



Paradoxes of Egyptian-Saudi relations

KEY POINTS

■ The backbone of the so-called moderate pro-US Arab bloc in the Middle East is comprised of Egypt and Saudi Arabia.

■ Relations between the two states have historically been as strained as they have been cordial, but ties are increasingly underpinned by sound economic inter-dependence.

■ While there is common interest on a number of strategic issues, such as confronting Iran, the future of relations will not necessarily be a continuation of the present.

During the 1960s, Egypt and Saudi Arabia fought an eight-year proxy war in Yemen so fierce that Egypt repeatedly deployed chemical weapons against its Saudi-backed adversaries, the Yemeni royalists.

Fifty years on, the revolutionary ideology of Egypt's former president, Gamal Abdel Nasser, is a distant memory and while Cairo and Riyadh have since periodically engaged in non-lethal competition for the mantle of Arab leadership, today regional developments – in particular the ascendance of Iran – have conspired to bring the Sunni, pro-US authoritarian states closer.

As recently as June 2009, President Hosni Mubarak and King Abdullah bin Abdul Aziz Al Saud met twice within three days. On 28 June, the two leaders met in Jeddah, Saudi Arabia, and on 30 June, they met again in the Egyptian resort town of Sharm el-Sheikh. Officially, on both occasions the talks focused on the Middle East peace process and the establishment of an independent Palestinian state. However, during the second meeting they were joined by King Hamad bin Isa Al Khalifa of Bahrain, the majority Shia Persian Gulf state that in the past had been claimed by Iran.

A shared perception of the threat posed by a nuclear Iran has driven a

Egypt and Saudi Arabia have experienced troubled relations in the past as they vied for influence in the Arab world. *David Schenker* and *Simon Henderson* examine how improvements in bilateral relations and a fear of a nuclear Iran have also resulted in strengthening the unprecedented expansion of links between the two countries.

rapprochement between Egypt and Saudi Arabia and a burgeoning political co-ordination in countering Iranian inroads into the Arab Middle East, particularly Iraq, Lebanon and the Palestinian territories. But improvements in the bilateral relationship have also resulted in the unprecedented expansion of the already significant economic links between the states. Today, as

'Saudi Arabia has historically bristled at Egypt's influential role in the region'

much as politics, economics underpin Saudi-Egyptian ties.

History of competition

By virtue of its size and history, Egypt has long played a significant role on the Arab stage. The Arab League was established in Cairo in 1945 and although Saudi Arabia was among its founding members, the organisation has largely been dominated by Egypt. Indeed, five of the seven secretaries general of the Arab League have hailed from Egypt.

With Saudi Arabia's rise during the 1970s oil boom and Egypt's subsequent expulsion from the Arab League following its 1979 peace treaty with Israel,

the dynamic temporarily changed. However, after Egypt was readmitted to the Arab League in 1989, it resumed its pre-eminent role in the organisation. Today, Cairo continues to control the agenda of the Arab League via Secretary General Amr Moussa. Even so, over the past decade, Egypt's stature and regional influence have diminished, with Saudi Arabia filling the gap.

Saudi Arabia has historically bristled at Egypt's influential role in the region. This dynamic was encapsulated by Henry Kissinger, the former secretary of state, in his memoir, *Years of Upheaval*, where he described a 1973 meeting with then Saudi monarch King Faisal. At one point in the meeting, Kissinger referred to then Egyptian President Anwar Sadat as "the leader of the Arabs", eliciting a chilly response. "His Majesty's morose reaction showed there was a limit beyond which claims to Arab solidarity could not be pushed," Kissinger wrote.

Since then, the balance between Egypt and Saudi Arabia over the leadership of the Arab world has shifted in the kingdom's favour. This is partly a reflection of the growing lethargy of President Mubarak, but also the surge of Saudi Arabia's financial prowess, a consequence of the high oil prices, little-dented by the 2008/09 global economic downturn.



Firm economic footing

Despite the political rivalry, over the past three decades Saudi Arabia and Egypt established strong economic ties. The kingdom provides many opportunities for Egyptian labour, only partially through legal work visas. Egyptians who remain in the kingdom after completing Hajj (Muslim pilgrimage) can always find work. In the other direction, Egypt is an attractive place for Saudi Arabians to vacation abroad: it is an Arab country; the Saudi riyal goes a long way; and it is more conservative than Lebanon (the other major Arab tourist destination for Saudis) - and is certainly more politically stable.

According to Egyptian Minister of Trade and Labour Rachid Mohamed Rachid, since 2004, bilateral trade between the two states has increased by 350 per cent. Today, Saudi Arabia is both Egypt's largest Arab export destination and source of imports. In 2008, Cairo's exports to Saudi Arabia reached USD926 million (up from USD600 million in 2007), while imports from the kingdom totalled USD2.6 billion. Saudi exports to Egypt are on track to surpass USD3 billion in 2009. Taken together, this USD3.5 billion in 2008 bilateral trade represents more than a third of Egypt's commerce in the Arab world.

Saudi investment in Egypt is also considerable. From 1970 to 2007 - years that encompassed the "boycott" of Cairo by Arab League states - Saudi Arabia was the single largest investor in Egypt. The details tell the story. In 2008, Riyadh established its second investment firm in Cairo. The Construction Project Holding Company (CPC), with an investment of USD120 million, is expected to bring 2,500 jobs to Egypt, where the official unemployment rate hovers around 10 per cent. Currently, Saudi companies are bidding to install a fixed-line phone system in Egypt, a contract that when awarded will

effectively end the government monopoly held by Telecom Egypt.

As of March 2009, Rachid said that around 2,500 Saudi companies in Egypt had invested almost USD11 billion. At the same time, Egypt and Saudi Arabia are in the process of linking their electricity grids through a 1,500 km line. When the construction has been completed, Cairo and Riyadh will be able to exchange power, helping both countries to meet local demands at peak hours.

Crises and goodwill gestures

With a population of 83 million, Egypt has long served as an important source of labour for Saudi Arabia. Although reliable statistics are difficult to come

'Cairo and Riyadh experienced a crisis in relations when an Egyptian doctor was arrested for allegedly turning a Saudi princess into a drug addict'

by, according to Abdel Monem Said, chairman of Egypt's Al Ahram Centre for Political and Strategic Studies, there are currently more than one million Egyptians living and working in the kingdom, and around 400,000 Saudis residing in Egypt. Although in 2009 the global economic slowdown resulted in a reported 75,000 persons, including a substantial number of Egyptians, losing lucrative jobs in the Gulf States, Saudi Arabia continues to be a leading source of Egypt's USD9.5 billion in expatriate remittances. In 2007/08, these wages constituted 11 per cent of Egyptian income sent from abroad.

While the economic benefits of Egyptian expatriate workers in Saudi

Arabia is obvious, this exchange has also resulted in some negative social ramifications for Cairo. John R Bradley, the author of *Inside Egypt: The Land of the Pharaohs on the Brink of a Revolution*, writes that "millions" of Egyptians have chosen to live in Saudi Arabia, often with their wives and children. He points out that the strict and intolerant Wahhabi education the children have received has consequences when the families return home, leading to further tension in the Muslim/Coptic Christian divide in Egypt. The Gulf's social influence is evident to anyone who has spent time in Cairo, most visibly through the niqab (the full veil that reveals only a woman's eyes), which was rarely seen in the vicinity of the Nile but has now become ubiquitous. Other, long-term consequences of such religious and cultural influences remain to be seen.

The movement of Egyptian labourers has at times caused problems in the bilateral relationship. In November 2008, Cairo and Riyadh temporarily experienced a crisis in relations when an Egyptian doctor was arrested for allegedly turning a Saudi princess into a drug addict by overprescribing pain medications. Another physician was incarcerated for allegedly having extramarital relations with female patients.

The arrests - and one of the medic's subsequent sentence of 1,500 lashes at a rate of 10 to 15 per week to be administered during a 15-year sentence - sparked a popular outcry in Cairo, resulting in a temporary suspension of travel permits for Egyptian doctors to Saudi Arabia. Egyptian Minister of Labour Aisha Abdel Hadi subsequently announced that a blacklist of 26 Saudi firms accused of "deliberately mistreating Egyptians" had been established.

However, within weeks Cairo was working to soothe tensions. The Egyptian Foreign Minister Ahmed Aboul Gheit urged that the issue be "calmly



discussed” at official levels. On 3 December, after signing a protocol on labour rights for Egyptian workers in Saudi Arabia, Cairo lifted the ban on doctors’ travel. The rapprochement was sealed two days later when President Mubarak travelled to Saudi Arabia for a ceremony inaugurating two high-speed ferries – a USD130 million gift to Egypt from the kingdom.

Not only will the ferries ensure safer travel for Egyptian expatriates – in 2006 a ferry sank in the Red Sea killing almost 1,000 Egyptian labourers – they will cut travel time between the states by five hours, facilitating the movement of workers. In August 2009, the UK-owned Vodaphone Egypt cut roaming rates in Saudi Arabia by 50 per cent, further improving the quality of life for these expatriate workers.

Potential structural changes?

In addition to strong trade, labour and investment sectors, Cairo and Riyadh are currently in talks centred on how the states can implement the provisions contained in the first Arab Economic Summit, convened in Kuwait in January 2009. The states are focused on the goal, announced in Kuwait, to establish an Arab Customs Union by 2015, although this ambitious plan may never reach fruition.

Meanwhile, Egypt and Saudi Arabia have also been discussing the near-term inclusion of Egypt as a member of the Gulf Cooperation Council (GCC) Customs Union, a move that would facilitate the free movement of Egyptian labourers on the peninsula. Indeed, when the Egyptian Minister of Labour Rachid was in Saudi Arabia in March 2009, he boasted that Riyadh and Cairo were “the first two Arab states in negotiations to open labour markets” as discussed during the Kuwait summit.

Given the slow pace of decision making in the Gulf, discussions between Egypt and Saudi Arabia on this issue

could drag on for years. But the Egyptians are clearly excited at the prospect. In a March 2009 article in the pan Arab daily *Asharq al Awsat* (a paper owned by Saudi Arabia), Abdel Monem Said wrote that Riyadh supported the inclusion of Egypt in the GCC Customs Union.

Minor political differences

As concerns about regional nuclear proliferation have spiked, Saudi Arabia and Egypt have shelved their rivalry in favour of establishing a unified front against Iran. However, on other issues there is less unanimity of purpose, especially on Lebanon and Syria.

Cairo continues to view Damascus with distain, not only because of its 30-year strategic relationship with Tehran

‘Saudi Arabia and Egypt have shelved their rivalry in favour of establishing a unified front against Iran’

and its support for Hizbullah (which according to Egyptian intelligence services and media established a cell in Egypt in 2008) but also because Syria persists in undermining the Hamas-Fatah government of national unity that Cairo has been endeavouring to foster.

For its part, Riyadh is more pragmatic in relation to Damascus. King Abdullah paid a visit to Syria in early October 2009. In its effort to improve ties with Syria, Saudi Arabia has been encouraging Lebanon’s prime minister-designate Saad Hariri to travel to Damascus and reconcile with President Bashar Al-Assad. The problem is that Syria is the leading suspect in the 2005 assassination of Saad’s father, former Lebanese premier Rafiq Hariri. Saad Hariri is understandably loath to make the pilgrimage. Cairo is supporting Saad Hariri in

his stand, and appears to have tempered Saudi demands on Hariri. Ongoing Syrian efforts to prevent the formation of a government in Beirut led by Saad Hariri, at least as perceived in Riyadh and Cairo, are likely to bring the Egyptian and Saudi positions on Lebanon and Syria closer.

In regards to Syria’s role in Lebanon, Egypt and Saudi Arabia seemed to have agreed to disagree, but broad co-operation continues based on common interests and a shared regional threat perception. But how much of that is due to the characters of Mubarak and Abdullah, old and perhaps ailing men, who believe they respectively control their country’s destiny? The answer is probably a lot.

There could be a challenge to the future of the relationship unless republican Egypt has a ‘royal’ succession to Mubarak’s son, Gamal. Saudi Arabia is heading for another senior member of the Al-Saud, perhaps the ailing Crown Prince Bandar bin Sultan (85) or Prince Nayef (76), who also said not be in the best health. If Egypt chooses a younger leader, there will be a generation gap, exacerbated by a likely series of short-reign monarchs in Saudi Arabia. Co-operation could be replaced by competition.

However, in the near term, the outlook for continued robust economic and political co-operation and co-ordination between the states is good. Cairo’s investment opportunities and Riyadh’s excess capital form the basis of a symbiotic relationship, complemented (at least for the time being) by a coincidence of interest on the Iranian threat and the Israeli-Palestinian peace process. ■

Further Analysis

■ **Islamists and the succession in Egypt**

Islamic Affairs Analyst, 20 August 2009

■ **Saudi king makes key visit to Syria**

Jane’s Intelligence Weekly, 7 October 2009

This article was first published online at jiaa.janes.com on 8 October 2009