



Gulf Research Centre Cambridge
Knowledge for All

Workshop 1

Egypt and the GCC: Renewing an Alliance amidst Shifting Policy Pressures

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Abstract

Since the Arab Spring began in 2011 and President Hosni Mubarak was ousted from power in Egypt, many of the Gulf Cooperation Council (GCC) states have been eager to re-establish close economic ties with the Egyptian government. Economic relations have oscillated somewhat between Egypt and the GCC states, from the Muslim Brotherhood's (MB) relationship with Qatar as a sponsor and informal ally, back to the longstanding strategic and political alliance chiefly between Cairo and Riyadh after the MB was ousted from power in 2013. Saudi Arabia has since built its largest embassy in Cairo.¹ The ruling elite in Riyadh continues to support Egypt's status as a pillar of the Middle East system and President Abdel Fattah El-Sisi's continued marginalization of the MB. The Egyptian government remains highly dependent on GCC investments and aid (particularly from Saudi Arabia, Kuwait, Qatar and the UAE, which have provided the

¹ Al Arabiya News, "Saudi Arabia Opens Largest Foreign Embassy in Cairo," September 9, 2014, available at <http://english.alarabiya.net/en/webtv/reports/2014/09/09/Saudi-Arabia-opens-largest-foreign-embassy-in-Cairo.html>

bulk of energy supplies and funding, mainly in the form of cash grants and interest free deposits into the Egyptian Central Bank²).

President Sisi has been quick to implement major investment programs such as the Suez Canal project and has also started to reduce energy subsidies, but more needs to be done to turn the precarious economic condition around. Therefore, GCC investments up to the medium term will remain vital to funding the national budget and where possible, an array of public-private spending programs. However, these programs will only provide temporary economic relief and many are far below what is needed. For example, Arabtec, an Emirati company, is investing in low cost housing in Egypt but the number of units will not address the high demand, and the selling cost of each unit is still beyond the means of most unemployed youth. There is therefore a great degree of room for a large-scale multi-donor framework to address specific challenges in Egypt. A donor conference for Tunisia and Egypt has already been proposed by King Abdullah of Saudi Arabia but a country specific or pan-regional approach (such as a Marshall Plan for the Middle East) remains elusive. Any such program would have to attract massive investment in order to have a meaningful impact.

Many challenges remain: the Egyptian government owes billions of dollars to foreign oil and gas companies while it is trying to attract further investment in this industry; the tourism industry (worth \$12 billion in 2010 and employing 10 percent of the Egyptian workforce, fell to \$5.9 billion in 2013³) could attract many more travellers from the Gulf but is still adversely affected by perceived and actual insecurity in some areas; and there are questions over how even the slow removal of subsidies can be sustained.

Description and Rationale

Egypt and the GCC states have played a critical role in stabilizing the Arab world during periods of change. However, after Egypt signed the peace accords with Israel in 1979 there was a lack of pragmatism between the two actors. More recently, states such as Egypt and Syria supported the GCC states politically and militarily during the 1991 Gulf War. This coincided with a period of economic dynamism in Egypt. Following the US-led invasion of Iraq in 2003, Egypt and the GCC states worked once again to counterbalance Iran, a point which could be reinforced if Iran is further strengthened by a successful conclusion to the P5+1 nuclear negotiations and US acceptance of a new balance of power in the Middle East.

² Worth \$17 billion by mid-2013, see <http://www.worldbank.org/en/country/egypt/overview>

³ US Department of State, "Egypt - Executive Summary", available at <http://www.state.gov/documents/organization/227163.pdf>

Egypt continues to be a cultural and political beacon in the Middle East. Its control of the Suez Canal, the cold peace which exists with Israel, ability to influence the PNA, and the marginalization of the Muslim Brotherhood are all key points of significance. The Egyptian military is the largest in the Arab world, and there is already a close defense and security relationship between Egypt and the GCC states. For example, Egyptian troops may have been involved in defending Saudi Arabia's northern border from a threat posed by ISIS in Iraq in July 2014.⁴ US officials also say that the UAE air force conducted air operations from Egyptian air bases against Libyan Islamists in August 2014.⁵ On the other hand, the GCC has a large Egyptian expatriate workforce and the Haj attracts hundreds of thousands of Egyptian Muslims to Mecca each year. Other strong civil and business ties continue to develop across the region.

Egyptian dependence on the GCC states has led to questions about the long term sustainability of GCC aid and investment into non-productive sectors without significant economic reforms being enacted. Conditionality on loans, grants, aid and investments may become increasingly evident if the close relationship is to remain intact. To that end, the GCC states and IMF may increasingly converge in their assessments of economic reform in Egypt. Furthermore, as the Egypt-GCC defense relationship evolves during the Arab Spring, and to counter external threats such as Iran and ISIS, the GCC states are considering the participation of Morocco, Jordan, and Egypt in a revised sub-regional defense architecture.

The workshop is intended to contextualize the role of GCC investment in the Egyptian economy, the strategic rationale for ongoing investments (including the targeted sectors and the type of financing employed), and what changes have been apparent in response, such as how Egypt and the GCC states have formed a partnership or axis to address regional issues. In the absence of turnkey IMF funding (often a precondition for other multilateral funding), the risk that Egypt might be carrying in developing relations with traditional partners such as the GCC states rather than building on relations with More Developed Countries (MDCs), which could provide technology and skills transfers, will also be explored. For example, Japan is investing in infrastructure development such as the Cairo Metro Line 4 and the Borg el-Arab Airport, poverty reduction programs

⁴ Erika Soloman and Simon Kerr, "Saudi Arabia Sends 30,000 Troops to Iraq Border," *Financial Times*, July 3, 2014, available at <http://www.ft.com/intl/cms/s/0/3312faba-0286-11e4-aa85-00144feab7de.html>

⁵ Patrick Kingsley et al., "UAE and Egypt Behind Bombing Raids Against Libyan Militias, Say US Officials," *The Guardian*, August 26, 2014, available at <http://www.theguardian.com/world/2014/aug/26/united-arab-emirates-bombing-raids-libyan-militias>

(including support for Cairo University Specialized Pediatric Hospital), and agricultural development and training programs for the Egyptian government.⁶

Anticipated Participants

We believe the workshop will attract a variety of papers from the Gulf, Egypt, and beyond. Papers will present the latest findings in GCC economic and security policy, Egyptian economic and security policy and some may contextualize the Gulf States and Egypt in the MENA and international system. They may answer the following questions:

- What are the main expectations/priorities of the GCC?
- How do bilateral relations vary across the GCC?
- Is there a rebalancing taking place in the international bilateral relations of Egypt?
- What are the main economic and political changes which have taken place from the fall of Mubarak to the election of Sisi?
- What are the main economic agreements which have been reached in how GCC funding will be spent?
- What are the main Egyptian industries affected?
- What other opportunities are there for economic and political engagement?
- Is an IMF agreement likely and what impact will this have on GCC funding/relations?
- Do Egyptian-GCC relations amount to a dormant, emergent, or declining (sectarian) axis?
- How might future policy imperatives in Egypt and the GCC affect the relationship?
- Is there a new military activism between Egypt and the UAE?

Workshop Director Profiles

Dr Robert Mason holds an undergraduate degree in International Relations and Politics from the University of Westminster and a Ph.D. from the Institute of Arab and Islamic Studies at the University of Exeter. He is a Visiting Fellow at the Center for International Studies at the London School of Economics and Lecturer in Political Science at the British University in Egypt.

⁶ See Ministry of Foreign Affairs of Japan, “Japan - Egypt Relations (Basic Data),” available at <http://www.mofa.go.jp/region/africa/egypt/data.html>

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Selected Readings

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