

Israel's latest weapon against Palestine is Egypt's debt

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Will Egypt agree to take in the Palestinian population expelled from Gaza in exchange for the cancellation of its external debt?

A leaked document written by Gila Gamaliel, the Israeli intelligence minister, came to light in late October amid the devastating war in Gaza.

It set out a proposal to relocate the residents of Gaza to Sinai (Egypt) as a solution [“which will produce positive long-term strategic results”](#). But how could Egypt accept such a solution when most of its population appears to be pro-Palestinian?

The answer can be found in the world of macroeconomics: debt.

After being revealed by the [Israeli newspaper Calcalist](#) and [WikiLeaks](#), the proposal is getting attention in the Israeli and Egyptian critical press. Tel Aviv appears to be in talks with Egyptian president Abdel Fattah al-Sisi about Egypt taking in Gazans and settling them in Sinai, [in exchange for the cancellation of all its debts to the World Bank](#).

This could mean the Israeli government would take on the debts Egypt owes to multilateral creditors (such as the World Bank, the International Monetary Fund etc.) or that (with the support of the United States) it would convince allied Western countries to write off Egyptian debts to national institutions.

Meanwhile, potential financial aid for specific measures is being negotiated, such as [US secretary of state Anthony Blinken's proposal to fund a tent city \(later to be upgraded to residential buildings\)](#), which he proposed to the Egyptian government on his October tour of the region.

Opening Egypt's doors to the Palestinian population under the pretext of humanitarian relief veils the real objective of the Israeli government's "solution to the crisis": ethnic cleansing and the colonisation of territory in return for financial favours, in this case writing off the debt of a neighbouring country.

Egypt, a country suffocated by debt

From a macroeconomic perspective, the proposal could be a godsend for Abdel Fattah al-Sisi's government. Egypt, a nation of 105 million people, is currently facing a historic debt crisis barely noticed by the West. [Bloomberg Economics](#) ranks Egypt in second place worldwide behind Ukraine in terms of its vulnerability to becoming unable to repay its debts. Two of Egypt's principal sources of revenue, tourism and Suez Canal transit fees, have increased, but not sufficiently to repay its external debts, which total \$164.7bn as of June 2023. Part of this debt is owed to local creditors, such as Egypt's Gulf allies, the United Arab Emirates. The rest is owed to less forgiving

creditors: [Egypt needs to pay \\$2.95 billion to the International Monetary Fund \(IMF\) and \\$1.58 billion to foreign bond holders by the end of 2023.](#)

Egypt, which is one of the world's largest wheat importers and also relies on imports of other basic foods and fuel, continues to face the impacts of the war in Ukraine, growing inflation, unprecedented price increases and limited access to affordable finance. As a result, the country is completely reliant on international loans from the IMF and the rich Gulf states. This dependency limits Egypt's foreign policy options, making it difficult and unlikely that Egypt would act independently of the United States which, along with European countries, dominates decision-making in multilateral institutions such as the IMF and the World Bank.

There had been speculation that Abdel Fattah al-Sisi's government yielding to the far-right Israeli government's proposal for the forced displacement of the Palestinian people in exchange for the cancellation of its debts, would harm its popularity even further and al-Sisi's chances at the ballot box. But he was announced [winner of the elections today](#), although this "solution" clashes with the largely pro-Palestinian stance of the Egyptian population, which took to the streets on the 18th October in solidarity with the Palestinian people, shouting "No displacement, no resettlement, the land is the land of Palestine".

[The opposition and the Egyptian population are well aware that Egypt is an ally of the United States](#), and that the United States' support of the authoritarian Egyptian government and its repressive measures largely comes down to the existence of Israel. The US counts on the Egyptian government acting as a containing dam against its overwhelmingly anti-Zionist population. If the country's economic circumstances do not improve and Israel continues to bombard the Palestinian population in Gaza with the brutality it has shown over the past weeks - killing thousands of children and civilians - it is possible that Egypt will have no other choice than to accept de facto the displacement of refugees into its territory in exchange for financial aid and partial relief from its debts.

Debtocracy, a (not very) new colonial tactic

The principles behind the Israel government's proposal - to offer debt cancellation in exchange for political favours - are not new. Sadly, this is an example of a practice frequently used by the rich countries of the Global North in a world characterised by neo-colonial financial power structures. This means that the impoverished countries which take out loans with the Global North and multilateral financial institutions (such as the IMF, World Bank etc.) are still largely identical to the ex-colonies. This means that debt is not merely a financial issue but can also be used as a tool of oppression and extortion: the creditor is able to wield power over the debtor, influencing their political decisions.

Taking Egypt as an example, this would not be the first time that the United States has used debt cancellation as a lever to make Egypt comply with the US' political demands. [In 1991, the US and its allies](#) - rich governments from the Paris Club - wrote off [half of the \\$20.2 billion that Egypt owed to them](#) in exchange for Egypt's participation in the second Gulf War as part of the anti-Iraq coalition.

Many social movements (starting with the Jubilee movement in the 2000s) began to denounce "debtocracy" and say that debt is [a mechanism for subjugation and for spreading neoliberal policies which are severely harmful to the environment and human rights](#). As people living in rich Western countries, we should not stay silent in the face of financial proposals which support ethnic cleansing and the colonisation of Palestinian territories by the far-right Israeli government.

Luckily, not everyone in the international community is staying silent in the face of the massacre in Palestine.

Countries including Bolivia, Colombia, Brazil, Argentina, and Mexico, South Africa and Algeria have taken robustly critical positions against the Israeli attacks. Bolivian President Luis Arce has broken off diplomatic relations with Netanyahu's government, and Colombia, and Chile and South Africa have recalled their ambassadors from Israel. This has accompanied Argentina and Mexico's condemnation of the attack on Jabalia refugee camp in Gaza. Furthermore, Colombian President Gustavo Petro announced on November 9 that Colombia would support Algeria's case in the International Criminal Court (ICC) against Israel. There are also critical voices inside the European Union. Three weeks ago, Spain's president Pedro Sanchez and Belgium's Prime Minister Alexander De Croo spoke up during their visit to the Rafah border crossing between Egypt and Gaza, against Israel's killing of innocent civilians, including thousands of children, which led to an ongoing diplomatic crisis.

Belatedly, the UK, Germany and France have also joined calls for a ceasefire in Israel. On 12 December, the United Nations passed a non-binding resolution calling for a humanitarian ceasefire in Gaza, with 153 countries voting in favour, 23 abstaining and 10 against. Ukraine, a country at war, fighting Russian invasion abstained from the vote. Israel and the United States, were among the countries who voted against ceasefire.

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