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Changed Priorities in the Gulf

Saudi Arabia and the Emirates Rethink Their Relationship with Egypt

Matthias Sailer

Saudi Arabia and the United Arab Emirates (UAE) are likely to scale back noticeably on their generous financial gifts to Egypt under its President Abdel Fattah al-Sisi. In the one year that King Salman has ruled Saudi Arabia, the kingdom has improved relations with the Muslim Brotherhood, an organization the Egyptian regime portrays as the source of all evil. Riyadh's overriding priority is now to stem Iran's influence in the region, particularly in Yemen and Syria. However, in Syria especially, al-Sisi's stance diverges from Saudi Arabia's. Moreover, both Riyadh and Abu Dhabi are frustrated by the lack of progress Egypt has made in improving its financial, economic and security situation. In addition, low oil prices have brought about a more restrictive spending policy in the Gulf. Consequently, for the first time since the overthrow of President Mohammed Morsi, Germany and the EU have an opportunity to push for change in Egypt by offering financial support that is made conditional on implementing measures to increase political participation and improve governance.

Between 2011 and the death of the Saudi King Abdullah in January 2015, Saudi and UAE regional policies primarily targeted preventing the so-called Arab Spring from spilling over onto the Arab Peninsula. For the rulers of the two autocratically governed Gulf States these rebellions represented an existential threat. It became apparent as early as 2011 that both countries' foreign policies were being militarized. This militarization occurred in parallel with the US, which for decades had guaranteed Saudi security, reducing its military commitment in the region. A foreign policy relying on military means was first seen in March 2011, when military and police units of the

Gulf Cooperation Council, primarily from Saudi Arabia and the UAE, marched into Bahrain. Their mission was to support Bahrain's ruling family in violently putting down a popular uprising. At the time, Bahrain's leaders accused Iran of inciting the country's mainly Shiite population against the ruling Sunni dynasty, though without providing any evidence.

However, both Gulf regimes saw the main threat as coming from the Muslim Brotherhood. That organization emerged victorious from Egypt's first democratic elections in 2011/2012; and in Tunisia Ennahda, which is close to the Brotherhood, received the most votes in the October 2011 elections.

The regimes of both Gulf States were concerned that with its ever growing political influence, the Brotherhood might undermine their systems of government from Egypt. In the 1950s and 1960s, many members and sympathizers of the Egyptian Muslim Brotherhood had fled to Saudi Arabia and the UAE to escape persecution in their own country. Originally, these mostly well educated immigrants had been well received in the Gulf States as a boost to the educational sector, which was then being expanded. As teachers, however, they were also able to spread their own ideology. Additionally, they became active in the civil society, for instance in the charity sector. Following the Muslim Brothers' increasingly political behaviour, Saudi Arabia and the UAE prohibited their activities in the 1990s. In 2011 the concern in the Gulf was that the Egyptian Brotherhood might incite those parts of the population that had been influenced by its ideology to rise up against the monarchies. How threatened the rulers of the UAE felt by this scenario is shown by the fact that legal proceedings were instituted there against more than 100 people between April 2011 and November 2014. Most of the accused were charged with founding a secret organization affiliated with the Muslim Brotherhood with the aim of toppling the UAE regime. Some of the accused were Egyptians.

Alongside the anxiety about an "export of revolutions" promoted by the Muslim Brotherhood, there was a concern that Egypt under the Brotherhood might seek a rapprochement with Iran. In August 2012 Mohammed Morsi was the first Egyptian President to travel to Tehran since the 1979 Revolution. Further state visits between the two countries followed. The Muslim Brotherhood stressed that this upgrading of Iran was not aimed at the Arab Gulf states, but the latter remained sceptical. When a high-ranking official of the Muslim Brotherhood stated in June 2013 that the UAE would become "slaves of the Persians", the Emirates' leaders saw their fears confirmed. And since Egypt is the most populous Arab country as

well as the birthplace of the Muslim Brotherhood, it initially had a key role in the Saudi and UAE fight against that organization.

Opponent: Qatar

On the other side were the rulers of Qatar, which supported the Muslim Brothers. They viewed the organization's rise as a chance to extend their own regional and international influence further. For decades, the country had been cultivating close relationships with the Muslim Brothers and other Islamist organizations. It therefore seemed likely that Qatar would be among those profiting most from regime change in the Arab countries in turmoil. However, with Morsi's overthrow in July 2013 and the subsequent repression of the Muslim Brotherhood by the new military regime, it became evident that this strategy would not work. From that point on, the Qatari leadership was increasingly forced to realize that it could not maintain its foreign policy against the will of Saudi Arabia and the UAE, both of which supported the new regime in Cairo.

When Saudi Arabia, the UAE and Bahrain recalled their ambassadors to Qatar in March 2014, the pressure became too great. Towards the end of the year, Qatar already seemed to be moving closer to its former opponents' position. At that time, for instance, the Qatari leadership let it be known to several high-ranking Brotherhood officials living within its borders that their presence was putting great pressure on Qatar. They left the country. The emirate thus partly met Saudi and UAE demands not to give shelter to Egyptian dissidents. This was good news for the military regime in Cairo.

The end of the Saudi-Emirati block against the Muslim Brotherhood

Developments, however, took a different turn. King Abdullah of Saudi Arabia died in January 2015, depriving Cairo of one of its

most important supporters. The new king, Salman bin Abdul Aziz al-Saud, changed Saudi regional policy by speedily implementing a rapprochement with the Muslim Brotherhood. This went hand in hand with a rapprochement with Qatar and Turkey as well as a slight cooling of relations between Riyadh and Abu Dhabi.

Since Salman's accession, there have been many reports about high-level meetings of the Saudi leadership with top-ranking officials of regional Brotherhood affiliates, such as Rashid al-Ghannouchi (Tunisia), Hammam Saeed (Jordan) and Khaled Meshaal, the representative of Palestinian Hamas. So far, the highpoint has been Riyadh's ambassador to Doha inviting the influential Egyptian legal scholar and TV preacher Yusuf al-Qaradawi for the occasion of the Saudi national day in October 2015. Few people symbolize the aversion to Egypt's military regime quite as much as al-Qaradawi, who is close to the Muslim Brothers and has been living in exile in Qatar for decades.

At the same time, King Salman has been seeking closer relations with Qatar and Turkey (Ankara's relationship with Egypt is tense as well). Photos of a meeting held in February 2015 by Mohammed bin Nayef, now the Saudi crown prince, and deputy crown prince Mohammed bin Salman, with the Qatari Emir Tamim bin Hamad al-Thani showed the participants in a good mood: clearly, relations between Saudi Arabia and Qatar had substantially improved. Advisors to the Qatari government stressed that the improvement had occurred very suddenly on Salman's accession to power and that today's bilateral relations were very good.

Proof of this rapprochement can also be found in the Saudi-Qatari cooperation in the civil wars in Yemen and Syria. In Yemen, where Saudi Arabia is waging a war against the Houthi rebels, cooperation with Yemen's Islah – an umbrella organization that includes the local offspring of the Muslim Brotherhood – is important. Qatar took on the role of mediator here and accomplished a rapprochement between the two

former enemies. The Yemeni Islah and Saudi Arabia had been on hostile terms after Riyadh declared the Muslim Brotherhood a terrorist organization in March 2014.

In addition, there has been close cooperation with Qatar and Turkey in Syria since spring 2015. The military successes of the rebel alliance Jaish al-Fatah, forged by Saudi Arabia and Qatar, brought Bashar al-Assad's regime close to military defeat in the summer of that year. This rebel alliance includes militias that can be categorized as belonging to the Muslim Brotherhood. The defeat of the government troops was ultimately prevented by Russia's military intervention in autumn 2015.

UAE: readjustment rather than change of course

Unlike Saudi Arabia, the UAE have not initiated a clear policy change on the Muslim Brotherhood. However, careful readjustments are perceptible here, too. In Yemen, for instance, the UAE demonstrate pragmatism. Despite not directly working together with the Yemeni Islah against the Houthis, they support the Saudi approach, which comprises cooperating with the movement. Ultimately, therefore, Abu Dhabi's policy indirectly strengthens the Yemeni Islah.

While the UAE and Saudi Arabia have essentially been on good terms since Salman's accession, there is also potential for conflict. For the time being, the war in Yemen is keeping the two countries close. According to high-ranking advisors in Abu Dhabi, however, once this factor ceases to exist, relations could certainly become more difficult, mostly because of the countries' different attitudes towards the Muslim Brotherhood.

By contrast, relations between the UAE and Qatar remain cool. At the very core of their divergences is Qatar's friendly stance towards the Muslim Brothers. The two countries clashed particularly hard over the Brotherhood and Morsi's overthrow in Egypt, causing lasting damage to their relations.

Changed perceptions of threats

These ongoing adaptations of the Gulf States in their relations to the Muslim Brotherhood and to each other must be seen against a series of regional and international developments that have changed the perceptions of threats in Saudi Arabia and the UAE. These altered perceptions characterize their relationship with Egypt today.

A weakened Muslim Brotherhood

There is first of all the regional standing of the Muslim Brothers. Two-and-a-half years on from the overthrow of President Morsi, Saudi Arabia and the UAE view the Brotherhood, which has been violently suppressed ever since, as weakened. The two countries still consider the organization's ideology a threat to their own ruling systems. However, the threat is now categorized as long-term rather than acute. Yet in spite of their similar evaluation of the Brotherhood, aversion to it remains much greater in Abu Dhabi than in Riyadh. Top-ranking advisors of the gravely ill UAE president and of the Abu Dhabi crown prince continue to stress the great danger which they see as emanating from the Brotherhood. Public statements of the UAE Minister of State for Foreign Affairs, Anwar Gargash, underline this aversion. In late November 2015, for instance, he blamed the Yemeni Islah for the difficulties experienced in recapturing the Houthi-dominated Taiz province.

Alongside the already mentioned allegations of putsch plans, there is a further possible explanation for the UAE's harsher position on the Muslim Brotherhood: Mohammed bin Zayed al Nahyan, the Abu Dhabi crown prince and the Emirates' most important decision-maker in foreign affairs. Mohammed bin Zayed has had a military career, and observers describe his worldview as heavily focused on security. Added to this is the aversion for Islamism in general and for the Muslim Brotherhood in particular that the crown prince shares with some of his advisors.

A strengthened Iran

Along with the weakening of the Muslim Brotherhood there is, for Saudi Arabia and the UAE, the threat of Iran, which they perceive to have grown substantially. The fact that Riyadh pulled out of the anti-Brotherhood block should above all be interpreted as an attempt to forge a broad alliance of Sunni states and transnational actors against Shiite Iran, in a less and less favourable regional and international environment.

Saudi Arabia and the UAE have both come to terms with the Vienna nuclear accord on Iran in July 2015. However, although Riyadh and Abu Dhabi officially welcomed the agreement, they believe that Iran's desire to dominate the region continues to underpin its policies. Media statements made by high-ranking government officials of both countries in the autumn of 2015 confirm this. The predominant perception in Saudi Arabia and the UAE is that they might come to be at a disadvantage in the power struggle with Iran. The improvement in relations between Iran and the US reinforces this view. Moreover, the Arab Gulf States see the US, their traditional security guarantor, as increasingly weak.

The hostile stance of the Sunni Gulf regimes towards Iran is also based on the fear that Tehran might stir up the Shiite population segments of the Arab Gulf States against their ruling dynasties. Along with Bahrain, this applies above all to Saudi Arabia, where the percentage of Shiites, who are concentrated mainly in the east of the country, is 10 to 15 percent. Compounding this is Iran's great influence in Syria, Lebanon and Iraq.

Yemen as a red line

The great extent to which Iran is now perceived as a threat by Saudi Arabia and the UAE can be seen in Yemen. The two Gulf States absolutely want to prevent Iran's influence from spreading onto the Arabian Peninsula. Riyadh and Abu Dhabi therefore consider Yemen the red line that must not

be crossed by Iran. They accuse Tehran of supporting the Yemeni Houthi rebels, who stormed the capital Sanaa in September 2014 and drove the government of President Abd Rabbuh Mansur Hadi from office. Comments made by Iranian politicians have reinforced perceptions in Abu Dhabi and Riyadh that this is a part of Tehran's expansionism. For instance, after Sanaa had been captured by the Houthis, a member of the Iranian parliament said that Iran now governed in four Arab capitals: Beirut, Damascus, Baghdad and Sanaa.

It is the Emirates' military engagement in Yemen that most clearly reveals their concerns about Iran. Relative to the UAE's small size, their deployment is extensive and very risky domestically. According to a UAE general quoted by Reuters, around 4,000 soldiers from the UAE, Saudi Arabia, Bahrain and Sudan were fighting in Yemen in early December 2015. The UAE are involved in combat operations with their air force and ground troops. Although there are no official numbers for the UAE contingent, local observers estimate that its overall contribution of troops is greater than Saudi Arabia's. According to press reports, there are also 450 Latin American soldiers in the UAE ranks. A UN Security Council report assumes that an additional 400 soldiers from Eritrea are embedded in the UAE armed forces.

Local anecdotes about young Emiratis demonstrate how risky the deployment is domestically: some of them received their combat orders in disbelief and only took them seriously when the military police came looking for them because they had not reported for duty. The many stage-managed visits of condolence made by high-ranking Abu Dhabi and Dubai royals to the families of fallen soldiers also show clearly that the UAE leadership is aware of the domestic risks. Should the mood of the people turn against the intervention, then their rulers' legitimacy would suffer greatly. It must therefore be assumed that the Emirates' leaders run this risk only because they really do feel threatened.

The UAE's complex interests

There has so far been consensus at Emirati government level about the necessity for the deployment in Yemen, despite some divergent interests. Here, the decisive factor is the unity between Abu Dhabi – the richest UAE emirate by far – and Dubai, whose state companies were kept afloat during the financial crisis in 2009 by around \$10bn from Abu Dhabi. Dubai, the commercial centre of the UAE, has historic trade relations with Iran and would like to maintain or expand these ties. By contrast, Abu Dhabi sees Iran mainly as a threat and has in the past used harsher rhetoric against it than Dubai. And yet the two Emirates do fundamentally agree about the Iranian threat. Commercial interests are simply kept strictly separate from fundamental security interests. This is shown among other things by the lively economic relations between the UAE and Iran, which exist despite the fact that, since 1971, Iran has occupied three islands claimed by the Emirates.

There are further reasons for the UAE's strong involvement in Yemen, besides feeling threatened by Tehran. According to high-ranking political advisors in Qatar (which is a part of the Saudi-led alliance in Yemen), the military engagement of the UAE can also be explained as a reaction to Riyadh's changed policy towards the Muslim Brotherhood: the different attitudes are putting a strain on bilateral relations. With their large-scale military deployment to Yemen, the UAE have been able to strengthen them considerably. In other words, the deployment also improves Abu Dhabi's bargaining position in case of future political disagreements with Riyadh.

Saudi special interests

In the case of Saudi Arabia, too, the same political advisors give an additional explanation for the intervention in Yemen, besides the Iran factor: Mohammed bin Salman, the Saudi deputy crown prince, is also defence minister. According to them, the wish to reinforce his position also played

a role – albeit a secondary one – in Saudi Arabia’s military intervention because it allowed this only 31-year-old son of King Salman to demonstrate his resoluteness and assertiveness.

The secondary importance of IS

Compared to the efforts to contain Iran, even the fight against the so-called Islamic State (IS) currently has only secondary importance for Saudi Arabia and the UAE. There have been several terrorist attacks in Saudi Arabia claimed by IS, most recently in October 2015. Nonetheless, months ago Riyadh and Abu Dhabi sharply reduced their participation in the air strikes against IS in Syria and Iraq. This makes it very clear that the war in Yemen – and thus ultimately the containment of Iran – has greater priority. It is rather unlikely that the Islamic anti-terror coalition announced by Saudi Arabia in mid-December 2015 represents a revised set of priorities. After all, the deputy crown prince has already stated that the coalition would not exclusively be aimed at IS terrorism. Moreover, several alleged members seemed unaware of their own membership of the alliance as it was being announced, which leaves its seriousness in doubt.

Foreign-policy divergences with al-Sisi

Saudi relations with the Egyptian President al-Sisi, whose rule is inextricably linked with the fight against the Muslim Brothers, are currently at a low because of the changed perception of threats in Riyadh. This is also reflected in some Egyptian commentators’ attacks on Saudi Arabia. For instance, in his TV show in November 2015, talk show host Ibrahim Eissa attacked the Kingdom’s fundamentalist state religion and exclaimed, “You are terrorism!” Since then, well-known Saudi journalists have been openly and sharply criticizing al-Sisi, for example because of Cairo’s attitude to the conflict in Syria. In October, Egyptian foreign minister

Sameh Shoukry welcomed Russia’s intervention there. This was a divergence from the Saudi position, which sees the Russian air strikes primarily as assisting the Iran-supported Assad regime. In contrast with Saudi Arabia, Egypt would essentially accept a solution to the Syria conflict even if it provided a future leadership role for Bashar al-Assad.

The Emirati position on the Syria conflict is less clear-cut. On the one hand, like Riyadh, Abu Dhabi is concerned about a possible expansion of Iran’s influence in Syria; on the other, the Emirates fear the powerful presence of Islamist groups there more than Saudi Arabia does.

Relations between the Gulf States and Egypt concerning the military intervention in Yemen are more complex. Egypt is critical of it. However, its reservations in this area are less principled in nature. Rather, they seem to express dissatisfaction with the minor role that the Gulf States gave Egypt to play in this conflict. A greater engagement would have given al-Sisi an opportunity to free Egypt from the one-sided and almost total dependence on the Gulf States. However, according to high-ranking advisors close to Abu Dhabi’s crown prince, Cairo was not asked for a greater military contribution, even though it would not hesitate to expand its participation if requested. This seems to confirm that the Gulf States are not interested in being dependent on Egypt’s help either in Yemen or more generally.

Frustration with al-Sisi’s domestic policy performance

There is now criticism in both Riyadh and Abu Dhabi of al-Sisi’s balance sheet in financial and economic policy and domestic security. According to advisors close to the Qatari Emir, Saudi Arabia is disappointed at al-Sisi’s lack of success, and is concerned about Egypt’s stability. Saudi press reports, too, show that these issues are discussed critically by the country’s elite. In November 2015, for instance, prominent Saudi

commentators bluntly denounced the still desperate economic and financial situation in Egypt.

Indeed, Cairo offers scope for criticism. Foreign exchange reserves, for instance, were hardly higher at \$16.4bn in November 2015 than just before Morsi's overthrow (\$14.9bn). Since then, however, Saudi Arabia and the UAE have together poured an estimated \$25bn to \$41.5bn into Egypt in the form of grants, soft loans, and oil and gas products. In Abu Dhabi, too, there is an awareness that Egypt's economy is in a bad way. After Morsi's overthrow, the UAE had sent a taskforce to Egypt to implement projects that were intended to swiftly create jobs and bring tangible improvements to people on low incomes. However, the UAE are aware that these projects cannot by themselves stabilize the country economically and thus also politically. High-ranking advisors in Abu Dhabi assume that the Egyptian economy and employment situation will not fundamentally improve in the foreseeable future because of strong population growth. Every year, up to 800,000 young professionals flood the Egyptian job market, which is incapable of absorbing such large numbers because economic growth is too weak. There is dissatisfaction in Abu Dhabi over Egypt's too-slow implementation of urgent economic reforms. Moreover, there is noticeable scepticism about the capability of the al-Sisi regime to get to grips with Egypt's terrorism problem.

Low oil prices, high military expenditure

Between July 2014 and mid-December 2015, the price of Brent Crude plummeted by about 65 percent. This has drastically reduced Gulf state revenues. Their initial optimism that prices would soon rise again has now vanished. In addition, there are the costs of the war in Yemen. The convergence of these two factors has already led to a more restrictive attitude to spending in the UAE. Influential businessmen who are active in the region confirm this

tendency for the other Arab Gulf States as well. In late December, the Saudi leadership, which is faced with a budget deficit for 2015 provisionally estimated at \$98bn, was already forced to curtail subsidies for petrol, electricity and water.

Conclusion: the Gulf States will cut their financial support to Egypt

Relations between Saudi Arabia and Egypt are particularly difficult at the moment. Their very different opinions on what role the Muslim Brotherhood should play are virtually impossible to reconcile. For Saudi Arabia, the rapprochement with the Brotherhood is a part of its own strategy against Iran – which Riyadh sees as the greatest threat by far. Al-Sisi's position on the Syria conflict also diverges from Riyadh's, and Egypt's precarious economic and security situation has stoked the Saudi leadership's disapproval. At the same time, the low price of oil puts limits on Saudi Arabia's financial largesse. For this reason, the Kingdom is likely to significantly reduce its financial support to Cairo. However, the Saudi leadership will not consider completely stopping its support, as such a move would risk endangering Egypt's stability and jeopardizing Saudi political influence there.

The expected decline of Saudi Arabia's generosity was already evident in its new support package for Egypt, announced in December 2015. It held out the prospect of state investments over a period of three to five years, but no new grants. The package also comprises help to cover Egypt's oil needs over the next five years. However, this is not in the form of grants either, but loans.

Relations between Abu Dhabi and Cairo are less tense, but likewise increasingly burdened with problems. Their shared aversion to the Muslim Brotherhood is a uniting factor. In the Syria conflict too, both sides are closer to each other than is the case with Egypt and Saudi Arabia. But delays in implementing economic reforms in Egypt, and Cairo's hitherto unproductive efforts

to solve the country's terrorism problem, are causing growing impatience in the Emirates. The tenor in Abu Dhabi is that there will be continued material support for Egypt, but not nearly to the same extent as previously, because of the lastingly low price of oil.

With Saudi and UAE generosity decreasing, Cairo will find it noticeably harder to cover its own expenditure. The Egyptian leadership will therefore have to look for complementary or alternative sources of income.

A new situation for Germany and the EU is thus taking shape. Up until now, al-Sisi could afford to do without Western support, which would have been conditional on better governance or greater inclusion of the suppressed opposition. The Gulf States paid even without such conditions. However, if their generosity now decreases, this will put Germany and the EU in a position to influence Egypt's development using conditional aid. This will be an opportunity to prevent the country's political and economic situation from getting worse and thus stop Egypt from becoming a failed state.

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