am IST

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Egyptian President Abdel Fattah el-Sisi with Prime Minister Narendra Modi, in New Delhi, in 2016 | Photo Credit: FILE PHOTO: V. SUDERSHAN

There is a danger that after an adrenaline-rushed and consequential parley in the United States, Prime Minister Narendra Modi's visit to Egypt (June 24-25, 2023) may appear to be a bit underwhelming. It is anything but.

Historically, India-Egypt ties are perhaps the oldest civilisational link. In 2750 BCE, the Pharaoh Sahure sent ships to the "Land of Punt", which historians identify with peninsular India. By the middle of the second millennium BCE, Egyptian mummies were wrapped in muslin dyed with indigo, both from India.

It is this historic inspiration that needs to be invoked while aiming for greater bilateral relevance and substantiality. While the past century of contacts produced plenty of goodwill and verbal shibboleths — from decolonisation to non-alignment and from Egyptians' Bollywood-frenzy to the addition of lilting Egyptian music in Indian scores — they have delivered little of substance. India's trade with the most populous Arab country stood at \$6,061 million in 2022-23, having declined by 17% over the previous year. Nearly a third of it was petroleum-related. India was Egypt's sixth largest trading partner, while Egypt was India's 38th. Indian investments in Egypt were spread over 50 projects totalling \$3.15 billion, half of the sum contributed by a single company. Egypt has invested only \$37 million in India. There are less than 5,000 Indians in Egypt, nearly a fifth of them being students.

The underperformance of bilateral ties is not due to a lack of bilateral institutional mechanisms, but their efficacy and sense of purpose. India has a Joint Commission, Foreign Office Consultations and at least nine joint working groups. Its Defence and External Affairs Ministers visited Egypt during the past year. It had a bilateral summit less than five months ago when the Egyptian President, Abdel Fattah El-Sisi, visited India. All this perhaps attests that both India and Egypt have formidable bureaucracies and public sectors adept at rearranging the chairs on the deck.

If the forthcoming Cairo Summit is not to become yet another event management exercise, it would need to leverage the opportunities while avoiding the pitfalls. Egypt is a large country (population 105 million) and economy (\$378 billion). It is politically stable and its socio-economic conditions are quite similar to India. Egypt's largest imports are refined petroleum, wheat

(world's largest importer), cars, corn and pharmaceuticals — all of which India has the potential to supply.

Moreover, the Egyptian government has an ambitious infrastructure development agenda, with 49 mega projects including the construction of a New Cairo (\$58 billion), a \$25 billion nuclear power plant and a \$23 billion high-speed rail network. During 2015-19, Egypt was the world's third-largest arms importer. These present opportunities for India.

But these opportunities are offset by serious challenges. To begin with, the Egyptian economy is in a serious crisis. The huge financial commitments have coincided with a static economy, pandemic, global slowdown and the Ukraine conflict. Consequently, tourism has dropped and imports such as cereals have become costly. Annual inflation is above 30% and the currency has lost more than half its value since February 2022. Foreign exchange scarcity has forced the deferral of payments for such essentials as wheat. While a \$3 billion bailout package was negotiated with the International Monetary Fund six months ago, it is conditional on the tough economic reforms which are sputtering, due to entrenched interests and crony capitalism.

The affluent Gulf Arab states initially supported the Egyptian economy with nearly \$30 billion, but have been lately reluctant citing various governance issues in Egypt. Egypt's foreign debt is over \$163 billion (43% of the GDP) and its net foreign assets are minus \$24.1 billion. The acute forex situation compelled the government to issue in January 2023 an order for the postponement of projects with a large foreign currency component and cuts to non-essential spending.

With this backdrop in mind, Indian summitters in Cairo may need to carefully balance their exposure to Egypt with the opportunities on hand. India may countenance manageable eco-political risks to partake Egypt's lucrative opportunities through various innovations such as the EXIM line of credit, barter, and rupee trading. It should, however, avoid a repetition of its experience of Iraq in the 1980s and 1990s of having to defer its hard-earned construction project dues until they had to eventually be paid off by the Indian taxpayer. Moreover, such an arrangement may set a precedent other similarly placed friendly countries may cite. India may, instead, consider trilateral funding arrangements for such projects in Egypt or elsewhere with its partners in the Gulf, the G-20 or the multilateral financial institutions.

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