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Research Report

Nile conflict: Compensation rather than mediation. How Europeans can lead an alternative way forward

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SWP Comment

NO. 11 MARCH 2020

Nile Conflict: Compensation Rather Than Mediation

How Europeans Can Lead an Alternative Way Forward

Tobias von Lossow, Luca Mieke and Stephan Roll

The conflict between Egypt and Ethiopia over the distribution and use of the Nile water has entered a new phase. Questions about how and over what period of time the reservoir of the Grand Ethiopian Renaissance Dam (GERD) will be filled are taking centre stage. Against this backdrop, the USA launched a new mediation attempt at the end of 2019. However, initial hopes of a swift agreement have not materialized. The longer substantial results are postponed, the more apparent it becomes that external mediation alone will not suffice to resolve the dispute. In order to defuse the conflict, it might be necessary for Egypt to compensate Ethiopia for concessions on the GERD. Germany and its European partners should provide Egypt with financial support for creating a compensation mechanism. This would promote stability in Europe's conflict-ridden neighbouring region, and reduce migration pressure. But Europeans should tie financial contributions to clear conditions vis-à-vis Cairo, aimed at improving water management and overall governance.

The negotiations on the Nile water conflict, mediated by the US administration, had to be adjourned once more at the end of February. Egypt, Ethiopia and Sudan were again unable to agree on a joint and comprehensive approach to the filling of the GERD reservoir. US Secretary of State Mike Pompeo has indicated that it could be months before an agreement is reached. Since three rounds of negotiations in Washington have already failed to produce any tangible results, a complete failure of the US initiative cannot be ruled out. In this situation, Article 10 of the trilateral Declaration of Principles of 2015 would be

activated, which stipulates that further consultations should take place, that international mediation should be jointly initiated, or that negotiations should be conducted at the level of heads of state or government.

The lack of success of the Trump administration's mediation efforts makes it clear once again that the conflict over the use of Nile water has reached a dead end. Whereas numerous negotiations in recent decades have focused on the fundamental question of water use rights, Egypt and Ethiopia are currently arguing above all about the timeframe in which the GERD reservoir is ex-



pected to be filled from 2020 onwards. The Egyptian government is insisting on a slow fill of 12 to 21 years in order to avoid major bottlenecks in the water supply. The Ethiopian government, on the other hand, wants to fill within 6 years in order to be able to reach full capacity for its power generation more quickly. Sudan is geographically located between the two parties and also involved in the negotiations, but takes a largely neutral position: together with Egypt, Khartoum is benefiting from the existing water distribution scheme and at the same time anticipates benefits from GERD. A further loss of time will in any case weaken the Egyptian negotiating position.

Egypt under Pressure

Egypt relies almost entirely on the Nile for its water needs, providing over 90 percent of the nation's water resources. Approximately 86 percent of the Nile water that reaches the Aswan Dam originates in the Ethiopian highlands. However, Ethiopia has so far been unable to take advantage of its favourable geostrategic position as an upstream riparian state. In the past, a lack of financial resources and an unstable political situation prevented the expansion of the water infrastructure in Ethiopia.

In light of this, successive governments in Cairo have always insisted on the status quo of water distribution. In doing so, they relied primarily on colonial treaties: firstly, an agreement of 1929 with the colonial power Great Britain, which granted Egypt a veto right against water projects on the upper reaches; and secondly, an agreement with Sudan of 1959, which divided the Nile water resources between the two countries, and guaranteed Egypt 55.5 billion cubic metres annually and Sudan 18.5 billion cubic metres. Cairo ignores the fact that these contracts were negotiated without Ethiopia.

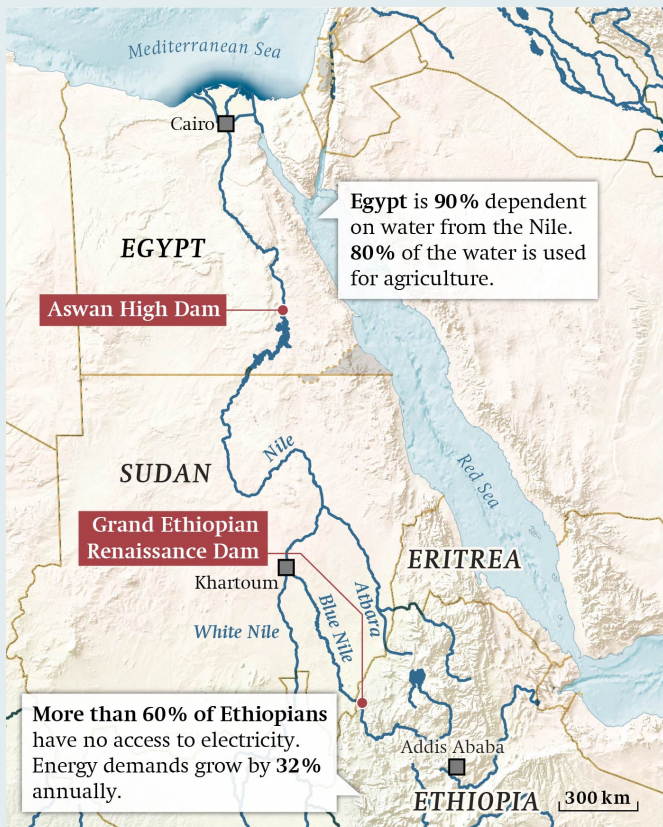
The construction of the GERD has fundamentally changed the balance of power on the Nile. Adherence to the old water contracts no longer offers Egypt any protec-

tion against restrictions on its own water supply. Recurrent threats from Cairo to stop the dam construction project by military means if necessary are rather improbable, not least because of the distance between the two countries. To date, efforts to exert pressure on Ethiopia via the mobilisation of allied states have also been unsuccessful. The USA and the Europeans, but also the Gulf States and the People's Republic of China, maintain good relations with both countries; they are evidently unwilling to take sides in the water conflict.

It is unlikely that the Ethiopian leadership will compromise on its own initiative, given the national dimension of the project. At the end of 2019, about 70 percent of the construction work had been completed, such that filling can begin in 2020 and full operation seems viable – depending on the filling timeframe – in 2025. Currently, a large section of the Ethiopian population has no access to electricity. The construction of the GERD is therefore of similar importance to Ethiopia as the Aswan Dam was for Egypt: it is not just an infrastructure project, but a project of the century, which should pave the way for the modernisation of the country. Further delays in its implementation, or a drastic reduction in the size of the project, can hardly be justified by the Ethiopian government to its own population. Prime Minister Abiy Ahmed's visit to the GERD on 1 February 2020 was highly symbolic, just one day after another round of fruitless negotiations.

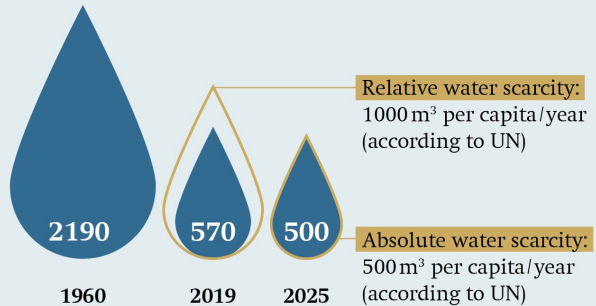
Negotiations on the filling of the reservoir are at an impasse – but with clear advantages for Ethiopia. In the event of new delays, the government in Addis Ababa could initiate a rapid filling, which could cause a dramatic water shortage in Egypt, and perhaps even impact on energy production (see Map). In order to avert such a scenario, the European states in particular could offer an alternative approach. After all, Egypt's security of supply and Ethiopia's development are central to the stability of the entire region, home to over 250 million people. A lack of development opportunities and water shortages could have serious

Map



Egypt's water emergency

Available water amount per capita/year



Possible impact of the Grand Ethiopian Renaissance Dam



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consequences for Europe, including increasing migration pressure. If no agreement can be reached, Germany and its European partners should offer alternative solutions to revitalise the negotiations.

A Compensation Mechanism

A renewed attempt to resolve the Nile water conflict by external actors can no longer be limited to facilitating negotiations between the conflict parties. This approach has proven ineffective, not only because the Trump administration's initiative has so far failed to make a breakthrough. The Nile Basin Initiative (NBI), which was created in 1999 and is supported to a large extent by European countries, has also not been particularly successful. Its objective was to bring the Nile riparians around the negotiating table and, in parallel, to promote technical cooperation on the use of resources. The political and legal issues of water distribu-

tion and use remained unresolved despite the NBI. In the current stalemate, Europeans should present their own proposal that fundamentally recognises Ethiopia's increased negotiating power. Unlike in the past, negotiations under European leadership should not concentrate on distribution quotas, but on how and in what form Egypt can alleviate the negative consequences for Ethiopia of the slow filling of the reservoir.

One option would be to develop a compensation mechanism between the two countries. It would need to stipulate that Egypt compensates Ethiopia for the economic disadvantages resulting from a slower filling process. The basis for calculating the opportunity costs that Ethiopia would incur could be twofold: the financial value of the electricity Ethiopia was not able to generate and its corresponding economic benefits. Since the data situation is ambiguous, the determination of these opportunity costs could not be a purely technical process, but ultimately the result

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of political negotiations, which could be guided by Germany and its European partners. Furthermore, the Gulf monarchies, as the most important partners of the three Nile states affected, should be included in the negotiations. They would benefit from peaceful and sustainable conflict resolution, since they have invested heavily in the Nile basin, especially in the agricultural sector.

In view of possible climate variability, such a mechanism would offer flexibility in filling the reservoir. In rainy years, Ethiopia could retain more water than initially agreed, which would reduce compensation payments. Conversely, the mechanism could be used to compensate the country in periods of drought if it passed on more water to Egypt than originally agreed. If such a compensation mechanism for the filling phase could be worked out, the rules and principles could also be used in the future to control the water volume at the dam.

The financing of such a mechanism would have to be provided by Egypt. Although under international law the country is entitled to an equitable and fair share of the Nile waters, a quota system in accordance with Egypt's position would be virtually impossible to implement in law and in practice. Due to the state's drained finances, Cairo is hardly in a position to finance such a mechanism on its own – the Europeans would have to get involved.

The Conditions for European Engagement

The Europeans should, however, make their contributions to such a compensation mechanism, and thus their support for Egypt, subject to conditions aimed at a comprehensive solution to the water crisis. The conflict over the GERD and the use of the Nile waters is already taking place in the context of an acute water emergency in

Egypt (see Map). Even without filling the GERD reservoir, the country will reach the threshold of absolute water scarcity in 2025, according to United Nations (UN) estimates. Considerable population growth is contributing to this, as is mismanagement in the water sector and the misallocation of public funds. Yet Egypt under President Sisi has become the world's third largest importer of weapons and is pushing ahead with resource-intensive prestige projects – such as a new capital in the desert (at least \$45 billion) or the construction of a nuclear power plant (approx. \$25 billion); meanwhile government investment in water management has been neglected. Major seawater desalination projects, for example, did not begin to take shape until 2017.

Thus Germany and its European partners should tie their financial contributions within the framework of the compensation solution to the following conditions. They would have to demand a reorientation of Egypt's state spending policy, which should no longer be oriented towards authoritarian logic. To achieve such a reorientation, political reforms towards better governance and accountability would be indispensable. Ethiopia would have to commit itself to reacting flexibly in the case of extreme droughts during the mutually agreed timeframe of filling the reservoir.

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