

Egypt's Tightrope Walk Between Saudi Arabia and the UAE

by [Haisam Hassanein \(/experts/haisam-hassanein\)](/experts/haisam-hassanein)

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ABOUT THE AUTHORS



[Haisam Hassanein \(/experts/haisam-hassanein\)](/experts/haisam-hassanein)

Haisam Hassanein is a Middle East analyst specializing in Arab-Israel relations, Egypt, and U.S. policy in the region.



Brief Analysis

Cairo will not be able to stand completely above Gulf rivalries, but tactful U.S. diplomacy on economics and regional security issues can help give Egyptian leaders enough space to continue their balancing strategy.

As tensions between Saudi Arabia and the United Arab Emirates sharpen over conflicting agendas in Yemen, Sudan, and elsewhere, Egypt is more acutely aware than ever that its economic survival and national security rely heavily on both of these Gulf rivals. Choosing to side with one or the other could be costly, yet their worsening rift makes pure neutrality more difficult to sustain. Cairo's current strategy is best understood as one of calibrated compartmentalization: that is, moving closer to the UAE when liquidity and mega-investment deals are at stake, but closer to Saudi Arabia on matters of regional security. In either case, Egypt seems determined to preserve a margin of strategic autonomy on its core "red line" dossiers.

Economic Lifelines and Risk Diversification

The economic dimension of Saudi-Emirati competition is not an abstraction for Cairo—it is existential. Egypt is deeply dependent on both countries as financial partners, but in different ways.

The UAE has become Cairo's primary source of rapid liquidity. The [2023 investment package \(https://www.washingtoninstitute.org/policy-analysis/egypts-economic-reforms-must-continue\)](https://www.washingtoninstitute.org/policy-analysis/egypts-economic-reforms-must-continue) in Ras al-Hikma, worth around \$35 billion, epitomized how Abu Dhabi could inject foreign currency into Egypt at speed, help stabilize the pound, and underwrite high-profile infrastructure projects. In today's fiscal environment, Cairo cannot afford to alienate the one actor willing to put large amounts of cash on the table with little notice.

In contrast, Saudi Arabia is Egypt's strategic economic pillar. Its capital is viewed as more "institutional"—the kingdom provides long-term central bank deposits, petroleum products on favorable terms through arrangements with Aramco, and crucial remittances from more than a million Egyptian workers, which help keep their households afloat.

Rather than choosing between these models and potentially becoming too dependent on a single Gulf benefactor, Egypt has pursued risk diversification. This entails seeking Saudi investments to balance the UAE's growing influence in high-value assets and coastal projects, while also leveraging quiet competition between the two rivals to secure better terms, higher valuations, and continuous engagement.

A recent episode over port negotiations illustrates this logic. In November, Emirati entities linked to the firm ADQ reportedly obtained (<https://www.independentarabia.com/node/639761/>) a majority stake in Alexandria Container & Cargo Handling—one of Egypt's most important container operators—by acquiring a 19.3 percent stake from the Saudi Egyptian Investment Company. Yet when an additional bid was made in December that would have lifted the combined Emirati stake to around 90 percent, Egypt's state holding company declined to sell its stake (35.4 percent). Such developments show that while Cairo is willing to grant majority shares to the Emiratis and let Gulf money rotate in and out of key sectors, it is not willing to cede near-total control over a strategic asset linked to the Suez Canal.

Interestingly, Israel is now part of this equation as well following last month's announcement of a new natural gas export deal (<https://www.washingtoninstitute.org/policy-analysis/building-egypt-and-israels-uneasy-gas-deal>) with Cairo. The additional Israeli volumes are expected to serve a dual purpose: easing constraints on Egypt's power generation and industrial sectors while also feeding liquefaction plants whose exports generate badly needed revenue for the government. As this energy relationship grows, it will increasingly intersect with Emirati and Saudi bids for stakes in Egyptian ports, logistics, and related infrastructure. In practice, this means Gulf rivals are now competing not only for influence in Egypt's domestic economy, but also for positions around assets that are important to Israel's export routes and Egypt's role as a regional gas hub.

Managing Dangerous Divergence in Sudan

This Gulf balancing act is more difficult in Sudan, where the tensions between Abu Dhabi and Riyadh carry starker risks and higher national security stakes for Cairo. Egypt sees the Sudanese Armed Forces (SAF) as the indispensable institutional partner for protecting its southern border, preserving state continuity next door, and safeguarding water supplies from the Nile River. Its strategic instinct is to support a centralized state structure in Khartoum—however imperfect—rather than risk long-term fragmentation (<https://www.washingtoninstitute.org/policy-analysis/sudan-stands-between-war-and-imposed-peace>).

In contrast, the UAE has been repeatedly accused of backing the Rapid Support Forces (RSF), whose battlefield successes and territorial gains have come at the expense of SAF cohesion. Abu Dhabi seems to regard the SAF and its leaders as overly accommodating toward Islamist elements and remnants of the former Bashir regime, so backing the RSF is intended in part to prevent an outright Islamist comeback. Yet Cairo sees this support as a direct security concern due to the risk of enshrining the RSF as a heavily armed, unconstrained actor in Sudan for the long term—one who does not share Egypt's priorities on borders, water rights, or state institutions.

Rather than confronting Abu Dhabi publicly, Cairo has made its position clear by anchoring itself in Saudi-sponsored mediation tracks. For example, in talks held under the aegis of the kingdom's U.S.-backed Jeddah Platform, Egyptian and Saudi officials have broadly agreed on the need to preserve core state structures in Sudan and avoid a full institutional collapse. Cairo no doubt hopes this approach will enable it to align with Riyadh on Sudan's political outcome while minimizing direct friction with the UAE, even as the Gulf states back actors with very different visions on the ground.

Closer to Riyadh on the Red Sea and Yemen

Egypt generally echoes Saudi Arabia's instincts on regional maritime security as well. Both countries tend to

prioritize protecting the corridor between the Suez Canal and Bab al-Mandab Strait, maintaining freedom of navigation, and supporting central governments as the backbone of regional order. In contrast, Cairo has misgivings about the UAE's pattern of building influence through ports, islands, and local proxies, as seen [in south Yemen \(https://www.washingtoninstitute.org/policy-analysis/yemens-seismic-shift-has-consequences-beyond-its-borders\)](https://www.washingtoninstitute.org/policy-analysis/yemens-seismic-shift-has-consequences-beyond-its-borders) and the [Horn of Africa \(https://www.washingtoninstitute.org/policy-analysis/recognizing-somaliland-israels-return-red-sea\)](https://www.washingtoninstitute.org/policy-analysis/recognizing-somaliland-israels-return-red-sea). From Egypt's perspective, an overly transactional approach to substate actors could turn the Red Sea Basin into a patchwork of competing spheres of influence, complicating its own calculus about Suez Canal security and coastal defense.

As a result, Cairo has coordinated more closely with Riyadh on issues in the Red Sea and Yemen, emphasizing the importance of preserving state institutions and avoiding open proxy conflict. At the same time, it tries to avoid directly confronting Emirati positions on specific islands or ports, preferring to act through broader regional security frameworks and naval cooperation mechanisms rather than bilateral public disputes.

Strategic Hedging Beyond the Gulf

Egypt has also been widening its external options to avoid being squeezed into a binary choice between Saudi Arabia and the UAE. In January 2024, it formally joined the BRICS group—a move that was less about rapidly securing new financing and more about reminding Gulf and Western partners that it has alternatives. Yet Cairo knows these alternatives are of limited value, so its outreach to China and Russia has been largely opportunistic and transactional—that is, seeking arms deals, infrastructure projects, and diplomatic backing at low political cost without truly attempting to replace U.S. or Gulf support.

Elsewhere, Egypt has significantly improved its relations with Qatar after years of strained ties, opening another potential source of investment and signaling that it is not locked into any single Gulf camp. It has also been working to normalize relations with Turkey and maintain a functional channel with Iran, reinforcing its claim to be a regional power with an independent foreign policy rather than just a junior partner to the Saudis and Emiratis.

Will Egypt Be Forced to Choose?

Although economic pressure undeniably makes Egypt more pragmatic about offering substantial concessions to one Gulf rival or the other, it does not automatically translate into political alignment with either side. Cairo still fears one “nightmare scenario,” however: a direct confrontation or deep diplomatic rupture between Saudi Arabia and the UAE that spills into core security arenas such as the Red Sea or the Arab League system. In that situation, Egypt's history, geography, and Red Sea priorities would seemingly compel it to lean Riyadh's way, at least on paper.

Yet the unusually close personal bond between the Egyptian and Emirati presidents would complicate any assumption of automatic alignment with Riyadh. Abdul Fattah al-Sisi and Muhammad bin Zayed have spent the past decade cooperating closely against the Muslim Brotherhood and exchanging frequent high-level visits. If a deep crisis erupts, this leader-to-leader relationship could tilt Cairo toward the UAE even if Egypt's state institutions might prefer otherwise.

For their part, both Gulf governments have tools for signaling displeasure if they believe Cairo is leaning too far to the other side, such as slowing disbursement of deposits, delaying high-profile investment tranches, cooling down their media and elite engagement, or quietly tightening restrictions on expatriate workers. This form of calibrated economic signaling is much more likely than any dramatic public punishment—in part because each Gulf leader fears pushing Cairo fully into the opposite camp, but also because they see Egypt as “too big to fail” and do not want to risk destabilizing such a crucial player in the Middle East.

U.S. Policy Implications

Short of a wider Saudi-Emirati rupture, Egypt will likely continue its approach of trading major economic access for political breathing room, using the Gulf rivalry itself as leverage to preserve some degree of independence. Accordingly, Washington should take steps to prevent Gulf competition from destabilizing Egypt while minding the wider U.S. interests at stake, including a stable Red Sea shipping environment, a functioning Egyptian state, and space for further Arab-Israeli coordination on issues like postwar Gaza:

- **Treat Egypt's hedging as a stress signal rather than mere opportunism.** U.S. officials should understand that Cairo's strategy of diversifying partners and avoiding hard choices reflects genuine vulnerability, not just bargaining tactics.
- **Don't try to micromanage every Emirati and Saudi bid in Egypt.** Instead, Washington can use high-level economic dialogues and IMF-linked frameworks to encourage complementary roles for the two Gulf states—for example, steering one toward sectors like ports and logistics, and the other toward energy and industrial projects. This could help avoid trapping Cairo in zero-sum bidding wars that feed rifts between each party.
- **Foster structured, quiet dialogue on Sudan, Yemen, and Red Sea security.** U.S.-brokered discussions between Abu Dhabi, Cairo, and Riyadh could help keep their differing approaches on these issues from hardening into rival policies and projects that undermine shared objectives.
- **Account for Israel's growing role in Egypt's energy economy.** As described above, Emirati and Saudi stakes in Egyptian ports and infrastructure now have direct implications for Israeli gas cooperation with Cairo, so U.S. officials should be mindful of these links when weighing in on potential deals.

Ultimately, Egypt will not be able to stand completely above Gulf rivalries. But if it is given enough space to continue its balancing strategy—grounded in risk diversification, compartmentalization, and limited autonomy—it is more likely to remain a stabilizing partner for Washington rather than another arena in which Saudi-Emirati competition winds up benefiting U.S. adversaries.

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