Manufacturing at Suez: China's hedge against fragile chokepoints

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 4 September 2026 A SIA M ACRO I NSIGHTS Manufacturing at Suez: China's hedge against fragile chokepoints Xi Jinping's first visit to Egypt in a decade, timed to the 70th anniversary of diplomatic ties, produced five formal agreements and more than twenty cooperation documents. The headline gestures were diplomatic — a call for a new Middle East security architecture, shared language on Gaza and the Nile — but the substance sits in the Suez Canal Economic Zone. Cairo and Beijing launched the third phase of their joint industrial area, and Egyptian officials put cumulative Chinese investment in the zone at roughly $4 billion. The flagship, the Chinese-run TEDA industrial park at Ain Sokhna — named for the Tianjin Economic- Technological Development Area, the state zone whose overseas arm built it — now hosts close to 200 firms and about 10,000 jobs, producing fiberglass, chemicals, electrical goods and appliances, with a $500 million tyre complex and solar cells, batteries and electric vehicles on the pipeline. What makes the commitment striking is its timing. The Suez Canal is running at little more than half capacity. It earned Egypt a record $9.4 billion in the 2022 – 23 fiscal year; two years of Red Sea disruption have roughly halved that, with revenue falling about 47% in 2024 to near $5 billion and projected around $5.5 billion for 2025 – 26, and transits still 40 – 50% below pre-crisis levels. China is deepening its footprint beside the canal precisely when the corridor is weakest. The explanation is that the investment is in manufacturing, not transit. Canal revenue depends on ships choosing the route; when the Bab al-Mandeb strait is contested, carriers divert around the Cape of Good Hope, adding a week or two to the Asia – Europe voyage. A factory at Ain Sokhna produces regardless of how many vessels run the southern gauntlet. It also sits on the useful side of that gauntlet: goods made there and shipped to the Mediterranean transit the canal but never pass Bab al-Mandeb, insulating the Europe-bound leg from the chokepoint that has done the most damage. (continued on next page) WRITTEN BY Alicia GARCIA HERRERO Tel. +85239008680 alicia.garciaherrero@natixis.com Discover more on our Website

A SIA M ACRO I NSIGHTS 2 There is a trade-policy logic layered on top. Producing inside Egypt places Chinese firms within Cairo's preferential access to European and African markets, and shelters output from the tariff walls rising against direct Chinese exports. It is the same tariff- jumping strategy already visible in Chinese plants across Southeast Asia and Mexico, now applied on the Mediterranean's southern rim, a short sea leg from European consumers. The security overlay is what makes the timing coherent. Two of the three maritime chokepoints that carry Chinese goods and energy are contested at once. The Strait of Hormuz, through which the bulk of China's crude imports pass, has been under strain since the US – Israel war on Iran, and unlike Bab al-Mandeb it has no practical bypass. The southern Red Sea, meanwhile, has absorbed the Houthi campaign and a mid- 2026 blockade that cut Bab al-Mandeb tanker traffic sharply. For a trading power that cannot secure these waters militarily, moving capacity onshore — into zones it helped build and firms it owns, alongside the ports that feed them — is a way to reduce exposure to corridors it does not control. Xi's four-point security proposal and his call for the regi on to be “master of its own affairs,” free of external interference, is the diplomatic framing; the industrial zone is the material content. For Egypt, the appeal is plain. The canal is one of the country's main sources of foreign currency, alongside tourism and remittances, and it has thinned at an awkward moment. Chinese factories offer investment, jobs and exports that do not depend on ships returning to the Red Sea. The trade balance is heavily one-sided — Egyptian exports to China ran at $840.8 million in the first half of 2026 against $10.4 billion in imports — but the zone is how Cairo hopes to narrow that gap over time. The larger stakes are European. The continent is the terminal market for much of what moves through Suez, and increasingly for what is made beside it. A Chinese manufacturing platform on Europe's Mediterranean doorstep — closer than China, tariff-advantaged, and less exposed to the chokepoints than goods shipped from Chinese ports — gives Beijing production capacity that European firms will struggle to match on cost, even as European supply chains stay dependent on the same fragile corridors. Whether that is an opportunity, a dependency, or both is a question Europe has largely deferred. Xi's visit to Cairo is a reminder that China is answering it in concrete and steel, one zone at a time, while the canal that gives the region its leverage runs at half strength so China’s support become even more important.

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