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Research Report

Ice age for the 'cold peace' between Egypt and Israel: How the Gaza war is affecting bilateral relations

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SWP Comment

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Ice Age for the ‘Cold Peace’ between Egypt and Israel

How the Gaza War Is Affecting Bilateral Relations

Stephan Roll

The Hamas terrorist attack on 7 October 2023 and the subsequent Israeli military intervention in the Gaza Strip marks a turning point in relations not only between the two parties to the conflict but also between Egypt and Israel. Under President Abdel Fattah al-Sisi, those ties were steadily being expanded in the areas of economic and security policy right up until the events of last October. Now they are characterized by mutual recriminations: while Egypt accuses the Israeli leadership of working towards the expulsion of the population of the Gaza Strip to Sinai, Israel criticizes Egypt for its alleged support of Hamas. Neither accusation is unfounded and both should be taken very seriously by Germany and its European partners. In fact, the Europeans should stand alongside Egypt in rejecting expulsion, which implies putting pressure on Israel to ensure the protection of the civilian population in Gaza. At the same time, it is important to support Israel’s insistence that going forward, the security of the border between Egypt and the Gaza Strip cannot be left to Cairo alone.

The 1979 peace agreement between Egypt and Israel has come under immense pressure since the Hamas terrorist attack against Israel and the subsequent Israeli military intervention in the Gaza Strip. In mid-February, in response to Israel’s announced offensive against the city of Rafah (which lies on the border with Egypt), Egyptian officials went so far as to threaten to suspend the agreement. Shortly thereafter, Egyptian Foreign Minister Sameh Shoukry emphasized that his country would continue to uphold the agreement as long as Israel did so as well. However, after Israeli Finance Minister Bezalel

Smotrich had accused Egypt of bearing “considerable responsibility” for the events of 7 October, the chairman of the Foreign Affairs Committee of the Egyptian Senate called for security cooperation with Israel to be put on hold.

7 October 2023: A turning point

This rapid deterioration in bilateral relations is all the more remarkable given that the opposite trend was evident over the past 10 years. While in previous decades, the peace between Egypt and Israel had



remained a cold peace without any real rapprochement between the two nations, the seizure of power by the Egyptian military in early July 2013 led to the gradual stepping up of interstate relations. The driving force behind this development was cooperation between the two states' security apparatuses, which had already been good but now reached a new level. Israel allowed Cairo to significantly expand the Egyptian military presence in Sinai, which was limited by the peace treaty, in order to fight militant Islamist groups on the peninsula. At the same time, the Israeli army helped combat the insurgents through air strikes.

Since 2016, there appear to have been several meetings between Israeli Prime Minister Benjamin Netanyahu and Egyptian President Abdel Fattah al-Sisi, which, among other things, are likely to have focused on energy cooperation. At the beginning of 2018, a contract was signed for the export of Israeli natural gas to Egypt. Amid the growing supply shortages in the years that followed, Israeli gas became ever more important for Egypt; and in August 2023, it was agreed to step up Israeli gas exports in order to alleviate the frequent power outages. Meanwhile, Israeli holidaymakers were playing an increasingly significant role for the beleaguered Egyptian tourism sector. In 2022, the first-ever direct flight between Israel and the Egyptian seaside resort of Sharm el-Sheikh was launched.

This period of intensifying bilateral relations was brought to a sudden end by the Hamas terrorist attack of 7 October. In Egypt, social media and semi-governmental and religious actors such as Al-Azhar, the country's most important Islamic institution, either reacted favourably to Hamas' bloody actions or simply ignored them. At the same time, the Israeli military intervention in response to the attack was harshly criticized and often labelled as "terrorism". A copy of the peace treaty was torn up in the Egyptian parliament and there were calls for the Israeli ambassador to be expelled. On 8 October, an Egyptian policeman shot and killed two Israeli tourists in

Alexandria — an act that was by no means unanimously condemned by the Egyptian public. Jerusalem responded by urging Israeli tourists to leave Egypt as quickly as possible, which led to a slump in the number of visitors to the southern Sinai.

Relations at the government level were further strained when an Egyptian intelligence official claimed that just days before 7 October, Egypt had warned Israel via confidential channels that "something big" might be about to happen. This alleged indiscretion on the part of the Egyptian security apparatus was an affront to Prime Minister Benjamin Netanyahu and his cabinet, who immediately rejected the claim as a lie. What is more, Israel took the major step of establishing a complete blockade of the Gaza Strip, apparently without having informed the Egyptian government in advance, despite the blockade including the Egyptian border crossing in the city of Rafah. Several Israeli air strikes against the border facility on the Palestinian side were not coordinated with Cairo. And in the months that followed, the two sides accused each other of blocking humanitarian aid to the Gaza Strip.

Israel's decision to reduce gas exports to Egypt sparked further tensions. The justification given for that decision was safety concerns, which, according to the Israelis, made it necessary to temporarily suspend production from the Tamar gas field. At the end of October 2023, the Egyptian government announced that all gas imports from Israel had stopped; it was apparently not until November that those shipments began to slowly increase again. At the same time, there were reports of Cairo's refusal to honour its obligations to Israel under a previous gas deal. Ultimately, however, there have been two issues in particular that have weighed heavily on bilateral relations and fuelled the ongoing political dispute between the two countries.

Issue No. 1: Refugees

Immediately after the start of the military intervention in the Gaza Strip, Cairo warned the Israeli government against expelling the Palestinian population to Sinai. At a very early stage, President Sisi, who tends to be more moderate in his criticism of Israel's actions than the Egyptian Foreign Ministry, made it clear that under no circumstances would he tolerate a mass influx of refugees from the Gaza Strip. The fear of such a scenario is by no means unfounded. As early as in the first weeks of the military intervention, numerous Israeli analysts and even members of the Israeli government spoke out in favour of the "voluntary emigration" of Palestinians. At the end of October, a recommendation by the Israeli Ministry of Intelligence to expel the Palestinian population was leaked. Around the same time, the media reported on attempts by Prime Minister Benjamin Netanyahu to persuade European heads of government to exert pressure on the Egyptian government to take in refugees from the Gaza Strip.

But it is, above all, Israel's military actions that suggest the country is at least condoning the expulsion of Palestinians from the Gaza Strip. The offensive continues relentlessly, despite the thousands of casualties among the Palestinian civilian population, the constantly deteriorating humanitarian situation in the Gaza Strip and repeated international appeals to comply with international law. While the International Court of Justice recently ordered that "immediate and effective measures" be taken to protect civilians, there are reports of Israel's systematic obstruction of aid deliveries.

Instead of allowing Palestinian civilians to flee to Israeli territory, as demanded by President Sisi — or at least establishing sufficiently large protection zones — people are being forced to seek refuge inside the densely populated Gaza Strip. Rafah has become the main safe haven: its population has increased from around 280,000 before the Israeli military offensive to more than

1.5 million as a result of the influx of refugees; this corresponds to more than two thirds of the population of the Gaza Strip. Consequently, the pressure along the Egyptian border has intensified enormously. The expansion of the border fortifications, which Cairo has been carrying out for some time now, is very unlikely to stop Palestinians seeking protection in the event of Israeli attacks.

Even though the Sisi administration now appears to be making provisions for the establishment of refugee camps, it still categorically refuses to open the border — for several reasons. First, there are concerns that taking in refugees would contribute to the permanent displacement of Palestinians. Second, the Egyptian security establishment is worried that militant actors would mingle with the refugees, which could fuel instability in northern Sinai. Between 2011 and 2021, the region witnessed civil war-like clashes between the Egyptian security forces and militant Islamist groups that resulted in thousands of deaths. And, finally, President Sisi has expressed fears that Palestinians could launch attacks against Israel from Sinai, which could draw Egypt into a direct military confrontation with its neighbour.

Issue No. 2: Border security

Another consequence of the war between Israel and Hamas is the rekindling of the dispute over control of the border between Egypt and the Gaza Strip. In 2005, Israel withdrew from the so-called "Philadelphi Corridor", a 14-kilometre-long security zone between Egypt and the Gaza Strip, and agreed to the deployment of 750 Egyptian border guards. Since then, the two states have repeatedly argued about how this border should be adequately monitored. Comments by Prime Minister Netanyahu at the end of 2023 that Israel must regain full control of the Philadelphi Corridor caused a stir in Egypt. Immediately rejecting the implication that Cairo could not secure its border and would facilitate arms smuggling, Eryp-

tian officials ruled out any change to the status of the border. However, there are identifiable reasons why Israel is taking such a stance — and these are related to recent developments in the neighbouring country.

It is true that Egypt had stepped up efforts to secure the border even before Sisi became president. Tunnels to the Gaza Strip had been flooded during the presidency of the Muslim brother Muhammad Morsi in order to cut off the supply lines to jihadist groups in Sinai. After Morsi had been ousted from power by the Egyptian military in July 2013, the destruction of the tunnels continued. But unlike under Morsi, the new political leadership under President Sisi also wanted to weaken Hamas, which was seen as a threat because of its links to the Egyptian Muslim Brotherhood. Between 2013 and 2015, the government established a buffer zone along the Gaza Strip, whereby thousands of houses on the Egyptian side were destroyed and their inhabitants forced to relocate.

However, after 2016 the Sisi administration did a U-turn that went largely unnoticed. In an apparent bid to effectively combat the insurgency movement in Sinai, it sought to gradually improve its relations with Hamas. For its part, Hamas made significant concessions to the Sisi administration; in 2017, it even dropped a reference in a policy document that it was part of the transnational Muslim Brotherhood and thereby formally cut ties with the Egyptian parent organization. As a result, cooperation over border management improved, too, and developed into an extremely lucrative business for both Hamas and Egypt. There were, for example, so many bureaucratic hurdles to passenger transit, which was handled via the Rafah border crossing, that Palestinians were forced to resort to the costly services of intermediary agencies, which had evidently maintained close ties to the Egyptian security apparatus.

But exercising joint control over some of the movement of goods into the Gaza Strip is likely to have been an even more lucrative business. Following an agreement

between Israel and Hamas at the end of 2018, which led to a partial easing of the years-long Israeli blockade of the Gaza Strip, the Salah-al-Din border crossing near Rafah opened. According to official figures, less than 10 per cent of goods were initially transported to the Gaza Strip via this check-point; most shipments continued to pass through the Israeli Kerem Shalom border crossing. In the years that followed, however, the percentage share increased considerably: in August 2023, just weeks before Hamas attacked Israel, 37 per cent of official imports of goods reached the Gaza Strip via this route. The security agencies on either side of the border were reaping in large amounts from the levying of customs duties and fees; indeed, Hamas appears to have been collecting around US\$14 million a month.

More important still, however, was that the movement of goods via the Salah-al-Din border crossing was not subject to control within the framework of the Gaza Reconstruction Mechanism, a tripartite agreement between the Palestinian Authority, the Israeli government and the United Nations that was intended to regulate the reconstruction of the Gaza Strip after the 2014 war. In fact, the handling of freight and passenger transport remained largely non-transparent. The fact that Hamas was able to successfully smuggle large quantities of weapons and building materials into the Gaza Strip is likely to make Israel insist on direct control of the territory's border with Egypt.

Outlook and recommendations

Both Egypt and Israel would have much to lose if bilateral relations continued to deteriorate, especially to the extent of the 1979 peace treaty being suspended or even abrogated. The treaty is the formal basis for Egypt to receive annual US military assistance totalling US\$1.3 billion. The loss of that support would mean a considerable cut in the country's defence budget. In addition, Cairo would lose its role as mediator

between Israel and the Palestinians – a role that has given the government a certain amount of political clout in Western capitals.

Thanks to its good relations with its southern neighbour, Israel has been able to focus its defence efforts along its northern border and on securing the occupied territories. But in recent years, Israeli analysts have expressed concern over the massive armaments build-up in the large neighbouring country. Should there now be doubts about Egypt's peaceful disposition, Israel would be forced to increase its armed forces along the southern border, which, given the already existing strain on the Israeli military, would prove an enormous challenge. Moreover, Egypt still has a role to play as mediator – namely, in the ongoing negotiations for the release of the Israeli hostages taken by Hamas.

It is therefore not surprising that despite exchanging verbal threats, the two sides appear to continue to seek dialogue with each other, as demonstrated by the new agreement on increasing Israeli gas supplies to Egypt, signed in February 2024. However, the two main issues weighing on bilateral relations are unlikely to be resolved. Even if there is no mass exodus of Palestinians from the Gaza Strip to Sinai in the near future, the unclear prospects for the development of the territory mean that such an exodus will remain possible even after the end of hostilities. And in view of Hamas having been able to arm itself so heavily, Israel is unlikely to voluntarily refrain from militarily reoccupying the Philadelphi Corridor.

Germany and its European partners should take a clear stance on both of these issues. Egypt's rejection of any form of expulsion of the Palestinian population from the Gaza Strip must be unreservedly supported. For its part, the German government has already declared that there must be no large-scale expulsion. But that could happen for reasons other than further military escalation: even if the status quo is maintained in terms of supplies, the cur-

rent rapid deterioration of living conditions in the Gaza Strip could lead to displacement on a massive scale. Therefore, instead of offering de facto unconditional support, Germany and its European partners should put much more pressure on Israel to allow increased aid deliveries by land, since air-drops and the construction of a harbour to deliver aid to Gaza by sea will not suffice. But, above all, Germany and its partners should not simply call for an "immediate humanitarian pause"; rather they should demand a permanent ceasefire. The latter is a prerequisite for sustainable stabilization, which is also the aim of the peace plan put forward by Josep Borrell, the European Union's high representative for foreign affairs and security policy.

With regard to border security, Israel's concerns must be taken seriously. A return to the status quo ante, in which the Egyptians and Palestinians jointly controlled the southern border of the Gaza Strip, is not an option in the short or medium term owing to Hamas having massively armed itself in recent years. Future border management must be transparent and conducted in the spirit of the civilian reconstruction of the Gaza Strip. Accordingly, the free movement of people and goods must be allowed and, at the same time, the import of weapons prevented. Israel is likely to relinquish control of the border between Egypt and the Gaza Strip only if the security of that border is guaranteed by trustworthy external actors. The EU could offer some assistance here. Since 2005, it has been maintaining the European Union Border Assistance Mission Rafah (EUBAM), which monitors operations at the Rafah border crossing. However, EUBAM has not played an active role since 2007. Its revitalization and expansion after the war – perhaps with the involvement of other partner countries – could help resolve the crucial issue of security along the border between Egypt and the Gaza Strip going forward.

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