



Gulf Research Center
Knowledge for All

Egypt - GCC Relations





Key Domestic Developments

In April 2021, Egypt launched the National Structural Reforms Program (NSRP). The NSRP (2021-24) strives to achieve balanced and sustainable growth considering national and international developments, such as the COVID-19 pandemic and the global transformation towards digital and green technologies. As part of the plan, the government announced both structural and legislative reforms to increase resilience, promote employment and employability, and increase productivity and competitiveness. The NSRP is aligned with the Sustainable Development Strategy, the African Union Commission's (AUC) Agenda 2063: the Africa We Want, as well as Vision 2030 — a long-term strategy launched by Egypt's president in 2016, encompassing areas such as promoting Industry 4.0 and the green economy, maintaining water and food security, and controlling population growth. Some key targets identified within this plan include raising the real GDP growth rate from 3.6% in 2019/20 to 6%-7% in 2023/24, and to increase the share of investment in GDP from 13.7% of GDP in 2019/20 to at least 20% in 2023/24. Elections for both legislative chambers within the Egyptian Parliament were held in 2020, and they resulted in the victory of almost exclusively regime supporters. Elections for the senate, which functions as a mainly consultative upper house of parliament, were held in August 2020. With a notably low voter turnout rate of 14.2%, the Nation's Future Party (NFP), which has close ties to security agencies and supports the regime, won 147 of the 200 contested seats.

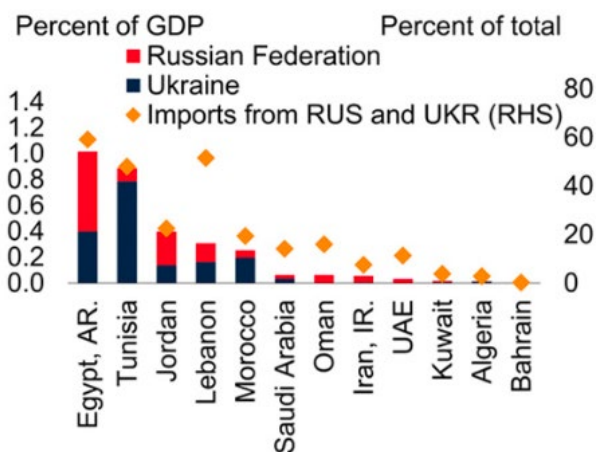
Elections for the House of Representatives, Egypt's lower house and main legislative body, were held in November and December 2020 and experienced a voter turnout of 28.8%. The NFP secured 315 seats (53%), followed by the pro-regime Republican People's Party (RPP) with 50 seats (8%). Without a noticeable opposition, parliament is not expected to serve as a check on the executive branch. Other key developments within the Egyptian government include the passing of constitutional amendments in April 2019, which extended further power to the president's office. President Abdel Fattah al-Sisi faces an election in 2024 and he is likely to run for another term.

The ongoing war in Ukraine has only further increased food and energy prices within Egypt. Egypt started experiencing an increase in food prices in March after the prices had increased on the world market. As a result, the Egyptian government issued a decree regulating the prices of subsidized and unsubsidized bread, and enforced a three-month ban on the export of all kinds of seed and vegetable oils, corn, flour, wheat, beans, and other products. Depreciation of the pound and heavy dependence on food imports, particularly from Russia and Ukraine, have driven inflation within Egypt to double-digit annual rates. On June 12th, Egypt's prime minister, Mostafa Madbouly, said that the Egyptian economy had suffered 130 billion Egyptian pounds (USD 7 billion) in direct losses due to the ongoing Russian military operation in Ukraine. Prior to the war, Egypt had been importing 42 percent of its grains from Russia and Ukraine, Madbouly said, adding that 31 percent





of all tourists visiting the country were also from these two countries. As such, the Egyptian economy took a massive hit due to the implications of the war on global food prices. In order to soften the blow to the domestic economy, the Egyptian government intends to strengthen the private sector, localize industry, and boost the Egyptian stock exchange. The Egyptian Prime Minister mentioned that “Egypt would have neither overcome the crisis caused by the coronavirus nor withstand this crisis if it was not for the program of economic reforms and the unprecedented pace of development.”



Source: World Bank

Egyptian Economy

- GDP: \$365.25 billion (2020)
- GDP per capita: \$3,569.2 (2020)
- Annual Growth Rate: 3.6% (2020)
- Annual Inflation, consumer prices: 5% (2020)
- Population: 102,334.40 (2020)
- Unemployment Rate: 9.3% (2021)
- Credit Rating: B+, LTR and country ceiling; B STR (Fitch Ratings April 2022)

Although Egypt’s macroeconomic environment has shown resilience in the face of the COVID-19 pandemic, longstanding challenges persist. Such challenges include sluggish private sector activity, underperforming non-oil exports and foreign direct investments (FDI), and the elevated

government debt-to-GDP ratio (despite its significant reduction prior to the pandemic). Revenue mobilization is also below potential, and the budget structure is unfavorable with its high interest payments and limited allocations to key sectors, such as health and education. The International Monetary Fund (IMF), however, now expects the Egyptian economy to expand at a 5.9% clip in FY 2021-2022, up 0.3 percentage points from its previous forecast in January.

Egyptian Foreign Policy

The Egyptian regime pursues a foreign policy that positions the country as a regional anchor of stability. Egypt also seeks to diversify its external relations and strengthen partnerships, especially with China, Russia, Saudi Arabia, and the United Arab Emirates. Consequently, Egypt has largely succeeded in eluding any loan or aid conditions that counter its own preferences, as can be seen in the recent deepening of the largely unconditional economic and security cooperation with several European states. Not all cooperation, however, is unconditional. The U.S. Congress signed off on its annual \$1.3 billion in military aid in late 2020, but in an unprecedented move, made the expenditure of \$75 million conditional on the release of political prisoners.

External support and collaboration are mainly sought out in the fields of security, as well as in the economic, energy, infrastructure and education sectors. International input has previously been accepted within specific cooperation and investment projects, such as the construction of a nuclear power plant by Russia’s ROSATOM, the purchase of weaponry and subsequent training, and the introduction of Japanese educational approaches in some Egyptian schools. These cases, however, tend to be limited. The European Union remains Egypt’s main source of foreign direct investments (FDI), in addition to its largest trade partner. Regarding Egypt’s neighboring Middle East and North Africa (MENA) region, the significance of MENA states as economic partners has increased in recent years. Egypt is a member of the Agadir Agreement and the Greater Arab Free Trade Area (GAFTA). The Egyptian government has also pivoted diplomatically to the African continent, especially considering Egypt’s presidency of the African Union (AU) in 2019. Egypt is also a member of COMESA, and the AfCFTA was launched on January 1, 2021. Notably, during the COVID-19 pandemic, Egypt sent relief material to 30 African states, some Arab states, Italy, China, as well as the United States.



Source: [Israeli Ministry of Foreign Affairs](#)

Among Egypt’s recent foreign policy developments in the region lies a new step toward rapprochement with Turkey, with whom Egypt cut ties with in 2013. The Turkish Minister of Treasury and Finance, Nureddin Nebati, was scheduled to visit Egypt on June 1, marking the first Turkish ministerial visit to Cairo in nine years. Although Turkey’s Foreign Minister Mevlut Cavusoglu announced “the start of a new phase in the two countries’ relations” on April 14 and noted that reciprocal visits and discussions could take place, the two countries have not yet agreed to exchange ambassadors. In regard to Libya, Cairo has hosted the second round of dialogue between the Libyan High Council of State and Tobruk-based House of Representatives in mid-May. Among the attendees was the UN Special Advisor on Libya, Stephanie Williams. The Egyptian foreign ministry explained that it was aware of the sensitivity and difficulty of the issues being discussed during the meeting, but affirmed its confidence in the capabilities and commitment of the participants to support the interests of the Libyan people. There are also developments in Egypt’s relationship with Israel, as of May 29 (and following several talks and ministerial meetings between the two countries), Israel announced its plan to expand economic ties with Egypt in a variety of fields. The declared goal is doubling the scope of commerce (not including the sale of natural gas) from \$330 million in 2021 to \$700 million.

Egypt-GCC Factsheet

Egypt Trade in Goods with GCC Countries in US Dollars 2019

Source: [World Bank](#)

Country	Exports	Imports	Balance
Bahrain	63,511.23	376,434.61	-312,923.38
Kuwait	276,420.61	2,156,030.77	-1,879,610.16
Oman	193,587.18	260,613.33	-67,026.15
Qatar	175.27	23,690.66	-23,515.39
Saudi Arabia	1,702,151	5,214,086.14	-3,511,935.14
United Arab Emirates	2,069,450.76	1,783,464.87	285,985.89
GCC Total Amount	4,305,296.05	9,814,320.38	-5,509,024.33

Egypt imports more goods from the GCC than it exports; Egypt imports significant amounts of crude oil from GCC countries, however it exports more to the UAE (and thus has a positive trade balance with the UAE). Egyptian imports of crude oil or oil products from the UAE has traditionally been low, and lower than other countries.



Establishment of Diplomatic Relations

- Saudi Arabia: 7 May 1936
- Oman: 1972
- Kuwait: March 19, 1962
- United Arab Emirates: 1971
- Bahrain: 1971
- Qatar: 1972

Current Diplomatic Representation

- Egyptian Ambassador in Riyadh: Nasser Hamdy
- Saudi Ambassador in Cairo: Ahmad Qattan

Key Policy Officials and Entities Dealing with the Gulf Region:

- Egyptian Ministry of Foreign Affairs
- Minister of Foreign Affairs: Sameh Shoukry

Key Research Centers and Think Tanks

- ACPSS - Al-Ahram Center for Political and Strategic Studies
- Egyptian Center for Economic Studies – ECES
- Center for Political Research & Studies & Intercultural
- Egyptian Council for Foreign Affairs (ECFA)
- Institute of National Planning

Key Regional Experts

- [Amr Adly](#), Assistant Professor of political science at the American University of Cairo
- [Mohamed El Dahshan](#), associate fellow with the Chatham House Middle East and North Africa Programme
- [Mirette F. Mabrouk](#), Senior Fellow and Founding Director of the Egypt program at the Middle East Institute (MEI)
- [Yasmine Farouk](#), nonresident scholar in the Middle East Program at the Carnegie Endowment for International Peace
- [Eman Ragab](#), Senior Researcher and Head of Military and Security Research Unit at the Al-

Ahram Center for Political and Strategic Studies (ACPSS)

- [Abdel Moneim Said](#), Director of al-Ahram Center for Political and Strategic Studies in Cairo
- [Robert Mason](#), Non-Resident Fellow with the Arab Gulf States Institute in Washington and former Director of the Middle East Studies Center at The American University in Cairo

Key Recent Literature

- [Egyptian foreign policy after the 2011 revolution: the dynamics of continuity and change](#)
- [Egypt and the Gulf Allies and Rivals](#)
- [Getting complicated in a hurry: The implications for Egypt of Russia's invasion of Ukraine](#)
- [Egypt's Renewed Dependency on GCC States' Largesse](#)
- [Reflections on the Failure of the Egyptian Revolution](#)

Key Developments in GCC-Egypt Relations

Egypt-GCC:

- Egypt's Foreign Minister, Sameh Shoukry, headed to Riyadh to inaugurate a so-called "political consultation mechanism" between Egypt and the Gulf Cooperation Council (GCC) countries on December 12, 2021. The ministry's spokesperson, Ahmed Hafez, said in a statement that the meeting had come as a "continuation of the solid Egyptian-Gulf relations, which are characterized by depth and strength at various levels."
- The Egyptian Foreign Minister Sameh Shoukry and the Secretary-General of the Cooperation Council for the Arab States of the Gulf (GCC) Nayef Falah M. Al-Hajraf signed a memorandum of understanding (MoU) on 24 February 2022 on the political consultation mechanism between Egypt and the GCC General Secretariat. The signed MoU contributes to strengthening political and strategic relations between the two sides, "especially during the current stage, which is witnessing unprecedented challenges that require activating various frameworks of coordination and cooperation," said Shoukry.

- GCC Secretary-General Dr. Nayef Al Hajraf condemned an armed attack on a water-lifting station in the Sinai Peninsula on May 8, 2022, that killed 11 soldiers and hurt five others as a “cowardly terrorist” attack. Gulf states stand in solidarity with Egypt in confronting violence, extremism and terrorism, the secretary-general of the six-nation bloc said in a statement.

Egypt-KSA

- The Egyptian-Saudi working group concerned with following up on the implementation of the recommendations issued by the 17th session of the Egyptian-Saudi Joint Committee concluded its meetings on March 24, 2022. The meeting was chaired by Egyptian Minister of Trade and Industry Nevine Gamea and Saudi Minister of Trade Majid Bin Abdullah Al-Qasabi. The two sides agreed to bolster cooperation in many economic fields, including trade cooperation by solving challenges facing bilateral trade and investors in the two countries.
- In early January 2022, the Saudi Fund for Development, known as SFD, signed multiple financing agreements in Egypt with the Industrial Development Bank, Banque du Caire and Enmaa Finance Company. The total value of the agreements is 300 million Egyptian pounds (\$19 million), intended to finance small, medium and micro enterprises in the Upper Egypt region.
- Saudi Arabia announced that it had deposited \$5 billion in the Central Bank of Egypt on March 30, 2022, to help Egypt mitigate fallout from the ongoing Ukraine war.

Egypt-UAE

- On 22 March 2022, Egyptian President Abdel Fattah el-Sisi hosted a three-way summit with Israeli Prime Minister Naftali Bennett and the Abu Dhabi Crown Prince Shaikh Mohammed bin Zayed Al Nahyan — the first of its kind since the UAE normalized relations with Israel. The agenda is said to have covered the aftermath of the invasion of Ukraine, as well as the Iran nuclear deal.
- The United Arab Emirates (UAE) announced its intention to invest \$2 billion in Egypt on March

23, 2022, to help offset financial difficulties and potential food insecurity that Egypt is facing because of the Ukraine crisis.

- Egypt signed an agreement with AMEA Power of the United Arab Emirates on April 20, 2022, to produce up to 390,000 tons of green ammonia a year in Ain Sokhna, the cabinet said on Wednesday.
- On April 25, 2022, the Crown Prince of Abu Dhabi Shaikh Mohammed bin Zayed, discussed the developments in Jerusalem and Al-Aqsa compound with Egypt’s President Abdel Fattah al-Sisi and Jordan’s King Abdullah during their meeting in Cairo, state news agency WAM reported. The three leaders also discussed the war in Ukraine and called on all parties concerned to exert maximum efforts to settle the conflict through giving priority to diplomacy and dialogue to restore security and stability.
- On May 29, 2022, the United Arab Emirates’ state news agency WAM reported that the Abu Dhabi state holding firm ADQ will allocate \$10 billion in investment for projects with Egypt and Jordan, citing the Industry and Advanced Technology Minister Sultan Al Jaber.

Egypt-Qatar

- Egypt’s foreign minister, Sameh Shukry, held talks with his Qatari counterpart, Mohammad bin Abdulrahman Al Thani, on March 28, 2022, that focused on improved ties between the two countries. It was the second visit for Qatar’s chief diplomat since Egypt and three Gulf nations ended their dispute with the energy-rich country as of January 2022.
- Qatar announced an agreement to send Egypt \$5 billion on March 29, 2022, to help the country mitigate financial woes and food insecurity sparked by the Ukraine crisis
- Minister of Transportation Kamel Al-Wazir met with his Qatari counterpart Jassim bin Saif Al-Sulaiti in Doha on April 19, 2022, to discuss ways of enhancing cooperation between the two countries in various areas of transportation. The two sides agreed to activate a partnership in the field of maritime transport.



Egypt-Oman

- On July 18, 2021, President Abdel Fatah al-Sisi received a phone call from Sultan Haitham bin Tarik of Oman. The two leaders discussed the status of bilateral relations and examined the developments of regional matters of mutual interest.
- On January 23, 2022, the Egyptian-Omani Joint Committee concluded its 15th session in Muscat, Oman under the chairmanship of Minister of Foreign Affairs Sameh Shoukry and his counterpart, Badr bin Hamad Bin Hamoud Al-Busaidi, in which they signed six memoranda of understanding (MoUs). The two sides issued a joint statement in which they stressed that they would continue to strengthen bilateral cooperation on the political, security, economic, commercial, industrial, judicial, development, educational, media, labor, and social development levels.
- Said Hamoud Al Ma'awali, Omani Minister of Transport, Communications and Information Technology held an online meeting with Dr. Amr Talaat, Egyptian Minister of Communications and Information Technology, on May 9, 2022. Al Ma'awali expressed his delight in Oman's winning of the 3rd edition of the Arab Digital Capital 2022 initiative. The first winner of the initiative was the Kingdom of Saudi Arabia, followed by the Republic of Egypt in the second edition.

Egypt-Bahrain

- On July 3, 2019, Personal Representative to HM the King, President of the Supreme Council for Environment (SCE), HH Shaikh Abdullah bin Hamad Al Khalifa, and Egypt's Minister of Environment, Dr. Yasmine Fouad, signed a memorandum of understanding on environmental protection, climate affairs and nature conservation.
- The Bahraini Industry, Commerce and Tourism Minister Zayed bin Rashid Al Zayed received Egypt's General Authority for Investment and Free Zones (GAFI) Executive Director, Mohammed Abdelwahab, and the Sovereign Fund of Egypt Chief Executive Officer, Ayman Soliman, on April 4, 2021, and reviewed with them economic relations between Bahrain and Egypt. Al Zayani stressed the Bahraini government's support for all

steps and initiatives that would develop bilateral relations and noted the importance of exchanging visits between officials of the two countries to develop cooperation in various fields and strengthen frameworks for coordination on various issues.

- The United Arab Emirates (UAE), Egypt and Bahrain discussed regional issues in Abu Dhabi on January 26, 2022. In a statement by the Egyptian presidency, the meeting, which was also attended by the ruler of Dubai, discussed regional issues and "means to strengthen coordination and cooperation to promote the mechanisms of joint Arab action to confront the current challenges facing the region."

Egypt-Kuwait

- Egyptian President Abdel Fattah al-Sisi welcomed the Ambassador of Kuwait, Mohamed Saleh Al-Thuwaikh, on January 2, 2022, to commemorate the end of his term as ambassador in Cairo. After the meeting, al-Sisi affirmed his nation's full support for the security and stability of Kuwait in the face of regional challenges, as part of the fixed Egyptian policy in maintaining Gulf security.
- President Al-Sisi met with the Emir of Kuwait, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and the Crown Prince of Kuwait, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, on February 22, 2022, at Bayan Palace in Kuwait in the presence of delegations from the two countries. Following the meeting, Al-Sisi emphasized Egypt's keenness on achieving the stability and security of Kuwait and all Gulf countries in the face of internal and regional challenges, stated Presidential Spokesperson Bassam Rady.
- On April 9, 2022, Egypt and Kuwait signed a grant agreement worth 750,000 Kuwaiti dinars (\$2.5 million) to contribute to the preparation of technical, economic, and environmental feasibility studies for a railway connection project between Egypt and Sudan.

Currently, the Gulf's broad strategy toward Egypt involves strengthening existing mutual ties with the country. The financial burden placed upon Egypt following the global pandemic, and most recently following the Ukraine



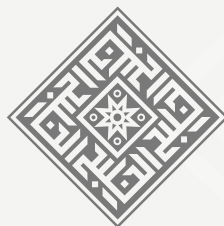
crisis and the ensuing food insecurity issue, has led GCC countries to step up and financially assist Egypt. As such, it comes as no surprise that the UAE, Saudi Arabia, and Qatar have invested billions of US dollars into Egypt to help the country navigate these new economic woes. Gulf aid to the current Egyptian regime indicates the shared interests and common fears between Gulf Arab countries and the Sisi government. The aid, however, is only a short-term solution to Egypt's issues.

Based on this, it is likely that the relations between Egypt and the GCC countries will continue on their current trajectory. Gulf financial flows should, however, not be seen as automatic; the GCC states have been paying increased attention to Egypt's internal economic reforms in order to ensure that the overall economic environment in the country begins to improve. Other investments are garnered to deliver a return of investment and cannot simply be seen as assistance provided to the Egyptian state. The key challenge continues to be finding the right balance between financial flows that ensure the stability of Egypt, while at the same time enabling the country to reduce its dependencies on foreign aid. For instance, despite Saudi Arabia's considerable investments in Egypt over the years, Egypt has continued to

pursue a foreign policy line that, at times, stands in clear contrast and even defiance of Saudi Arabia. For example, Egypt refused the Saudi request for military help in Yemen and did not join the Saudi-supported effort to bring down the Assad regime during the Syrian Civil War. In addition, much of the financial assistance has not produced a more stable economic environment in Egypt with a continued risk of instability in the near future.

GRC Dossier: Publications & Works

- Gerlach Press 2016: [Egypt and the Gulf: A Renewed Regional Policy Alliance](#), edited by [Robert Mason](#)
- GRC 2014: [More than Money: Post-Mubarak Egypt, Saudi Arabia, and the Gulf](#), written by Yasmine Farouk
- GRC 2006: [Gulf-Egyptian Relations: Past, Present and Prospects](#), written by Amar Ali Hassan



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