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The Egyptian-Turkish relations have witnessed several political tensions over the last seven years, since the July 3 coup d'état in 2013, due to Turkey's in-principle rejection of military coups. However, these tensions have not affected the economic relations between the two countries, as the trade volume between them was not much affected, but it has even increased significantly during the last four years.

This paper will study the impact of various economic factors such as exports, investment and manufacturing, in addition to tourism activity, on the Turkish-Egyptian rapprochement.

The paper will also address the possibility of Egypt becoming a gateway for Turkish exports to the African continent, in addition to the maritime border demarcation crisis in East Mediterranean, in light of regional competition over the natural gas wealth in the region.

The paper will attempt to discuss the mutual economic interests between the two countries, each party's view of them, and the extent of their impact on accelerating rapprochement between them, in attempt to answer a main question: Do mutual economic interests really represent an effective driving force towards rapprochement between Turkey and Egypt?

First: Mutual economic interests from the Egyptian perspective:

There are many economic interests that Cairo may reap through maintaining economic relations with Turkey, in addition to maximizing those interests after restoration of relations between the two countries.

1- Egyptian exports to Turkey:

Improving relations with Turkey is likely to ensure many benefits to Egypt, especially in light of the relatively high rate of Egyptian exports to Turkey, as data indicate that Turkey ranks fourth among importers of Egyptian products, as with a rate amounting to 5.8% of Egypt's total exports, according

to the Egyptian Export Development Authority (EDA) in 2020¹. It is noteworthy that the Free Trade Agreement (FTA), signed between the Republic of Turkey and the Arab Republic of Egypt on 27 December 2005 and entered into force on 1 March 2007, had a great impact on the increase in the volume of trade between the two countries, as Egyptian exports continued to rise in the last ten years under FTA, as indicated by the data in the table below.

While Egyptian exports to Turkey in 2010 amounted to about \$ 1 billion only, they have taken an upward trend since then, except for last year, as a result of the impact of the closure within the repercussions of the spread of the coronavirus pandemic. In 2012, due to the Egyptian-Turkish rapprochement during the only one year in office of the late President Mohamed Morsi, the volume of exports to Turkey increased to about \$ 1.4 billion.

It is noteworthy that despite the coup d'état in 2013 and Turkey's non-acceptance of the new regime, yet the economic relations between the two countries was not affected, as Egyptian exports to Turkey continued at almost their usual rates, and even achieved a record peak in 2017, rising to \$ 2.4 billion. But they returned to their previous usual rates in the following two years, before the spread of the virus that caused their decline.

The volume of Egyptian exports to Turkey, and total Egyptian exports during the period from 2010 to 2020 (in \$ billions):

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Egypt Exports to Turkey	1	1.1	1.4	1.6	1.4	1.2	1.4	2.4	1.9	1.7	0.72
Growth Rate	-	10%	27.2%	14.2%	12.5%	14.2%	16.6%	71.4%	20.8%	10.5%	57.6%
Total Egypt Exports	27.3	31.6	30.6	29	27.5	22	22.5	26.3	29.3	30.5	22.9
Rate of Exports to Turkey to Total Egypt Exports	3.7%	3.5%	4.5%	5.5%	5%	5.4%	6.2%	0.9%	6.48%	5.5%	3.1%

¹ RT, 5 countries at the forefront of Egypt's exports, including Turkey, 23 January 2020, [link](#)

Sources:

1- Volume of Egyptian Exports to Turkey :from the official website of the Egyptian Export Portal (Export/Import Map).

2- Total Egyptian Exports: from the Central Agency for Public Mobilization and Statistics.

3- Data for 2019 and 2020 was collected by the researcher from statements of Egyptian government officials.

The data of the above table indicates the increasing relative significance of Egyptian exports to Turkey as a percentage of the total Egyptian exports during the study period. But when the rate of Egyptian exports to Turkey is calculated to the total Egyptian exports during the same period, it appears that they constitute a relatively small percentage of the total Egyptian exports, where it represented about 5% of the total exports during the period (2010-2020): constituting about 3.7% in 2010, and then 3.5% in 2011. Then, it started to rise reaching its maximum percentage in 2017, by 9.1% of the total Egyptian exports, where this significant increase in 2017 can be referred to the Central Bank of Egypt's decision in late 2016 to float the Egyptian pound, which gave Egyptian exports a competitive advantage as they became cheaper than other products. However, this growth in exports was short-lived, as Egyptian exports decreased again in 2018, and continued to decline until 2020 to about 3.1%.

It is noteworthy that the FTA between Egypt and Turkey supports industrial products rather than the agricultural products, making it more in favor of Turkey, as most of Egypt's exports are agricultural products, while Turkey's exports are predominantly industrial products, which explains the modest rate of Egypt's exports to Turkey during the research period, in addition to the weakness of the total Egyptian exports.

2- Turkish investment in Egypt:

Turkey is ranked No. 47 on the list of the key investing countries in Egypt². Although Egypt is considered the largest consumer market in the Middle East, with more than 100 million consumers, in addition to the fact that its investment conditions are good in terms of proximity to the oriental markets and its low production costs, however, the Egyptian Ministry of Trade and Industry estimated the volume of Turkish investments in Egypt at only about \$ 5 billion, where about one million Egyptians benefit directly or indirectly from these investments³.

Turkish investment in Egypt is predominantly industrial, as the number of Turkish industrial companies in Egypt is estimated at 60, about 28.7% of the total Turkish companies operating in Egypt; followed by the spinning and weaving companies and service companies, which separately represent 25.3% of the total Turkish companies in Egypt; then comes the telecommunications and information technology companies, with 7.6%; where the remaining percentage is distributed among tourism companies, construction companies, and agricultural companies⁴.

The Turkish Pashabahce glass company in Egypt is considered one of Turkey's largest investments there, with an investment of \$100 million; where it injected new investments worth \$ 20 million in 2018, given that Pashabahce Co. is one of the giant Turkish Şişecam Group operating in the field of glass production, having branches in 13 countries around the world and employing about 22,000 employees, as it is the third largest glass producer in the world, and the second at the level of Europe⁵.

² Walaa Abdel Kareem, 'Trade relations between Egypt and Turkey aspires to bypass politics', Elbalad News, 4 January 2020, [link](#)

³ AA, Turkish investments in Egypt provide 50 thousand jobs, 11 May 2016, [link](#)

⁴ Abdel Hafez Al-Sawi, Egyptian-Turkish Economic Relations: Reality and Prospects, Egyptian Institute for Studies, 13 March 2016, [link](#)

⁵ Al Borsa News, Turkish Pasha Bahce for Glass is considering increasing its investments in Egypt, 18 February 2018, [link](#)

The volume of Turkish investments in Egypt, and the total volume of foreign investments in Egypt during the period from 2010 to 2018 (In million dollars):

Fiscal Year	2010/1 1	2011/1 2	2012/1 3	2013/1 4	2014/1 5	2015/1 6	2016/1 7	2017/1 8	2018/1 9
Turkish Investments in Egypt	27.2	12.5	169	31	44.3	77.5	35.5	41	15.7
Growth Rate	-	-54%	1252%	-81.6%	42.9%	74.9%	-54.1%	15.4%	-61.7%
Total Foreign Investments in Egypt	6390	-482.7	2800	4190	4610	6920	8110	7410	8140
Rate of Turkish Investments to Total Foreign Investments	0.4%	-	6.03%	0.7%	0.9%	0.96%	0.4%	0.5%	0.01%

Source: Annual Bulletin of the Central Bank of Egypt

The data in the above table shows the following:

The lowest rate of Turkish investments in Egypt was in 2011, by about \$ 12.5 million, which can be explained by the unrest in the aftermath of the outbreak of the January 25 revolution and investors' anxiety about injection of investments during this turbulent climate. The maximum value of investments in 2012 was about \$ 169 million, with a growth rate of 1252%, indicating the revival of Turkish investment in Egypt during President Mohamed Morsi's only one year in office. However, Turkish investments declined again in 2013 after the military coup and the strained political relations between Egypt and Turkey, down to 31 million dollars. The increase and decrease alternated in the following years, to reach \$ 15.7 million in 2018.

The data also indicates that the rate of the volume of Turkish investments in Egypt to the total volume of foreign investments in Egypt during the same period was modest, as it reached about 0.4% in 2010. However, in 2011 there was a deficit in total foreign investments of about 4 billion. The rate increased in 2012 to reach its largest value, by about 6.03%. Then it decreased again in 2013 after the military coup, down to 0.7%. However, it again started to rise in 2013, by 0.9%. In 2016, it decreased to 0.4%, then reached its lowest value in 2018, by about 0.01%.

Despite the remarkable increase in Turkish investment in Egypt in 2012, its percentage to the total foreign investment in Egypt did not exceed 7%. Although Turkish investment in Egypt did not constitute a large percentage in the Egyptian economy during the research period, Egyptian workers in Turkish factories, that lack accurate official statistics with respect to their numbers, constitute an additional factor that increases the importance of these investments.

3- Tourism sector:

The tourism sector in Egypt is considered one of the most important pillars of the Egyptian economy, as tourism revenues are one of the most important sources of Egyptian public revenues, given that the tourism sector's revenues represent about 4% of the gross domestic product (GDP), and it is considered the third largest source of foreign income⁶.

Although Egypt enjoys many distinguished tourist sites in the world, such as Aswan and Luxor, Turkish tourists who visit Egypt prefer religious tourism, such as visiting Islamic monuments, ancient mosques and Al-Azhar.

But religious tourism in Egypt is altogether neglected, as it represents less than 10% of total Egyptian tourism⁷, with no interest on the part of the Egyptian government to develop it. Therefore, the Turks replace tourism in by visiting historical mosques in Turkey itself, as Turkey is full of historical and

⁶ The World Bank, Egypt Economic Monitor : From Crisis to Economic Transformation, November 2020, [link](#)

⁷ Ahmed Salem, Egypt seeks to activate religious tourism and an international conference in Sinai, Al-Ain, 19 July 2017, [link](#)

archaeological mosques such as: Sultan Ahmed Mosque, Al-Fateh Mosque, Hagia Sophia Mosque and others.

In addition, the political tension between Egypt and Turkey has negatively affected tourism between the two countries, and made Turkish tourists reluctant to travel in Egypt.

The number of Turkish tourists who visited Egypt during the period (2013-2015) and their proportion to the total number of tourists:

Year	Turkish Tourists (in thousand)	Total Tourists Total Tourists (in million)	Turkish Tourists to Total Tourists
2013	51.6	9.5	0.54%
2014	36.5	9.9	0.37%
2015	32.4	9.3	0.35%

Source:

1- The Central Agency for Public Mobilization and Statistics.

2- The number of Turkish tourists in 2015 was taken from the Ministry of Tourism statistics⁸.

The above data shows that the number of Turkish tourists in Egypt is small, as the largest number of Turkish tourists in 2013 amounted to about 51.6 thousand Turkish tourists, by 0.54% of the total number of tourists in Egypt at that time. Then in 2014 it decreased to 36.5 thousand Turkish tourists, by 0.37% of the total number of tourists; where the decline continued in 2015 down to 32.4 thousand Turkish tourists, by 0.35% of the total number of tourists. Therefore, the tourism revenues coming from Turkish tourists do not affect the total tourism revenues in Egypt, and accordingly do not affect the Egyptian economy.

⁸ Youm7, Ministry of Tourism: 32,000 Turks and 17,000 Qataris visited Egypt during 2015, 31 January 2016, [link](#)

4- Industrial sector:

The industrial sector plays an important role in the Egyptian economy, as it contributes a large percentage to the nation's GDP, in addition to the fact that it also provides many job opportunities for Egyptians. However, the Egyptian industrial sector faces many obstacles that make it unable to meet the needs of the local and global market, as almost all production requirements are imported from abroad, estimated at about 44% of Egyptian imports, which reduces the added value of Egyptian industries. In addition, the share of manufacturing industries is extremely low. Likewise, the industrial sector suffers from low productivity due to the unskilled and untrained workers⁹.

However, the Egyptian regime had missed a good opportunity to overcome some of these problems, through the initiative launched in 2018 by the Egyptian-Turkish Businessmen Association (TUMIAD), namely, to establish a global industrial city in Egypt by 2019, aimed at developing local manufacturing in all Egyptian industrial sectors, and reducing production costs due to a decrease in costs of importing equipment, according to Hamada El-Agawany, member of the TUMIAD's board of directors, who added that it is the first integrated engineering industrial city in Egypt. El-Agawany pointed out that this industrial city would annually save 2.5 billion dollars that were spent on imports of machinery and equipment, and would provide one million job opportunities on an annual basis, and a total of 5 million jobs within 5 years¹⁰.

"We have requested a million square meters from the Egyptian Industrial Development Authority, that welcomed the idea and asked to develop it and increase the area,"

TUMIAD has demanded the provision of one million square meters from the Egyptian Industrial Development Authority for construction of the city, but it has not got the area until now. Although the Egyptian Industrial Development Authority welcomed the idea at first, the Egyptian regime has

⁹ Meghawry S. Ali, The impact of the COVID-19 Pandemic on the reality and future of the industrial sector in Egypt. A series of policy papers on the likely repercussions of the coronavirus crisis on the Egyptian economy. Issue No. 16, June 2020, [link](#)

¹⁰ Al Ahram Gate, El-Agawany: The Egyptian-Turkish Industrial City provides \$2.5 billion in imports, 8 January 2018, [link](#)

not paid any attention to the project so far, where the industrial city was scheduled to enter into force in 2019, which did not happen.

While the Egyptian economy needs to develop the industrial sector and import expertise from industrially advanced countries such as Turkey, Egypt can benefit from the Turkish expertise in several areas such as: spinning and weaving, car manufacturing, and glass manufacturing, given that a large proportion of Turkish investment in Egypt falls under industrial investment.

Turkey is considered a pioneer in the spinning and weaving industry, where Egypt can benefit from its leadership in this field, as the giant Turkish Eroğlu Holding Co., one of the largest holding companies in Turkey working in the field of spinning and weaving industry, has established a branch in Egypt, where it uses the Egyptian long staple cotton in its industry, thus encouraging local Egyptian production.

Egypt can also benefit from the Turkish progress in the field of car manufacturing, as Turkey has moved from the level of assembling car parts to the stage of complete local manufacturing of cars. The industry of car manufacturing in Turkey is one of the most important export-associated sectors, as it ranks first in Turkish exports, and has achieved a record in exporting cars to 118 countries, with a value of more than \$ 25 billion during the year 2020, according to the data of the Turkish Statistical Institute (TURKSTAT)¹¹.

Perhaps the Turkish-Egyptian rapprochement now reoffers Egypt an opportunity to discuss the idea of establishing the industrial city proposed by the Turkish side again, which in turn will help the Egyptian industrial sector to overcome most of the obstacles that stand in the way of its development, where Egypt will benefit from Turkish expertise in the industrial renaissance that Turkey succeeded in achieving. Therefore, this axis represents a strong motivation for Egypt to engage into the Turkish-Egyptian rapprochement.

¹¹ AA, Turkey exports cars worth more than \$25 billion in 2020, 18 January 2021, [link](#)

Second: Mutual economic interests from the Turkish perspective:

1- Egypt, Turkey's gateway for export to Africa:

Turkey seeks to increase its exports, increase the volume of trade with many countries, and revive its economy, in order to achieve the goal of becoming the third economic power in Europe and the tenth economic power across the world on the 100th. anniversary of the founding of the Turkish Republic in 2023.

Turkish exports have achieved major booms during the last 18 years since the Justice and Development Party (AKP) took office, reaching about \$ 36 billion in 2002; \$ 144 billion in 2010; \$ 150.9 billion in 2015; \$ 177.1 billion in 2018; \$ 180.8 billion in 2019; and finally \$ 169.6 billion in 2020, at the time of the Covid-19 outbreak, according to data of the Turkish Statistical Institute.

In the early 2000s, Turkey's eyes turned to Africa, where it has developed a strategy to enhance its relationship with African countries since 2003, and sought to establish several economic councils within a bilateral framework with various African countries. Turkey also has embassies in 39 African countries¹², in an attempt to establish strategic and economic relations with the countries of the East and get rid of dependency on Western countries. Also, Ankara is looking to increase the volume of trade between it and African countries and increase Turkish investment there, where Africa has 54 countries and a population of more than one billion people, 70% of whom are young people. Africa also embraces foreign investment projects, where it needs many infrastructure projects; which makes it a fertile field for the activity of Turkish contractors. Therefore, Turkey has tended to establish wide economic relations with African countries; and it even branded the year 2005 as the year of Africa, during which Turkish President Recep Tayyip Erdogan toured Africa.

The volume of trade between Turkey and African countries was estimated at about \$ 186 billion during the period from 2010 to 2019, as Turkey's exports to Africa during that period amounted to

¹² Abdel Hafez Al-Sawi, Turkey and Africa .. Features and dimensions of a strategic partnership, Turk Press, 12 December 2020, [link](#)

about \$ 126.7 billion, with \$ 59.8 billion in imports, according to the Turkish Statistical Institute that estimated that 65% of the volume of trade exchange went to North African countries¹³.

This estimate means that 90% of African countries account for 35% of Turkish exports. Therefore, Turkey seeks to search for entrances to reach this huge market which witnesses increasing competition among the major world producing countries.

The Outbound Investment Index 2019 report issued by the Foreign Economic Relations Board of Turkey (DEİK) revealed that Turkish investments in Africa rose by 11%, recording \$ 46 billion, which clearly highlights the importance of African countries for the Turkish economy¹⁴.

Turkey may be considered that Egypt can play as its main gateway to increasing its exports and the volume of trade with the rest of the African countries, given the fact that Egypt already connects Turkey with Africa through the sea line. Therefore, Turkey hopes that Egypt would facilitate and help promote its products in other African countries, to increase the total Turkish exports and the volume of its international trade.

Turkey also needs the Suez Canal waterway to distribute its products within African countries as well as the Arab world, as the Suez Canal is one of the most important global waterways, where about 30% of shipping containers pass through it, with about 12% of total global trade of all goods around the world¹⁵. The importance of the Suez Canal for Turkey has increased since the exacerbation of the Syrian crisis and Turkey's loss of the land trade route with the Arab world through Damascus¹⁶.

Thus, the rapprochement between Egypt and Turkey from the Turkish point of view may be in the interest of Turkey to a large extent, as Turkey will be able to distribute its products and increase its

¹³ AA, \$186 billion – Trade exchange between Turkey and Africa in 9 years, 5 February 2020, [link](#)

¹⁴ Al Jazeera, Turkey's golden age in Africa .. How much are exports and investments and where are they concentrated?, 21 Sept. 2019, [link](#)

¹⁵ AA, Turkish industries a major destination for African markets (report)?, 21 Sept. 2019, [link](#)

¹⁶ Said Elhaj, Determinants of Turkish Foreign Policy Toward Egypt, Turk Press, 2 April 2016, [link](#)

exports in African countries as well as the Arab world through Egypt. Therefore, this axis is considered a relatively important economic drive for Turkey to achieve rapprochement with Egypt.

2- The crisis of demarcation of maritime borders of Eastern Mediterranean countries:

The crisis of demarcation of the maritime border between many eastern Mediterranean countries has recently escalated, including Egypt and Turkey, as several gas fields were discovered in the area, such as the Egyptian Zohr field, located off the Egyptian coasts; the Leviathan field, located off Haifa coasts; the Tamar field, located off the coast of several countries such as Syria, Lebanon, occupied Palestine and Cyprus; and the Aphrodite field, located off Cyprus coasts.

According to various estimates, the volume of natural gas in this region is about 122 trillion cubic feet, with oil reserves of about 1.7 billion barrels, according to the data from the United States Geological Survey and companies operating in gas exploration in East Mediterranean, where Egypt has the largest share of this wealth, estimated at about 850 billion cubic meters¹⁷.

Conflicts between the Eastern Mediterranean countries have started since the discovery of these natural oil fields, where they hastened to conclude agreements to demarcate their maritime borders in the Eastern Mediterranean to share this wealth. In this regard, the Eastern Mediterranean Gas Forum was established between Cyprus, Greece, Egypt, Israel, Jordan, Italy and Palestine without inviting Turkey, which upset Turkey and pushed it to conclude an agreement to demarcate its maritime borders with Libya and send it to the United Nations for ratification, which was actually done. On the other hand, an agreement was concluded between Egypt and Greece to demarcate maritime borders between them, which appears to be inconsistent with the Turkish-Libyan agreement.

¹⁷ Al Jazeera, The crisis in Eastern Mediterranean ... the basic problem and escalation scenarios, 13 December 2019, [link](#)

Although Egypt signed an agreement for demarcation of its maritime borders with Greece, its interest is consistent with the Turkish-Libyan agreement, as the agreement with Greece would deprive Egypt of nearly 10,000 square kilometers of its EEZ in favor of Greece¹⁸.

The agreement with Greece also hinders Egypt's export of gas to Europe at competitive prices, as it facilitates Israel's establishment of a gas pipeline for export to Europe. However, the Turkish-Libyan agreement impedes the completion of such line without the approval of Turkey. Thus, the Egyptian interests are united with the Turkish interests, where Egypt confirmed that it would not violate the continental shelf of Turkey, which was considered a step in paving the way for rapprochement between Egypt and Turkey. Turkish Foreign Minister Mevlut Cavusoglu expressed likeliness to negotiate with Egypt on demarcation of maritime borders in the eastern Mediterranean based on the progress of relations between the two countries.

Turkey needs its share of the gas discovered in the eastern Mediterranean, as it is an energy importer, as data from the Turkish Statistical Institute indicate that the country's net imports of energy sources are worth about \$ 41 billion annually¹⁹. Therefore, Ankara is trying to defend its right to a share of the gas discovered in the Eastern Mediterranean to reduce its energy imports and accordingly reduce its budget deficit.

Thus, the Turkish-Egyptian rapprochement is considered an appropriate solution for both parties, with respect to the crisis of the demarcation of maritime borders in the Eastern Mediterranean.

By virtue of this rapprochement, Egypt would obtain a very large area of its exclusive economic zones that had been taken by Greece. In addition, Egypt would gain a competitive advantage for exporting gas to Europe.

At the same time, Turkey would get its share in the natural gas wealth discovered in the Eastern Mediterranean, to reduce its energy imports.

¹⁸ Khaled Fouad, What did Egypt lose by signing the maritime border demarcation agreement with Greece?, Turk Press, 10 August 2020, [link](#)

¹⁹ AA, Gas discovery enhances Turkey's global leadership in energy trade (report), 11 September 2020, [link](#)

Thus, it is clear that a likely agreement between Egypt and Turkey for demarcation of their maritime borders could be a pivotal lever in achieving rapprochement between them.

Conclusion

The paper concludes the following:

- Egyptian exports to Turkey do not represent a large percentage in relation to total Egyptian exports. Meanwhile, the Turkish exports to Egypt may help in opening new markets for Turkish products in other African countries.
- The Free Trade Agreement between Egypt and Turkey supports industrial goods in which Turkey is distinguished, rather than agricultural commodities that are the basis of Egyptian products. Therefore, rapprochement between the two countries with respect to this axis seems to be in Turkey's favor to a great extent.
- Turkish investment in Egypt is one of the most affected areas by the mutual political positions of the two countries and the political tension over the last 10 years. Accordingly, the rapprochement in the mutual relations of the two countries would increase Turkish investment in Egypt, and thus represents a good opportunity for the improvement of the infrastructure in Egypt. Therefore, rapprochement will be in the interest of Egypt with respect to this axis.
- To motivate Turkish tourists to visit Egypt requires facilitation of travel procedures to and from Turkey, and developing religious tourism in Egypt, where rapprochement with respect to this axis could be in favor of Egypt, as it would increase the number of Turkish tourists in Egypt and accordingly increase Egyptian tourism revenues.
- The Egyptian industrial sector is one of the key sectors that will be positively affected by any rapprochement between the two countries or improvement of their relations, as this will contribute to the establishment of the global industrial city in Egypt that will cause a boom in the development of the Egyptian industrial sector, which will certainly be in the interest of Egypt.
- With respect to the demarcation of the maritime borders between the Eastern Mediterranean countries to facilitate exploration of the natural gas, both Egypt and Turkey will benefit from concluding a maritime agreement between them. Egypt will benefit from the increase in the volume

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of exclusive economic zones (EEZ) that it had given to Greece out of its own free will. Moreover, Egypt will gain a competitive advantage in delivering natural gas to European markets instead of Israel. Also, Turkey will confirm its right to explore for natural gas in its territorial waters, and thus the interest in this axis benefits both the Egyptian and Turkish sides, and is accordingly considered a focal point for the two of them.

