

CHAPTER I:

INTRODUCTION

A. Background

The Arab Republic of Egypt – later on will be written as Egypt – is a transcontinental country adjacent with Africa, Europe, and with Southwest Asian. There are 72,798,000 people living their life in Egypt – based on 2006 census (Egypt State Information Service) at the 1,001,450 square kilometers of lands (Nations Encyclopedia, n.d.). Based on the sub-regionalism, this country is included into Maghrib Adna, or the Eastern part of North Africa that is yet considered as a part of Middle East (Jatmika, 2014, p. 5). There are also two large coastal that directly border up with Egypt's offshore, those are: Mediterranean Sea and Red Sea.

In history, this country was colonialized by France. This country found the importance of Egypt's geography which led to the establishment of Suez Canal. The construction was designed and supervised by French Engineer, Ferdinand de Lesseps. The canal project took a ten-years construction to build a 163 kilometers long waterway. Under the concession of Britain and France, the canal in Suez that connects the Mediterranean Sea and Red Sea was opened for navigation in November 1869 (Metz, 1990). The establishment of Suez Canal is considered to be able to shorten the trading route from Britain to India and Far East and vice versa therefore the trade would be more efficient.

In Khedive Ismail administration, the economics faced failures and debts. To recover the circumstance, he sold the shares of Suez Canal port to British in 1875 which let the British and French take bigger role to intervene the internal problem within the country (Ata, 1955). France and Britain controlled the canal until the Nationalist won the fight against British colony and was being independent in 1954 during Nasser administration and it fully became a part of Egyptian sovereignty in 1956 (Metz, 1990).

The geopolitics has brought Egypt to be one of the important countries in International context. The United States has been injecting its political influence among Egypt since Egypt's independent in 1922 (U.S. Department of State, n.d.). This country is considered as an important country based on its geography, demography and diplomatic posture. The Suez Canal has also become an important aspect for United States foreign policy and security over the Middle East and around. As an evidence, Egypt is well known as one of the countries that received the largest American aid after Israel (Wolkov, 2015, p. 3).

Despite the complexity of the relations between these two countries, United States still takes the relations with Egypt into account. In 1970s, United States got an opportunity to enclose the relations under Anwar Sadat authority, starting from the Camp David treaty until the cooperation in military sectors and counter-terrorism (Mannin G. Weinbaum, 1985).

This recent, the emerging economic giants, People's Republic of China – later on will be written as P.R.C. – has been also strengthening the bilateral relations

with Egypt. After the revolution and election of the new President in 2014, Egypt designed a new foreign policy in international atmosphere. With the new president, Abdel Fattah Al-Sisi, Egypt is about to strengthen the relations with P.R.C.

The reinforcement of Egypt-P.R.C. relations can be shown after the first visit of al-Sisi to Beijing. Al-Sisi has planned a comprehensive strategic partnership with Xi Jinping, includes foreign investment in some aspect such as infrastructure funding, construction of twin canal running parallel and assist the development of fishing, transportation, aerospace science and technology, agriculture, electronics, and banking sectors (Zhen, 2016). Besides that, P.R.C. is in the same vision with Egypt in order to fight against terrorism by enhancing intelligence exchanges and to cooperate in abolishing terror act and group. Moreover, this partnership is considered as one of the means of Egypt to stabilize the internal affairs after the revolution.

P.R.C. was responding positively by enhancing its foreign investment in many aspects, starting from education until construction as shown in the development of New Suez Canal. P.R.C. began to introduce the world about the strategy of New Silk Road in 21st Century name “One Belt One Road”, a strategy that aims to modernize the existence of trade route to the more develop ones proposed by Xi Jinping, the current P.R.C. president (AfricaNews, 2016).

In 2016, Xi Jinping Held a reciprocal country visit to design 21 Memorandums of Understandings worth USD 17 billion in total related to their Comprehensive Strategic Partnership. The agreements includes the cooperation to

the project of the New Suez Canal. Xi Jinping has agreed to increase the number of Chinese companies' presence in the SCZone from 32 Chinese companies which are investing more than USD 400 million to 100 companies with an investment of USD 2.5 billion. (China Daily, 2016).

Upon the strengthening relations between Al-Sisi and Xi Jinping, United States foreign investment toward Egypt was decreasing at quite significant number. In 2015, United States foreign investment has declined to 85.9%. (Samir, 2016) This circumstance shows the downgrade of Egypt bilateral relations with United States and apparently become an evidence of Egypt's foreign policy which is shifting to P.R.C.

According to the dynamic movement of Egypt foreign policy, the research would be concerned on the consideration of Egypt in establishing a "Comprehensive Strategic Partnership" with Xi Jinping, and would be focused on the development of New Suez Canal, since it has important impact for both actors in many aspects. The research would also explain the rationality of Egypt to enhance a new foreign policy strategy with P.R.C. rather than the United States as what so called a close ally in previous administration.

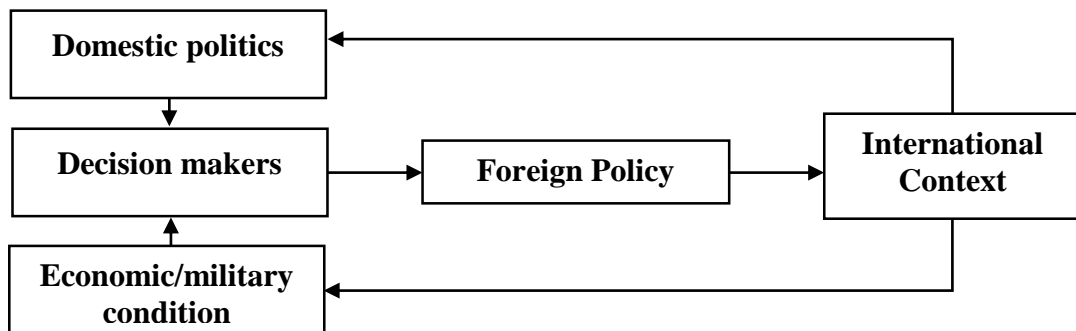
B. Research Question

The research question of this analysis will be: "Why did Egypt decide to encourage strategic partnership with P.R.C especially investment in New Suez Canal?"

C. Theoretical Framework

Regarding to the issue, the research will use a theory of decision-making cited from William D. Coplin's book "Introduction to International Politics: A Theoretical Overview". This theory explains that there are at least three influential factors in decision making to ease the understanding of the theory. Here is the diagram of Coplin's theory:

Decision Making Process by William D. Coplin



*Figure 1 Diagram of Determinants which Influence the Foreign Policy Action
Source: Coplin, Pengantar Politik Internasional: Suatu Telaah Teoretis, 2003.*

Explanation (Coplin, 2003):

- a. Domestic political condition of the state can be considered as a system of government which is implemented in a state and become the framework in decision-making process
- b. Economic and military conditions or capabilities, including the geographic factor that has always been a major consideration in defense/security for years. This is also the main influential factor of the foreign policy decision making process

- c. International context, the circumstances of a state that has been a goal of the foreign policy and the influence of other states relevant to the faced problem. This factor is also considered to take important role for a state in decision making.

Theory Application

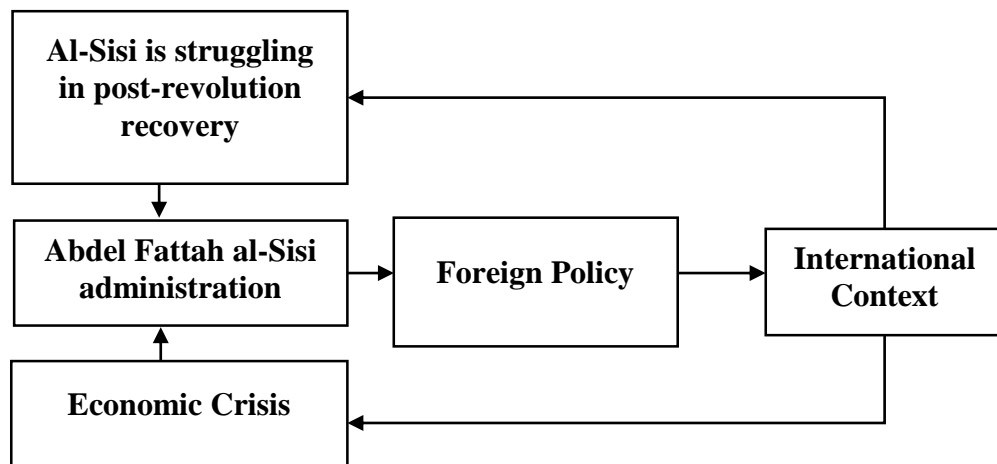


Figure 2 Theory Application

Explanation of Theory application:

- a. Domestic political condition of Egypt has remained unstable since the revolution in 2011. The revolution has brought Egypt to the drastic fall in many sector, which led to the decrease of country's revenue, poverty and unemployment along the country (Kingsley, 2013). The effect of revolution is becoming al-Sisi homework to recover the economic problem as the current main problem.

Al-Sisi also has to face many issues aside from the economic problem.

The rising of insurgence movement in Sinai Peninsula becomes a serious

political challenge that affect country's security that also will affect the foreign investment and tourism sector (Al Jazeera, 2016).

- b. Economic condition of Egypt is also remained unstable. The revolution has brought many issues for the al-Sisi administration. In fact, Egypt has lost more than half of its foreign reserves followed with Egyptian's pound that has fallen to the lowest rates its ever reached. (Al Jazeera, 2016) This is the worst truth that al-Sisi much deal with. Moreover, the revolution has also impacted on the amount of tourism flows, which is one of the major sources of revenue. All of these confusion in economic condition has made the price of goods rise, which results in a very hard time not only for the state but also the people within.

Although Egypt is facing her hard times, al-Sisi still engages military capability by a large-scale rearmament program. He continues to rearm and deal with certain countries such like Germany, U.S., France and Russia in military matters. (Mozaic, 2016)

Egypt economic policy is now bound to affect the balance of power among three major components of economy: the state, private, and military sectors. Sisi hands many projects to the military and empowers the military economy to expand into all sectors, which leads to space reduction for private sector in certain projects (Ottaway, Al-Sisi's Egypt: The Military Moves on the Economy, 2015, p. 7).

- c. International context, the visitation of al-Sisi to Beijing in December 2014 has shown the increase of relations intensity between Egypt and

P.R.C. Both of the states were enhancing a comprehensive strategic partnership and pledged to boost political, economic, military, cultural and technological cooperation either on regional or international affairs. The visitation is important for Egypt's development after Xi Jinping has given a positive respond toward Suez Canal expansion. In the joint statement, the two countries emphasized their support on each other regarding the core interests and care for each other's special concerns.

By these concepts within Coplin theory of Decision-Making Process, the analysis will concern on variables that will describe the pattern of decision making.

D. Hypothesis

Based on the background and theoretical framework as mentioned previously, therefore the hypothesis of the phenomena can be taken as basic statement to answer the research question about Egypt decision in encouraging P.R.C to invest in Suez Canal Development.

The hypothesis will be, Egypt decided to encourage the partnership with P.R.C. for investment in New Suez Canal because Egypt considers the “One Belt One Road” of P.R.C. as an opportunity that could give benefits toward the New Suez Canal. Offering the foreign investment and strategic partnership to P.R.C. is one of the Egypt means to the next level of domestic and economic stability and to decrease the dependency toward United States.

E. Scope of Research

The research is limiting the scope from 2014, when Sisi was given an authority as an Egyptian President, followed with his first visit to Beijing in the end of 2014 as a milestone of Egypt-P.R.C bilateral cooperation until 2016, a year after New Suez Canal was opened to observe the result of the policy.

F. Methodology of Research

This thesis will be using a qualitative method of analysis and using secondary data sources related with the issue of Egypt-P.R.C. bilateral relations in Suez Canal Development. The implementation of methodology will be according to certain consideration:

1. Data gathering in this research will be using qualitative data which is based on the literature research that is including every related and relevant literature from books, journals, news, and academic online articles.
2. The research is a descriptive-purpose that is aimed to answer the research question in the form of analysis from existing data gathered from the qualitative data methodology.

G. Purpose of Research

The purposes of this undergraduate thesis are;

1. to know the importance of Egypt decision in improving its relations with P.R.C. relations in development
2. To know the reasons behind the decision of both Egypt and P.R.C.

3. To apply the theory or concepts of International Relations to the International issues
4. As the final requirement of undergraduate degree

H. Outline

In order to ease the understanding of the thesis content, the author would like to divide the thesis into 5 chapters' systematic writing.

Chapter I will explain about the background of the main actors that are involved in the issue, research question, theoretical framework, hypothesis, scope of research and outline.

Chapter II will explain the brief history of Egypt and Suez Canal, current situation of Egypt both in domestic and international context, the importance of foreign investment in Egypt and the importance of Suez Canal for Egypt.

Chapter III will explain the starting point of Al-Sisi and Xi Jinping relations, followed with P.R.C as a country from international context who initiate the "One Belt One Road". This chapter will also explain the importance of Suez Canal for P.R.C.

Chapter IV will provide the analysis based on al-Sisi decision in enhancing Egypt's relations with Xi Jinping in terms of foreign investment, especially in New Suez Canal development.

Chapter V will be the last chapter for the conclusion of all analysis from Chapter I until Chapter IV.