

Analyzing the Thaw in Egyptian-Israeli Relations

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Brief Analysis

The announcement Sunday that Israel would release 170 Palestinian prisoners as a "gesture of goodwill, friendship, and gratitude" to Egyptian President Hosni Mubarak is the latest in a series of events, statements, and diplomatic activity over the past several weeks that has signaled a warming in Egyptian-Israeli relations. While it is too early to tell whether this thaw can be transformed into a fully constructive relationship, after the death of Yasser Arafat both sides are attempting to work together more closely, at least for now.

On the Road to Normalization?

Both President Mubarak and Prime Minister Ariel Sharon have become uncharacteristically complimentary in public. On December 2, Mubarak told reporters that if the Palestinians "can't achieve progress in the time of the current [Israeli] prime minister, it will be very difficult to make any progress in peace." Further, Mubarak virtually endorsed Sharon's condition for working with the Palestinians, noting, "He only asks for one thing: the end of explosions." These remarks were made after Egyptian foreign minister Ahmed Abul Gheit and intelligence chief Omar Suleiman completed a previously delayed visit to Israel.

The most dramatic development between the two countries occurred on December 5, when Egypt released alleged Israeli spy Azzam Azzam and Israel freed six Egyptian students detained since August for suspected terrorist intentions. Azzam had served eight years of a fifteen-year sentence, and Sharon had made his release a longstanding condition for Egypt's active role in peace diplomacy. In a phone call between the two leaders after the coordinated releases, Mubarak acknowledged, "I did it especially for you," to which Sharon reportedly replied, "I believe that together we can bring major achievements for future generations." Sharon offered the latest release of Palestinian prisoners as a further gesture to Mubarak.

Seeking to restore Egypt's prominence as a regional player, Cairo has been trying to facilitate Israeli-Syrian negotiations, and during a recent trip to the Persian Gulf Mubarak reportedly advocated the establishment of diplomatic ties between Gulf states and Israel. Egypt has also taken some minor steps toward conditioning its public to the prospect of revitalized relations with Israel, such as inviting the Israeli Embassy's spokesman to give an unprecedented interview on Egyptian television. However, Egypt's ambassador to Israel remains in Cairo, after four years away from Israel, and Mubarak has encountered public protests and a flurry of condemnation in the media because of his overtures to Israel.

Hardening Philadelphia

The primary source of friction between Egyptians and Israelis is the ongoing smuggling of arms and other contraband through tunnels under the eight-mile Philadelphia corridor, the border between Gaza and Egypt. The smuggling not only serves as a supply corridor for Palestinian terrorists, but Israel suspects that the tunnels will be used to introduce into Gaza qualitatively new weapons, such as katyusha rockets. In a demonstration of high-level security cooperation, Omar Suleiman and Israeli defense minister Shaul Mofaz worked out an agreement whereby Egypt could deploy an additional 750 heavily armed border guards with intelligence-gathering equipment on its side of Rafah. These troops would replace the ineffectual border police, whom some Israelis claim are complicit in smuggling efforts. While this deployment was scheduled to occur soon after its announcement in early December, recent reports indicate that Egypt prefers delaying the move until April 2005.

The deployment of the 750 troops would certainly improve Egypt's ability to prevent smuggling, but a more effective method would be for Egypt to interdict smugglers deeper in the Sinai, a practice Israel says is well within Egyptian capabilities. While Mubarak has expressed interest in seeing that Gaza is not consumed by violence and taken over by Hamas once Sharon carries out his plan for withdrawal, so far there is little evidence that Egypt has made significant efforts on the smuggling front. Cairo is also keen to support a complete withdrawal from Gaza, including from the Philadelphia route, yet Israel insists that a military presence along Philadelphia is necessary until a substantial decrease in the level of smuggling occurs. For Egypt to ensure a full Israeli withdrawal from Gaza it would have to take significant steps toward stopping the subterranean flow of weaponry.

The second key to Egypt's constructive role in facilitating Gaza disengagement is its activity with respect to training Palestinian security forces and pressuring the Palestinians on security reform. In their meeting this month, Mofaz and Suleiman evidently reached an initial agreement on the numbers of Palestinian security officers Egypt would train, and the two sides have begun coordinating the names of Palestinians eligible for training in Egypt. But training will only be an initial step in Egypt's commitment to affect Palestinian security reform; the real test will come after Israel pulls out from Gaza and these trained forces are expected to arrest terrorists and prevent attacks. Egypt will show it is serious if it uses its considerable influence to ensure a full Palestinian effort on security once Palestinians inherit responsibility for that task.

The Allure of Free Trade

In the long term, the measure with the potential to have the greatest impact on Israeli-Egyptian relations is an agreement, signed December 14 by Israel, Egypt, and the United States, that establishes Qualifying Industrial Zones (QIZs) in parts of Cairo, Port Said, and Alexandria. A proven success in Jordan, a QIZ permits goods with at least 35 percent of their value added inside the zone to be exported duty-free to the United States if they also contain a minimum of 11.7 percent Israeli-produced material. The Israeli Ministry of Trade estimates that the agreement will more than double Israeli exports to Egypt, and Egyptian business leaders estimate it will create as many as 250,000 jobs.

Egypt has been eligible for such a deal for as long as Jordan, but had not sought one until this year. Their motivation for the deal stems from the impending expiration in January of the Multi-Fiber Agreement (MFA), as mandated by the World Trade Organization. The MFA currently places quotas on apparel and textile imports to industrialized nations from developing countries. When it expires, Egypt's \$1 billion textile and apparel industry will have to compete with lower-cost producers from India and China, and is expected to suffer as a result. The QIZs will provide Egyptian textiles and clothes a much-needed competitive advantage in the United States once the quota system expires. Egypt also views the QIZ agreement as a first step toward further economic integration with the United States, hoping that it will lead to the establishment of additional zones, as was the case in Jordan, and that their

success will ultimately yield a free trade agreement with the United States. So long as Egypt's economic interests compel added trade and cooperation with Israel, Egyptian-Israeli relations will benefit.

A Test for Egypt

When measured over the course of the last month Israeli-Egyptian relations have certainly taken a dramatic step forward, but not all of Egypt's motives are clear. Mubarak may be playing interest politics, positioning himself to avoid pressure from a reelected Bush administration and an observant Congress to enact domestic political reform. Convinced that Sharon will withdraw from Gaza, and without Arafat around to foil Egyptian efforts, Mubarak may have chosen to engage with Israelis and Palestinians in order to ensure that disengagement proceeds in a manner that enhances Egyptian security -- as well as Egyptian regional prestige. Mubarak may feel that the QIZ agreement is the best way to assist his economy. What matters, though, is Egypt's performance when it counts: until Egypt demonstrates a commitment to fighting smuggling and promoting Palestinian security reform, then the extent of Cairo's willingness to play a truly constructive role in the Arab-Israeli arena will remain untested.

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