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## Limits of Saudi, UAE Support to Egypt after Coronavirus

Dr. Mamdouh Almuneir

The impact of Covid-19 pandemic is still unfolding worldwide, affecting most of world economies and reflecting on all walks of life, particularly the political and social ones.

Within the political framework, it is significant to monitor such repercussions on patterns of regional interactions in the Arab region, especially those related to the financial support provided by some Gulf countries whose economies have been affected by the COVID-19 pandemic, such as Saudi Arabia and the United Arab Emirates.

This report explores the future impact of COVID-19 on the Saudi and Emirati financial support provided to the Egyptian regime, especially that this support is one of the most significant reasons for the emergence and survival of this regime since 2013 until now.

### First: Economic Crisis in Riyadh and Abu Dhabi

The coronavirus crisis has caused a severe economic downturn in Saudi Arabia and the UAE, not only due to the lockdown of economic activity, but also to the sharp decline in the global oil prices to unprecedented levels, taking into account that the oil income represents more than 90% of the revenues of the two Gulf countries.

A report published by Anadolu Agency on 4 April 2020<sup>1</sup>, citing Fitch Ratings, the leading provider of credit ratings, revealed that Saudi Arabia, OPEC heavyweight and the world's largest crude exporter, needs a breakeven of \$91 per barrel, while the oil price until the morning of 28 April 2020 was \$19 a barrel, which means a decline of 80% in this year's budget revenues that entirely depend on oil – which has recently prompted Riyadh to cut its budget expenditures for the fiscal year 2020 by about \$13 billion<sup>2</sup>.

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<sup>1</sup> Cheap oil eats up Middle East reserves, Anadolu Agency, Retrieved 30 April 2020, from ([URL](#)).

<sup>2</sup> Falling oil prices tumbling the Gulf... Al-Araby Al-Jadeed, Retrieved April 20, 2020, from ([URL](#)).

Therefore, it was not surprising that the International Monetary Fund has warned of the depletion of Saudi Arabia's wealth, as well as other Arab Gulf states, in 15 years amid lower hydrocarbon revenues on which they mainly rely if they do not step up fundamental fiscal reforms.

The UAE has also been severely affected by the crisis, as the falling oil revenues prompted it to borrow from abroad and issue \$7 billion in sovereign bonds<sup>3</sup> – especially that UAE's non-oil economy, which represents a third of the State's economy had been suffering badly even before the outbreak of the oil and coronavirus crises, particularly in the three economic sectors of tourism, real estate and transportation. Hence, the losses incurred by the UAE economy have been estimated at more than \$52 billion since January 2020<sup>4</sup>.

## Second: Economic Relations between the Three Countries

The Egyptian regime relies on Gulf economic support for its survival, where this support comes in two different forms:

### 1) Riyadh and Abu Dhabi's investments in Egypt

Egypt ranks first in Saudi Arabia's investments in the Arab world, with a total of \$54 billion, including \$44 billion as private sector investments, and \$10 billion as Saudi government investments, through 5,392 companies<sup>5</sup>. The trade exchange between the two countries reached about \$1.7 billion in the first quarter of FY2019/2020, according to a report by the Central Bank of Egypt published on 26 January 2020<sup>6</sup>.

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<sup>3</sup> Decline in oil revenues prompts the UAE to borrow \$ 7 billion, Arabi21, Retrieved 22 April 2020, from ([URL](#)).

<sup>4</sup> Why Saudi Arabia and the UAE compete in the Egyptian market? Al-Jazeera Net, Retrieved 24 April 2020, from ([URL](#)).

<sup>5</sup> Ibid.

<sup>6</sup> CBE: \$ 23 billion, volume of Egyptian trade during 3 months, Youm7, Retrieved 30 April 2020, from ([URL](#)).

On the other hand, the Emirati investments in Egypt amount to about \$7.2 billion through 1,114 companies, while the trade exchange between the two countries reached about \$5.3 billion, according to data of the General Authority for Investment and Free Zones (GAFI)<sup>7</sup>.

## 2) Riyadh and Abu Dhabi's financial aid to Cairo

Egypt has received more than \$25 billion dollars from Saudi Arabia in the form of grants and soft loans in addition to a 5-year-span loan of \$23-billion approved in April 2016, allocated to finance the purchase of Egyptian imports of petroleum products of gasoline, diesel, gas and diesel<sup>8</sup>

Meanwhile, the UAE financial aid to Egypt have amounted to \$25.6 billion in the form of direct financial aid, petroleum products or bank deposits<sup>9</sup>.

## Third: Military support to Cairo

Saudi Arabia and the UAE have tended to support arming the Egyptian army and financing the construction of military bases in Egypt since the early days of the military coup in 2013. Perhaps the most known declared deal that secured Saudi-Emirati funding was the Russian arms deal that included MiG-29 fighter planes, air defense systems, anti-tank missiles, and others<sup>10</sup>.

Also, the UAE has made a strong contribution to building the Mohamed Naguib military base in the coastal El-Hammam city, Matrouh Governorate, as a focal point to support the militias of Libya's Haftar, who attended the inauguration ceremony of the base<sup>11</sup>.

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<sup>7</sup> Mostafa Abdel Salam, Morsi .. What if he got all this money?, The New Arab, Retrieved 25 April 2020, from [\(URL\)](#).

<sup>8</sup> UAE economy is a strong supporter of Egypt's economy... Al Ain News, Retrieved 28 April 2020, from [\(URL\)](#).

<sup>9</sup> Ibid.

<sup>10</sup> Russian arms deal to Egypt with Saudi-Emirati funding..., Al-Masry Al-Youm, Retrieved 27 April 2020, from [\(URL\)](#).

<sup>11</sup> Mohamed Naguib Military Base: a new Egyptian-Emirati arm in Libya, ida2at, Retrieved 26 April 2020 from [\(URL\)](#).

May 19, 2020

Abu Dhabi and Riyadh also contributed to the renewal of the "Bernice" military base on the Red Sea coast near the southern international border, to the east of the city of Aswan, with an area of 150,000 feddans, including a naval base, an air base, and a number of combat units, which are considered by many observers, including Israeli experts, important to maintain the security of Israel<sup>12</sup>. Saudi Arabia had engaged in financing the construction of the Bernice military base later than its ally Abu Dhabi, specifically following a Sudanese-Turkish agreement signed during the rule of Omar al-Bashir to temporarily lease the Red Sea island of Suakin to Ankara, amid reports at the time that Turkey was planning to establish a military base there<sup>13</sup>.

#### Fourth: Political relations between the three countries

The relations between the three countries has been characterized by cooperation -amounting to a strategic alliance- in the main issues in the region. For example, the three countries share the same position on normalization with the Zionist entity, and rather compete to achieve this, as well as their position on the Palestinian resistance and Trump's 'deal of the century', and the blockade imposed on Qatar since May 2017.

In Yemen, the three countries participated in the so-called Arab coalition to fight the Houthis. Although each of the three countries has its own agenda that it seeks to achieve there, the Egyptian position in such coalition has mostly been characterized by subordination to Riyadh and Abu Dhabi and extortion to obtain financial support, known among the Sisi regime media men and according to leaks of senior officials as the "Gulf rice", in reference to the abundance of money in these countries.

But this does not mean absence of differences between them, especially Saudi Arabia and Egypt, as the political divergence between the two countries is greater than their economic rapprochement. Egypt had previously voted in favor of a Russian draft resolution at the Security Council, contrary to the desire of Riyadh which in turn criticized this Egyptian position publicly. Also, Saudi Arabia is against the Egyptian-Russian rapprochement on the grounds that Moscow is the main supporter of Iran that

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<sup>12</sup> Bernice Military Base in the Red Sea... , alkhalaj online, Retrieved 26 April 2020, from ([URL](#)).

<sup>13</sup> Emirati weapons and fighters at the Bernice Military Base to besiege Turkey, the New Arab, Retrieved 30 April 2020, from ([URL](#)).

is hostile to Riyadh. In addition, Saudi Arabia is not enthusiastic about Cairo and Abu Dhabi's support to Khalifa Haftar of Libya and sees this move as aggravation of the situation, not a solution to it.

However, the major point of difference between Riyadh and Cairo was the size of military support that Riyadh was expecting from al-Sisi in the Yemen war, where Cairo was only satisfied with playing a limited and mostly undeclared role to secure navigation in the Bab al-Mandab Straits with provision of a naval support to the coalition forces. This Egyptian betrayal – as viewed by Saudi Arabia – was behind Riyadh's inability to resolve the conflict in Yemen in its favor so far<sup>14</sup>.

### Fifth: Remarks and Findings

Based on the above data, neither the coronavirus crisis nor the falling oil prices are likely to affect the relationship between Saudi Arabia, the UAE and Egypt, but rather the cooperation between them in light of the current crisis is likely to increase for the following reasons:

1- Riyadh and Abu Dhabi cannot relinquish control over the Egyptian political decision, particularly Mohamed bin Zayed who considers the Sisi regime his own surrogate, which makes him keen to take advantage of this influence even if he is forced to contend with Mohammad bin Salman, who has also used the support card to control the Egyptian regime politically; and although the latter has not achieved complete success in that, especially in the Yemen file, yet the two Egyptian and Saudi parties are keen to preserve cooperation between them and maintain their mutual interests.

2- Egypt is the gateway to Africa and the Gulf window to Europe, especially through the Suez Canal, the most important world navigation hub for the transportation of oil; thus maintaining strong strategic relations with the Egyptian regime is extremely important both politically and economically for the two Gulf countries, especially the UAE amid its known role in Libya, in support of the Haftar militia via the Egyptian regime; or in the Horn of Africa.

3- Ensuring that the Muslim Brotherhood would not return to power again, a task that Al-Sisi is sincerely undertaking, and thus the survival of Al-Sisi and his regime is a guarantee for preventing

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<sup>14</sup> Dr. Ahmed Zikrallah, (24/11/2016), Beyond Tension: The Future of Egyptian-Saudi Relations, The Egyptian Institute for Studies, from ([URL](#)).

the return of Brotherhood to public life, given that Riyadh and Abu Dhabi consider the Brotherhood as a formidable enemy and a future existential threat to them.

4- The continued support of the two Gulf countries for the Sisi regime and securing its survival in power is a means to curry Israel's favor and consent, given that the downfall of the Sisi regime may pose a serious threat to Israel's future in the region. And since Israeli consent is the key to the White House's consent, the two countries cannot venture abandonment of the Sisi regime or breaking with it.

5- The intersection of economic interests between the two Gulf countries and Egypt will not allow retreat of support provided to the Sisi regime. For example, Bloomberg said in a recent report that Saudi Arabia "has shuttled large amounts of crude into storage in Egypt, a steppingstone to the European market". According to Bloomberg data, Saudi Arabia exported through March about 1.3 million barrels a day into Egypt – the highest level in at least three years <sup>15</sup>, to pre-position crude for re-export into Europe.

Saudi Arabia exports its crude oil from its ports to the port of Ain Sukhna on the Red Sea coast (east of Egypt), before the crude oil is pumped via pipeline across the country to a storage and export facility called Sidi Kerir on the Mediterranean Sea for re-export to Europe.

Sidi Kerir storage tanks are one of three main storage sites for Saudi Arabia outside its territory, where the other two sites are located in Rotterdam, in the western Netherlands, and Okinawa in Japan. Given that Sidi Kerir storage tanks are considered a strategic storehouse for the Kingdom's crude oil, Riyadh cannot risk a strained relationship with Cairo that holds one of the most important storage sites for its own crude oil<sup>16</sup>.

6- Also economically, the crisis of the falling oil prices is likely to accelerate the Gulf countries' efforts to transform into non-oil economy after the almost deadly blow they have received. Thus, the Egyptian market, which exceeds the threshold of the 100 million consumers, is likely to be the best

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<sup>15</sup> Gulf threatens to shut off oil taps..., Retrieved 23 April 2020, from ([URL](#)).

<sup>16</sup> Ibid.

May 19, 2020

market for Saudi Arabia and UAE to invest in; and accordingly the current situation is expected to boost their cooperation with Egypt and increase their investment in the Egyptian market, not the opposite.

7- Saudi Arabia and the United Arab Emirates benefit from their investments in the Egyptian market, where many of these ventures are run by army and police leaders, and hire a large number of them along with members of their families as well as family members of judiciary and media prominent figures, which means practicing extended influence within the Egyptian State's sovereign bodies, and securing a privileged position in all aspects of investment in Egypt.

However, away from the official relations between the three countries, there remains a potential informal effect that can emerge, that is the volume of Egyptian labor in the two countries, where a large number of them are likely to be dismissed as a result of reducing public expenditure in the two Gulf countries.

Based on the above remarks, we can conclude that the alliance between Riyadh and Abu Dhabi on the one hand and Cairo on the other will not be affected by the current crisis, but rather the cooperation between them will increase economically to overcome the crisis, while the limited political differences between Saudi Arabia and Egypt or between Saudi Arabia and the UAE will remain as they are between ebb and flow, but everyone will maintain their strategic alliance and will never turn away.