

Aid for Security: The Gulf-Egypt Dynamic Supporting Egypt's Economy

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Brief Analysis

As Gulf states perceive the repercussions of the Arab Spring, the Muslim Brotherhood, and the potential disintegration of the Egyptian army as existential threats to their regimes, they have sustained the deteriorating Egyptian economy to maintain what they see as the sole guarantor of regional stability.

With half of Egypt's population living near or below the World Bank's poverty line and as one of the most indebted countries in the Middle East, Egypt almost immediately faced the potential of severe ramifications as the Russian-Ukrainian war unfolded. The conflict has had a drastic impact on Egypt's food security—Russian and Ukrainian wheat account for 80 percent of Egypt's wheat imports. Rising import costs, a declining tourism sector, mounting energy prices, decreasing foreign currency reserves and a high inflation rate (8.8 percent) all seemed to spell disaster for the Egyptian economy. To survive this series of challenges and revive its dwindling economy, Egypt rushed to request economic assistance from the Gulf states.

In response to its plight, Egypt received aid packages from across the international community, but the Gulf states' prompt response dwarfed these other gifts. The Gulf states responded to Egypt's request by pledging \$22bn to help Egypt avoid an economic crisis. Saudi Arabia pledged \$15bn, \$5bn of which was deposited in Egypt's central bank while \$10bn was allocated to investments in Egypt's healthcare, education, agriculture, and financial sectors. ADQ, the Abu Dhabi wealth fund, made a \$2bn deal to buy Egyptian state-held stakes in publicly listed companies.

This was not the first time that the Gulf States stood beside Sisi during a moment of crisis. In 2013—signaling approval regarding the ouster of Muslim Brother-affiliated President Mohamed Morsi—Kuwait, Saudi Arabia, and the UAE sent \$23bn in grants, cash deposits and fuel shipments in the 18 months following the military coup. Moreover, when Egypt devalued the Egyptian Pound by 50 percent in 2016, Saudi Arabia deposited about \$3bn and the UAE deposited about \$1bn into Egypt's central bank. ¹ While there is no accurate, unified data to quantify the size of aid that Egypt obtained from the Gulf countries, Kuwaiti newspaper *Al-Qabas*

<https://alkhaleejonline.net/%25D8%25A7%25D9%2582%25D8%25AA%25D8%25B5%25D8%25A7%25D8%25AF/%25D9%258A%25D9%2588%25D8%25A7%25D8%25AC%25D9%25D8%25A3%25D8%25B2%25D9%2585%25D8%25A9-%25D8%25AC%25D8%25AF%25D9%258A%25D8%25AF%25D8%25A9-%25D9%2587%25D9%2584-%25D8%25AA%25D8%25AA%25D8%25AF%25D8%25AE%25D9%2584-%25D8%25AF%25D9%2588%25D9%2584-%25D8%25A7%25D9%2584%25D8%25AE%25D9%2584%25D9%258A%25D8%25AC-%25D9%2584%25D8%25AF%25D8%25B9%25D9%2585-%25D8%25A7%25D9%2584%25D8%25A7%25D9%2582%25D8%25AA%25D8%25B5%25D8%25A7%25D8%25AF-%25D8%25A7%25D9%2584%25D9%2585%25D8%25B5%25D8%25B1%25D9%258A-%25D9%2585%25D8%25AC%25D8%25AF%25D8%25AF%25D8%25A7%25D9%258B%25D8%259F> has quoted sources from the Central Bank of Egypt saying that the support since 2011 has amounted to \$92 billion. Adding the \$22 bn which the Gulf countries pledged (<https://www.thenationalnews.com/mena/2022/04/05/gulf-countries-step-up-assistance-for-egypt-amid-russia-ukraine-war/>) to Egypt in April 2022, the size of the Gulf aid to Egypt has reached approximately \$114 bn in the past decade.

This support is born from the Gulf's understanding of Cairo's strategic importance. Egypt and the Gulf states have maintained strong political, economic, social, and cultural ties for years, but the Gulf's willingness to repeatedly bolster the Egyptian economy is due to lingering fears about the Arab Spring, a desire to exert pressure on a significantly weakened Muslim Brotherhood, and an eagerness to shore up Egypt's army—a key guarantor of regional stability and security.

The Arab Spring transformed the political landscape of Arab countries in ways that posed an existential threat to Gulf states. The uprisings' calls for democracy and political reforms resonated in the GCC states in a variety of ways, ranging from public protests to demands for reform. Due to their realization that unemployment and inflation were the key drivers of the Arab Spring, some Gulf states advanced and initiated internal economic reforms and welfare packages.

The Arab Spring aimed to establish a new order that would replace the region's long-standing autocratic regimes with genuine democratic systems that work to benefit the people. The ways in which this movement evolved in Egypt became particularly threatening to Gulf regimes. Though Saudi Arabia served as a safe haven for the Muslim Brotherhood during the Nasser and Sadat eras, the long honeymoon between the Kingdom and the Brotherhood came to an end after the September 11 terror attacks.

Riyadh saw the Muslim Brotherhood ² rise to power in Egypt as a threat to the Saudi monarchy's national security that threatened its religious role and political legitimacy—with the potential to export revolutionary rhetoric across the region. For the Gulf countries, with the notable exception of Qatar, Sisi became the only person capable of standing up to the Brotherhood in Egypt. They see Sisi as part of the old guard, rather than a revolutionary threatening their conservative regimes. ³ These Gulf countries continue to view the Muslim Brotherhood and their revolutionary discourse as an existential threat to their rule.

Amid the recent rapprochement between Egypt and Qatar, Egypt has abandoned its request that Qatar pursue a tough policy towards the Muslim Brotherhood. Meanwhile, its efforts seemingly bore fruit with Turkey. Once a haven for Muslim Brotherhood dissidents, Ankara recently forced Brotherhood media broadcasting from Turkey to either refrain from criticizing the Egyptian regime or end their operations in the country. The lopsided approach between the economically struggling Turkey and Qatar is yet another reflection of Egypt's concerns over economic aid.

Sisi's credentials as a military man also play into his appeal in the Gulf. Regional and Gulf security have been key motivations for consistent GCC aid flows to Egypt. Amidst a growing Iranian regional threat, Saudi Arabia and the GCC states do not want Egypt to collapse under economic pressures. Additionally, the GCC states fear that while the Egyptian army is the largest Arab army standing today, the lack of stability in the country could cause it to fall apart and follow the trajectory of the Iraqi and Syrian armies.

By sustaining the bleeding Egyptian economy, these countries aim to stabilize Egypt's political and military situation as well. In this context, the final statement of the 42nd Gulf Cooperation Summit held in Riyadh stressed that "Egypt's security is an integral part of Gulf security," and praised Egyptian efforts to "strengthen Arab national security, security and peace in the region." During their regular bilateral meeting in January 2022, Abu Dhabi Crown Prince Mohamed bin Zayed voiced appreciation of Egypt's role under President Sisi in protecting

Arab national security and defending Arab nations. In the same context, Sisi has stressed the importance of Gulf security to Egypt on many occasions and labelled it a "red line" for Egypt. On the ground, robust military cooperation between Egypt and the GCC has continued, most prominently through recurrent joint military drills between Egypt and Saudi Arabia (Tabuk-1 in 2022) and Egypt and the UAE (Zayed-3 in 2021). Sisi had called for the formation of a joint Arab military force during the regular session of the Arab Summit on March 26, 2015, but such a proposal faces many regional and international challenges and never materialized. Nevertheless, Egyptian-Gulf military cooperation is mutually beneficial for both sides, as economic aids are traded for security deals.

In the same vein, observers wonder whether Egypt will lose its leadership position in the region to Saudi Arabia, and whether the GCC aids have provided crucial lifelines for the Egyptian economy. Some observers believe that following the Arab Spring, while Egypt was preoccupied by political and economic problems, Saudi Arabia assumed an important regional role through its intervention in thorny regional issues, using both its political and financial capabilities. On the other hand, others believe that Egypt will not fall under Saudi guardianship due to Cairo's historical and political weight. Though economic aid from the Gulf has been very beneficial to Egypt —especially at a time where Egypt is on the verge of turmoil—some [media outlets \(https://arabcenterdc.org/resource/gulf-countries-aid-to-egypt-it-is-politics-not-the-economy-stupid/\)](https://arabcenterdc.org/resource/gulf-countries-aid-to-egypt-it-is-politics-not-the-economy-stupid/) believe that despite the significant aid which Egypt received from the Gulf in the past few years, Egypt still faces many economic and financial hardships. This in fact raises questions about the feasibility and the impact of the Gulf aid to Egypt.

However, what the GCC bailout has not accomplished is the development of a sustainable economic system in Egypt that can support the country long-term. Still, there are some adjustments to domestic economic policy that can have real benefits for the Egyptian people. Cairo needs to reconfigure its economic policy to improve citizens' standards of living and prevent the country from sliding further into the swamp of debt. Mega projects that have consumed billions of pounds with no short-term benefits should end—especially during this period of austerity—and government investments should be directed to industrial and tourism-related projects which provide employment and bring in foreign currency. Moreover, Egypt suffers from several significant challenges that stand as a barrier to foreign investment, including extreme bureaucracy, shortage of skilled labor, limited access to credit, slow customs procedures, intellectual property issues, and corruption. Therefore, to attract foreign investment the Egyptian government should work to overcome those obstacles—and refrain from harassing local businessmen to help provide a favorable investment environment.

Pursuing domestic policies that help strengthen the economy would allow Egypt to minimize its dependency on Gulf and foreign aid. While this money has been a repeated lifeline so far, it is unwise to rely on foreign bailouts for the indeterminate future. It is important to remember that this aid is provided due to the goodwill of others, and it could halt at any moment due to changing regional and international circumstances. Moreover, the recently signed strategic trilateral partnership between Jordan and Egypt, which aims to boost the capacities of the three countries in sectors such as food, energy, industrial production, health and national security, could help Egypt revive its economy, improve labor skills, and override the current crippling investment laws. ❖

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