



EU Fiscal Support for North African States Raises Risk of Migration Blackmail

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The 17 March agreement that raised the status of the EU-Egypt partnership is yet another one consolidating the central importance of migration in the Union's policy towards its Southern Neighbourhood. However, like with previous arrangements with Tunisia and other states, it does not provide tools to enforce economic reforms to reduce Egypt's dependence on external funding. It also does not address repression by the state, which weakens the Union's status as a protector of human rights.

On 17 March, the head of the European Commission, Ursula von der Leyen, and Egyptian President Abd al-Fattah al-Sisi signed an agreement under which the Union is to support Egypt with €7.4 billion to prevent destabilisation because of the ongoing financial crisis in that country. The agreement assumes that €5 billion will be disbursed in tranches over the next four years in the form of loans, €1.8 billion in investments, and the remaining amount will be dedicated to bilateral projects. The aid requires meeting the conditions imposed by the International Monetary Fund (IMF) when it negotiated its previous loans to Egypt. Both sides have committed to political cooperation, with the EU pledging support in the development of the energy, agriculture, and digital sectors. As indicated by a similar agreement reached by the Union with Tunisia last year, this assistance is part of an effort to increase support for the EU's Southern Neighbourhood because of the high numbers of migrants coming from there. Among Arab countries, migrants from Tunisia and Egypt were the second- and third-largest groups of people attempting to enter the EU by sea routes in 2023 (around 17,000 and 11,700 people, respectively). EU and Member State authorities are concerned that the ongoing financial crises in the region will exacerbate instability in the region, which will further increase migration.

Migration Cooperation. The wars in Gaza and Sudan have increased the potential for migration to Egypt from conflict countries, as well as the risk of destabilising Egypt itself,

which is already home to some 107 million people. This prompted EU countries to intensify talks on strengthening financial support of the country. The importance of migration cooperation in the negotiations was visible by, among other things, Italian Prime Minister Georgia Meloni's emphasis on the issue, the visit of the Egyptian authorities to Frontex headquarters last October, and the assistance announced at the time in the form of the purchase of patrol vessels for the Egyptian coastguard worth €23 million. As a consequence of the March agreement, the Egyptian border is to be strengthened, most likely with Libya where Egyptians most often attempt to reach Europe from, and Sudan, where a civil war has been ongoing since April last year (Egypt currently hosts about 370,000 Sudanese refugees). There were reports that the EU support would involve the resettlement of Gaza residents in Egypt due to Israel's war against Hamas there, but the Egyptian authorities denied it.

The Union previously had signed agreements that included financial support to stop migration with the authorities of Tunisia and Mauritania, and the Libyan coast guard. This has led to criticism from human rights organisations and media, as well as from the European Parliament and the European Ombudsman for Human Rights. The July 2023 agreement with Tunisia (with support amounting to €1 billion) has in particular been criticised because Tunisian President Kais Saied assumed full power in violation of the 2021 constitution, unravelling the country's

democratisation, which had been progressing since 2011. Saied exploits anti-immigrant sentiment in public statements, using racist and xenophobic rhetoric. In September, the Tunisian security forces unlawfully deported around 400 foreigners (including 250 Sudanese fleeing the war and some mainly Black migrants randomly detained on the streets) to Libya. There, they were handed over to Libyan militias, who are often involved in people smuggling and use torture. In September, the Tunisian authorities blocked a visit by the European Parliament's Committee on Foreign Affairs, and in October they refused to accept part of the EU's support to increase the budget, citing the EU's lack of respect for the state.

Debt Crisis. The deepening debt crisis in recent years has brought Egypt to the brink of economic collapse. On the one hand, external factors such as the outbreak of the COVID-19 pandemic, Russia's invasion of Ukraine, and the associated rise in energy and food prices are influencing this. On the other hand, there are severe structural problems in Egypt's economy, such as the domination of sectors by military and state administration-linked companies, corruption, and the reliance of development on capital-intensive and large-scale state investment. Tunisia faces similar problems, which intensified after 2011. Its economy is dominated by the state and informal sector, while the more dynamic and employment-generating private sector has shrunk in recent years. Since Saied took full power in 2021, relations between government and business have deteriorated. Indeed, the president has focused on fighting corruption by attempting to confiscate the assets of numerous companies, including through means unjustifiable without the necessary reforms. Deteriorating living conditions led to protests in early March this year.

These factors prompted the authorities in both countries to seek foreign support. As a result, Egypt became the second-largest debtor (after Argentina) to the IMF. Its foreign debt rose from \$40 billion in 2015 to \$165 billion. (92.7% of GDP) in 2023. To meet the terms of its IMF loans, Egypt loosened its currency exchange rate several times (and later tightened it again). This had an impact on inflation, which reached 40% last August, with food prices up 70% compared to the previous year. Once again, the authorities loosened the exchange rate of the Egyptian pound in early March this year (the value of the currency then fell by 38%). This allowed the package of the IMF loan approved in December 2022 to increase from \$3 billion to \$8 billion, although Egypt did not complete the first or second review under the programme, which the authorities explained by tensions in the region and the presidential elections (in December 2023). At the same time, this support has not translated into improved living conditions for Egyptians. It is mainly used to implement

large-scale projects, which are carried out by military-linked companies (often exempt from taxes and duties), while failing to reduce unemployment. Among young people, it is around 25%, and nearly 63% of those in work are employed in the informal sector.

Tunisia is also failing to meet the conditions of its foreign loans. The last one, which was supposed to amount to \$1.9 billion, was negotiated by the authorities with the IMF in October 2022. However, the funds were not disbursed due to the lack of progress in reforms, which Saied called a "foreign diktat". Despite this, the EU disbursed a grant of €150 million to Tunisia in early March to help maintain the country's fiscal balance and facilitate the implementation of economic reforms.

Conclusions and Perspectives. To date, foreign support has failed to curb corruption or the dominant role of the military and state-related businesses in Egypt's economy, which are the main causes of the country's financial problems. The Tunisian president, on the other hand, is adopting an increasingly confrontational attitude towards Western institutions, highlighting the lack of political will to implement the necessary reforms and thus undermining the value of the agreement with the EU. Successive agreements with states governed by economically inept dictators in North Africa confirm that the Union's priority in its relations with its Southern Neighbourhood is to manage migration. This increases the vulnerability of the Union and its Member States to instrumentalisation of this phenomenon by Arab dictators in particular, and thus risks the ineffective use of European funds for investment and loans to states that consume them to feed a structurally deficient economy, have poor governance, and propagate corruption.

However, the risk of financial crises in North African states and the potential destabilisation of the Southern Neighbourhood does not allow the leaders of the Union or its Member States to ignore their partners' financial problems, especially in the light of growing social discontent and the associated increase in the number of migrants arriving in the EU from the region. Therefore, the priority when providing support should be to establish specific loan conditions and mechanisms for monitoring them, while sanctioning the lack of progress in their implementation.

The EU's weak resilience to pressure from its southern neighbours is further undermined by a reactive and short-term approach to migration management. This resilience will be strengthened by the adoption of an agreement on solidarity mechanisms for the management of immigration within the EU, cooperation in its implementation, and consistency in attitude among the Member States in this area.