

Reviewing Egypt's Gains from Its Peace Treaty with Israel

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Brief Analysis

The Egyptian revolution has caused much speculation on the future of the country's peace treaty and bilateral ties with Israel. Throughout the uprising, demonstrators overwhelmingly focused on political freedom without a sectarian or ideological agenda, fueling assessments that the impact on the treaty will be minimal. And in an authoritative public statement issued shortly after Hosni Mubarak's ouster, the Supreme Military Command asserted that "Egypt is committed to all regional and international obligations and treaties."

Yet Ayman Nour, a prominent democratic activist and onetime contestant to the Egyptian presidency, sounded a discordant note. In the aftermath of the revolution, he called for renegotiation of the 1978 Camp David Accords, which were the basis of the 1979 treaty. In his view, the accords are "finished" and "Egypt has to at least conduct negotiations over conditions of the agreement."

His words were likely aimed at the limitations placed on the breadth and depth of Egyptian forces in the Sinai. Although Israelis insist on such restrictions because the Sinai is where all the wars between the two countries have been fought, some Egyptians complain that the provisos hurt their national pride. Indeed, several Muslim Brotherhood officials have declared that the treaty should be abrogated outright, while others have called for a new parliamentary vote and national referendum on the subject.

In evaluating the future of Egyptian-Israeli peace, it is important to review how Egypt has benefited from the treaty over the past three decades:

- *Restoration of the Sinai and no wars.* The 1973 war, one of several Egyptian conflicts with Israel stretching back to 1948, resulted in the deaths of approximately 8,000 Egyptians and 2,700 Israelis. No such conflicts have erupted since the 1979 treaty, however; Israel withdrew from the entire Sinai, and the agreement has withstood the vicissitudes of the "cold peace" between the two countries ever since.
- *Foreign aid.* Peace has earned Egypt extensive aid from Washington. Cairo annually receives \$1.3 billion in U.S. military assistance and \$250 million in economic assistance. According to the Congressional Research Service, Egypt has accrued \$69 billion from the United States since 1979, while Israel has gained \$98 billion. In fact, the two countries have been the largest recipients of U.S. foreign aid since 1979.
- *Reduced defense spending.* Cairo has been able to sharply reduce its military budget since the 1973 war. According to

the World Bank, Egypt's military expenditures consumed approximately 2 percent of its gross national product in 2009 (about \$3.8 billion), compared to more than 20 percent in 1976. This drastic reduction has allowed Cairo to reallocate military funds to economic development projects.

- *New military relationships.* Peace has facilitated the formation of a far-reaching relationship between the U.S. and Egyptian militaries. Since the treaty, Washington has provided Cairo with military assistance in the form of arms sales and transfers, enabling Egypt to replace outdated Soviet hardware acquired before the mid-1970s, while Cairo was still dependent on Moscow. This assistance has also facilitated regular joint military exercises, intelligence sharing, training, coproduction of tanks, and regular military consultations with both the U.S. and Israel.
- *Increased energy revenue.* Once peace was established, Egypt began selling Israel large quantities of oil; by 1995, these sales accounted for one-third of Israel's fuel imports. Although their oil trade is minimal today, the two countries signed a natural gas agreement in 2005. As a result, Egypt began supplying up to 40 percent of Israel's gas, receiving \$2 billion per year in return. (The Egyptian pipeline to Jordan was sabotaged last month, leading to the temporary suspension of gas exports to Israel. In the interim, Israeli power stations have had to use more diesel fuel or coal. Israel's dependence on Egyptian gas will be reduced when more supplies become available from newly discovered offshore fields.)
- *Trade boost.* According to a Congressional Research Service report issued this month, one-third of Egyptian exports to the United States come from Qualifying Industrial Zones (QIZ). Mandated by Congress in 1996, the first QIZs enabled Jordan to have free-trade access to U.S. markets so long as a percentage of the exported goods consisted of both Jordanian and Israeli inputs. Egypt -- Israel's only other treaty partner in the region -- joined the system in December 2004. Today, its QIZs employ more than 120,000 Egyptians and export approximately \$763 million worth of goods to U.S. shores per year, or a third of all Egyptian exports to the United States.
- *Peace broker.* The United States became the decisive diplomatic player in the region after the 1973 war because of its role as peace broker and the ties it developed with both Israel and Egypt. Similarly, Cairo has enhanced its regional standing over the years due to its ties with Israel, the Palestinian Authority, and Hamas, as well as its efforts to mediate in conflicts between them.

The Palestinian Factor

As indicated above, Egypt would face astronomical costs if it abrogated the peace treaty with Israel. Its military budget would swell at the expense of economic development, and it would have to forego \$1.5 billion in U.S. military and economic aid. According to the International Monetary Fund, Egypt has only \$31 billion in foreign currency reserves, a relatively paltry sum. Renouncing the treaty would also be a huge blow to Cairo's military ties with the United States: the Egyptian armed forces prize that relationship, and severing it would have a crippling effect on them. Taken together, the costs of leaving the treaty seem too high for Egypt to bear.

Yet Egyptian-Israeli peace is highly qualified. Because it is based on an agreement between two governments rather than two peoples, it remains defensive and devoid of confidence. The countries have no cultural exchange: Cairo has blacklisted citizens such as writer Ali Salem for daring to visit Israel, and the Egyptian media is regularly filled with crude anti-Semitism. To explain its lack of effort in people-to-people reconciliation, Egypt has long cited the absence of peace between Israel and the Palestinians.

Indeed, the latter issue seems more conspicuous than other potential sources of long-term friction, such as calls to cut off Egyptian gas supplies to Israel or Nour's demand to renegotiate military limitations in the Sinai. Egypt's legitimacy among Arab nations has been heightened whenever Cairo has appeared to sympathize most with the Palestinian cause. Therefore, a continued Israeli-Palestinian stalemate could create pressure on Egypt to change its policy toward Gaza. Currently, Egypt does not permit Hamas to use Rafah as a border crossing for individual travel,

let alone trade. Yet during a speech delivered to nearly a million Egyptians in Tahrir Square shortly after his return from decades in exile, charismatic cleric Sheikh Yusuf al-Qaradawi not only declared that Adolf Hitler had "rightfully" punished the Jews but also challenged the Gaza policy by demanding that the Rafah border crossing be opened.

Egyptian public debate on the subject could be heightened in the context of a new presidential election. The wide appeal of the Palestinian cause could lead Nour and two other potential candidates -- Arab League secretary-general Amr Mousa and former International Atomic Energy Agency head Mohamed ElBaradei -- to outbid each other by taking various defiant stances on the issue. For now, though, both Mousa and ElBaradei say they would maintain the peace treaty despite their persistent and sharp criticism of Israel.

Conclusion

The benefits of peace with Israel have been considerable for Egypt, and although the treaty is associated with the ancien regime, calls for its abrogation have been few and muted so far. Still, even in a peaceful, orderly transfer to non-Islamist civilian authority, aspects of the bilateral relationship are likely to come under unprecedented pressure, especially in an environment of diplomatic stalemate between Israelis and Palestinians. These pressures include demands for militarization of the Sinai, populist calls for suspension of gas sales to Israel, and most of all, a substantial change in policy toward Gaza. How Egypt's new leaders navigate between the magnetic appeal of populism and recognition of Egyptian national interest will determine whether the core elements of this vital relationship survive longer than Hosni Mubarak.

David Makovsky is the Ziegler distinguished fellow and director of the Project on the Middle East Peace Process at The Washington Institute. ❖

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