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Arab Center for Research & Policy Studies

ASSESSMENT REPORT

Saudi- Egyptian Tensions: A Passing Phase?

Policy Analysis Unit | October 2016

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Introduction

Egypt's decision to vote in favor of Russia's draft resolution on Syria, discussed at the UN Security Council on October 8, 2016, has intensified growing tensions between Egypt and Saudi Arabia. The move was openly criticized by the Saudi representative to the United Nations, Abdullah Al Maalami, while Riyadh took the step of recalling its ambassador to Egypt, Ahmad Al Qattan, within two days of the vote. Saudi Arabia also made its disapproval felt through the suspension of various forms of economic aid to Egypt, which have been in place ever since the first democratically elected president in Cairo, Mohammed Morsi, was deposed in July, 2013. An announcement by Aramco, Saudi Arabia's state-owned oil company, that it was suspending a shipment of fuel meant for the Egyptian market, was followed by a declaration by Riyadh that it would not transfer funds previously pledged as a loan guarantee to the Egyptian Central Bank. The loan guarantee formed part of a treaty signed in April between Egypt and Saudi Arabia, which also handed over two islands in the Tiran Straits in the Red Sea to Saudi Arabia.

Background to Growing Tensions

Tensions between Egypt and Saudi Arabia had been simmering before the UN Security Council vote, and hinted at by the different media channels operated by the respective governments. These were rooted in disagreements over some of the most pressing regional issues including the Syrian crisis, the conflict in Yemen, the role of Iran and the relationship with Turkey. While official spokesmen from both sides have been quick to downplay any signs of a rift, the scale of the latest disagreement means that it can no longer be denied. In the present state of affairs, it is unclear if Saudi-Egyptian relations are headed for a long-term, strategic divergence or if this is merely a passing storm. The main areas of contention, however, can be summarized as follows:

Iran's Rising Regional Role

Were it not for the strong support from Saudi Arabia and the United Arab Emirates, the success of the coup bringing Abdel Fattah El Sisi to power in Egypt would have been unimaginable. Saudi support for the coup had been pledged on the assumption that the new junta would form part of a solid bedrock of support for Riyadh's regional policies, particularly when it came to containing Iran. This became increasingly important

following the capture of Sanaa by the Houthi rebels, giving an Iranian ally a foothold on Saudi Arabia's doorstep.

With its launch of a military campaign against the Houthis in Yemen, Saudi Arabia hoped for a vigorous Egyptian contribution to a unified Arab stance in opposition to Iran's political, economic and now military encirclement of the Arabian Peninsula – the need of which took Saudi Arabia some convincing. Yet, even as opposition to Tehran became a cornerstone of Saudi policy, Cairo came to discover its own synergies with both Iranian and Russian policy across the Arab world. Equally, the Egyptian regime had an incentive to carve out an independent path in its regional and global dealings, which it could then leverage for economic and diplomatic gains. A number of obstacles however stand in the way of Egypt realizing its ambition of becoming a regional power, not least the need of greater legitimacy and economic support.

In just a few decades, Egypt has managed to fritter away its reserves of historical legitimacy as a leader of the Arab world, in spite of its huge human potential and strategic position in the region. In the three years since the coup against the Muslim Brotherhood, this process has only intensified. Very few vestiges of Egypt's former status remain in place today, a fact made worse by its crippled economy and almost total dependence on foreign aid. Cairo is in no position to be a regional leader. The country is especially susceptible to foreign pressure from states—be it Saudi Arabia or Iran—which can wield the foreign aid card.

The Syrian Crisis and Russia's Role

Disagreements over the Syrian crisis, especially on how to respond to Russian military involvement, lie at the heart of the disagreements between Cairo and Riyadh. The Saudis are adamantly opposed to Russia's military involvement in the Levant, and look wistfully at the strengthening of Russian-Iranian relations following their cooperation over Syria. The Saudi turf war with Russia also extends to the oil markets, where the two major oil producers continue to disagree over quotas and pricing.

Egypt, on the other hand, sees Russia as a major power which, unlike the West but similar to the Gulf states, Iran and Israel, is not ashamed of warm relations with Sisi's military regime. Cairo and Moscow also tend to regard the Syrian crisis in the same reductive way—as being purely a battle to combat terrorism. This has led both countries to disregard the ruthless, indiscriminate shelling of Syrian civilians by the Assad regime. These divisions come into sharp focus when the differences of opinion

between Cairo and Riyadh over the fate of Bashar Al Assad are examined. Cairo sees the continued rule of the Syrian president as necessary to protect what remains of a long-standing Arab Order. One indicator of a warming of relations between Syria's regime and Egypt can be seen in the repeated visits by high-ranking Syrian defense officials to Cairo, including by General Ali Mamluke, Director of Syria's National Security Bureau. The Egyptian government is rapidly diverging from a Saudi-led consensus on the approach to Syria, and enhancing its cooperation with Moscow and other Arab states in the meantime.

As early as the summer of 2015, Saudi Arabia made its irritation clear with the presence of Egypt, the UAE and Jordan in meetings held in Moscow on a possible resolution to the Syrian crisis. It perceived the attendance by its supposed regional allies as fragmenting the Arab coalition. Overall, Saudi Arabia is wary of any attempts to meaningfully discuss the fate of Syria from which it is excluded—even though it did convene a ministerial summit for the foreign ministers of Russia and the Gulf Cooperation Council on May 26, 2016. During the summit, however, Saudi Arabia did not restrain itself from voicing its disagreements with Moscow¹.

Economic Aid and the Conflict in Yemen

Saudi-Egyptian economic relations are a dynamic and complex arrangement. Egyptian expatriate labor provides the backbone of the Kingdom's economy, being the largest Arab expatriate community in the country. Egyptians also account for 25% of the Saudi Arabian "religious tourism" (pilgrimage) market. In 2015, bilateral trade between the two neighbors on the Red Sea reached a value of US \$6.3 billion². Similarly, Egypt, which controls the Suez Canal, is a vital partner in the export of Arab oil to the West. Nonetheless, Saudi financial backing, which is estimated at \$30 billion and takes various forms, including both bank deposits and fuel support, is a crucial lifeline for the military regime in Egypt. Without this support, it is unlikely that the Sisi regime would have been able to face down Egyptian public fury, which has largely been rooted in economic grievances.

¹ See "Saudi FM urges Assad departure as part of transition in Syria", *Press TV*, May 27, 2016, <http://www.presstv.ir/Detail/2016/05/27/467597/Saudi-Arabia-Russia-Jubeir-Lavrov-Syria>

² See "Saudi King's visit presages stronger Egyptian-Saudi economic ties", *Daily News Egypt*, April 6, 2016, <http://www.dailynewsegyp.com/2016/04/06/saudi-kings-visit-presages-stronger-egyptian-saudi-economic-ties/>

The importance of Saudi economic aid to Egypt has allowed Riyadh to use its clout to bring the Egyptian junta in line with its regional policies. This was most clearly evidenced in Egyptian participation in the Saudi-led coalition which blocked the advance of the Houthi-alliance on the Yemeni capital last year. Although the leadership in Cairo vocally embraced the Saudi coalition, the way in which the Egyptian military dragged its feet in the implementation of the strategy revealed the extent to which the country was merely acting out of duress. Indeed, the limited extent of Egyptian involvement, a clear disappointment to the Saudi authorities, is partly responsible for the delay in the attainment of Saudi goals in Yemen. The conflict in Yemen has in fact become another flashpoint for rising tensions between Riyadh and Cairo.

Divergence in the Libyan Theater

Libya provides further ground for Egypt and Saudi Arabia to disagree, echoing the more immediate concerns in Syria. Reciprocating the arrangement in Yemen, where Egypt has deferred to Saudi leadership, Riyadh has made a pragmatic compromise in allowing Egypt to take center stage in Libya next door, for the sake of bolstering regional stability. Despite these mutual concessions, however, Saudi Arabia is increasingly vocal about what it sees as the Egyptian leadership's willingness to pursue a relentless conflict against what it perceives to be Islamist forces, without regard for the cost and with no allowance of a possible peaceful negotiation. Today, Saudi Arabia seems increasingly willing to break ranks with Egypt's and its wholehearted support for the forces of retired military officer Khalifa Haftar.

Conclusion

The above developments in Saudi-Egyptian relations makes clear that the very decorous, diplomatic tones conveyed by the representatives of both countries can no longer conceal the growing rift between decision makers in Riyadh and Cairo – a rift rooted in two, distinct fundamental disagreements. The first is born of the competition to cement a role as regional leaders. The second is based in the two countries' divergent attitudes to the various threats they both face. Given the incompatible ways in which these two states read the threats and challenges facing what remains of the old Arab Order, they are unable to agree on the best way to tackle them.

From here, there are essentially two outcomes. The first is the possibility of a strategic split which would see Egypt break ranks and join the anti-Saudi axis within the Arab world. Such a move would see Egypt lose invaluable financial support at a time when it is in dire need of it. A second and more likely outcome would be for both countries to continue to press along in their mutual co-dependence and to simply improvise the management of their differences. The continuation of this status quo means that Sisi's Egypt will continue to be able to extort money from their Saudi backers, while Riyadh will also be able to prevent the Egyptian junta from jumping ship and joining forces with Iran.

