The Engagement of Arab Gulf States in Egypt and Tunisia since 2011

Rationale and Impact

Sebastian Sons and Inken Wiese

Summary  This study documents the various forms and measures of political and economic assistance provided by Saudi Arabia, the United Arab Emirates (UAE), and Qatar to Egypt and Tunisia since the upheavals of 2011. It also analyzes the impact Gulf donor countries had on political and economic development within Egypt and Tunisia, particularly with regard to democratization and inclusive socio-economic change. Economically, efforts undertaken by the Gulf states were intended to stabilize the two countries, for example by helping them overcome budget deficits. While their business investments are not trickling down to the economically marginalized segments of society, some of the Gulf-funded development projects have been geared toward fueling more inclusive growth. Due to limited coordination between Arab and Western donor countries, however, there has thus far been little alignment of projects taking place in the same sectors. As a result, the potential for synergies between these projects has remained untapped. In political terms, as was expected, the Gulf states did not engage in efforts to promote more democratization. Indeed, in Egypt the assistance provided by Saudi Arabia and the UAE even contributed to a return to the pre-2011 order. For Germany and its partners to engage the Gulf states more intensively on governance matters and to create incentives, deeper knowledge is required about how political decisions are made in the Gulf. This is also essential for developing Germany’s much-needed general strategy toward the Gulf states, which is currently lacking. The Deauville Partnership is a useful forum for improving and increasing future coordination.
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In the past decade, and long before the 2011 uprisings, the Middle East and North Africa (the MENA region) saw the rise of multiple regional actors with considerable political, economic, and financial weight and influence. The power of countries such as Saudi Arabia, the United Arab Emirates, and Qatar became even more apparent after the 2011 upheavals. Their record is often one of intense, albeit controversial, engagement in different countries and conflict settings.

Egypt is a case in point, as it has witnessed an exponential inflow of billions of dollars from the Gulf since the military took power in July 2013. The magnitude of Gulf support has made the issue of the political and economic impact of this engagement more pressing than ever—especially as Egypt continues to struggle with alarming socio-economic realities, a huge state deficit, high unemployment, widespread poverty, and appalling social services. If anything, the frustration and despair of large parts of the population has only increased. The closure of the public sphere further aggravates the situation. Two questions—1) how outside actors are helping or harming the most populous nation in the region recover socially and economically and 2) what approaches and rationales guide this external assistance—are core not only to the stability of the country itself but also to the region as a whole.

Tunisia is the only Arab country thus far to have made genuine, if rocky, progress toward democratic transformation. The country’s experience therefore poses a different question. How have the region’s major financial heavyweights contributed, if at all, to the country’s socio-economic and political development? The matter of Gulf aid is especially important as Europe finds itself enmeshed in financial crisis and a looming refugee crisis, essentially cutting off the prospects of more comprehensive assistance from Tunisia’s European neighbors. Against this background the German Council on Foreign Relations (DGAP) launched its project, which concludes with this publication.*

Sebastian Sons and Inken Wiese elaborate here on the major economic and political engagement of Saudi Arabia, Qatar, and the UAE in Egypt and Tunisia. They scrutinize the impact of these countries on efforts to promote more inclusive economic growth and political transformation in the MENA region. These two North African countries, Egypt and Tunisia—which have witnessed different but historically unique transformations and managed to avoid the bloody civil wars fragmenting other Arab countries—are each in their own way of particular significance, not only to the region but also to Europe. Repercussions transcend national borders and clearly resonate north of the Mediterranean. For European countries, the stakes are very high indeed. Germany in particular has an important role to play. Not only is it an economic and political power in the EU but it also has been chair of the G7 since June 2014, which also makes it chair of the Deauville Partnership—a forum established by the G8 in 2011 to respond to the transformations underway in the MENA region.

The Deauville Partnership’s goal is to provide political and financial support to Arab countries in transition and to better coordinate international support among several types of actors: the G8 countries, international and regional financial institutions, the OECD, and the regional actors of Saudi Arabia, the UAE, Kuwait, Qatar, and Turkey. Reflecting on previous channels of cooperation with the Gulf, reassessing the EU Neighborhood Policy (a process currently underway), and exploring new and more effective avenues for integrating more partners—from the Gulf, for example—became essential tasks for policy makers. This is especially the case today, as established measures and the institutional framework seem to function inadequately when it comes to concrete political and economic support for the MENA countries.

* Early phases of the project consisted of field visits to Egypt, Tunisia, Qatar, the UAE, and Saudi Arabia, debriefings for German officials, and three workshops in Cairo, Tunis, and Berlin. Although Kuwait fully deserves careful scrutiny as well—not least for its significant role and assistance—the country was ultimately not included in the project for technical reasons.
openness in Egypt and Tunisia, and they identify ways in which Germany and Europe can enhance their relations with the Gulf states. Finally, they pinpoint overlapping interests and places where joint engagement in the region would be highly productive. Sebastien Sosn worked on the passages relating to Saudi Arabia, while Ilken Wiesen focused on the UAE and Qatar.

The publication delves first and foremost into factors driving the three countries’ foreign policy in the region, and in Egypt and Tunisia in particular, also highlighting the internal political dynamics within the Gulf states. European decision makers should take this material into account as they forge policies toward the Gulf that, among other things, foresee an inclusion of the respective countries – be it within a forum such as the Deauville Partnership, within the framework of the EU, or on a bilateral level. Only policies grounded in an informed position toward the Gulf states, one sensitive to their interests and needs, stand a chance of bearing any fruit. Up until now, atomization and lack of coordination have sadly characterized European initiatives and policies toward the MENA region. Despite intense demands for more harmonization, the strikingly divergent interests of individual member states often weighed heavily. EU countries have thus hardly furnished examples of coherent policy or well-coordinated activities involving other actors within or beyond the EU. But two facts remain: first, in order to “fix” Egypt and to prevent a relapse in Tunisia – but also to make progress in other troubling conflict fronts such as in Syria, Libya, and Iraq – it is paramount for different actors to find common denominators, carefully coordinate action, build rapport, complement each other, and share burdens. Second – in light of the US pivot to Asia and its decreased appetite for interventionism in the region, coupled with Europe’s preoccupation with its own financial malaise – the MENA region is more or less left to its own devices. That leaves matters mainly to key regional powers and non-Western states over whom Europe has very little, if any, leverage. This reality necessitates the identification of common interests between Germany and Europe on the one hand and regional powers such as the Gulf states on the other. Among other things, this analysis seeks to classify entry points for building more trust and eventually ameliorating cooperation. But just as important is the need to agree on the approach and means to further those interests. Saudi Arabia and the UAE have never supported the popular uprisings and have strong interest in excluding political players such as the Muslim Brotherhood. Qatar is more ambiguous; it selectively supports groups in external territories under the banner of the right to self-determination while at the same time maintaining an autocracy at home.

The West, too, has muted its democratization agenda (to be sure, an agenda that has for decades been plagued by double standards) in response to the region’s almost paralyzing common security threats: terrorism, civil war, and failing states. Once again, security is pushing other desperately needed political and economic reforms to the margins. In the near future we are likely to see more multilateral, ad hoc coalitions involving the West and regional actors to address these acute common security threats. The immense challenge for German and Western policymakers is to embed these short-term measures into mid- and long-term political and economic strategies and a stable security architecture for the region and for individual countries respectively. This is of course an enormously complex diplomatic endeavor. Germany and the EU must on the one hand reassure the Gulf states, who are rattled by the recent Iran deal, and at the same time try to give them an incentive to consent, at least partially, to a “game of an action – a plan for sustainable, lasting stability.

This is a historic moment. Relations in the region are being renegotiated and realigned that might offer a window of opportunity for Germany and the EU as well. Seizing that opportunity would make it possible to acquire new standing with, and enhanced access to, key regional players – for these Gulf players are capable of altering conflict settings and economic as well as political dynamics within countries like Egypt and Tunisia. But Germany and Europe should not abandon the long-term perspective and the key pillars of promoting sustainable stability: pluralistic and open societies and socioeconomic equality. For, even when it comes to confronting hard security threats such as terrorism, opening up political space is vital to absorb anger and channeling it into peaceful means of expression. Without these pillars, the entire structure could collapse.

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Chapter One
Shifts and Deeper Changes in the Gulf States’ Foreign Policies since 2011

1. General Remarks

After the outbreak of the so-called Arab Spring in 2011, the wealthier Gulf states quickly responded to the new political developments in the MENA region, especially North Africa, and leveraged considerable political and economic power to shape regional politics in their interest. Through this intervention, they affected the course of the uprisings and presumably also their outcomes. The scope and intensity of their engagement merits an investigation into the concrete interests of the respective Gulf countries. Before analyzing the individual interests of Saudi Arabia, the United Arab Emirates (UAE), and Qatar and highlighting the conditions under which these Gulf states were active political and economic players in the region long before 2011 – especially following the rapid rise in the price of oil that began in 1999, Gulf conglomerates had started to invest heavily in other Arab countries.

Increased Gulf investment in neighboring Middle Eastern countries was related to a decrease in investment in Western countries, as mistrust of Gulf investment capital – particularly in the US after the attacks of September 11 – increased in the West. Investment in the MENA region also stemmed from the Gulf states’ interest in stabilizing the Middle East economically and politically. The Gulf states also attributed more stability to Arab markets than Western states did. This positive evaluation presumably also rested on close personal networks and the involvement of Arab expatriates working in the Gulf states who had intimate knowledge of their home countries’ economies.

However, concerns among the Gulf states about the stability of the region grew even as the outstretched hands of longstanding rulers and Gulf allies such as Zine el-Abidine Ben Ali in Tunisia and Hosni Mubarak in Egypt. As will be explained in detail in the following chapter, these political developments created a political, security, and economic vacuum that Saudi Arabia and the UAE viewed with great anxiety. Qatar, however, perceived the situation as an opportunity to enhance its political impact as a regional player through cooperation with new political players in these countries. Albeit differently, all three of these Gulf states used the void created by the regional political upheavals – and by the ongoing reluc-

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to rise again as Qatar and the UAE continue to champion different political players in various Arab countries. Furthermore, the Saudi dominance within the GCC is increasingly being challenged by both the UAE and Qatar, causing the GCC itself to become multipolar.14 The growing importance of the GCC is thus not to be confused with a regionalization of the Gulf states’ foreign policy centered within the GCC, as most of its members still show clear tendencies toward more bilateralism.15 Analysis of the foreign policies of each of the Gulf states -- and of concerted efforts on the part of the GCC -- must therefore take into account the ways in which the foreign policies of GCC states diverge. This is a highly complex endeavor due to the personalization of foreign policies in these states and the restriction of decision making to only a very small number of members of the elite. Multilevel and multi-contextual analysis is nonetheless needed; it must examine both inside and outside factors such as a given leader’s personality, idiosyncrasies, and individual threat perceptions, or tribal alliances and the balance of power domestically.16 Increasingly, domestic socioeconomic challenges -- such as unemployment and the limitations of the rentier-based welfare system -- also shape the foreign policies of individual GCC states.17 Due to its much lower GDP (see fig. 1), Saudi Arabia is more affected by such challenges than Qatar and the UAE.

2. Saudi Arabia’s Foreign Policy

2.1 The Pillars of Saudi Arabia’s Foreign Policy

For decades, Saudi foreign policy was based on three pillars: 1) Safeguarding the domestic power of the Saudi royal family as the kingdom’s only legitimate ruler, 2) safeguarding the influence of Saudi economic players in North Africa, the region, and beyond, and 3) safeguarding the supremacy of religious leadership based on Wahhabism, with strong anti-Shia tendencies.18 1) Safeguarding the domestic power of the Saudi royal family as the only legitimate ruler of the kingdom: Since King Abdulaziz Ibn Saud (r. 1932–1953) founded the modern Kingdom of Saudi Arabia in 1932, diverse internal and external struggles have tested the power legitimacy of the ruling family.21 However, the royal family always showed its ability to maintain its leadership.22 Consisting of around 8,500 princes and different power centers, the family has never ruled as a monolithic bloc. Instead, a small inner circle is responsible for a decision-making process in which several kings have served merely as first among equals.23 From time to time, struggles over access to political, economic, and ideological power and influence caused inner rifts between family factions or older and younger generations among the princes.24 Nevertheless, despite all fragmentation, the ruling family acted in a united manner in order to survive.25 In alliance with the Wahhabi clergy, an apparatus of technocrats, and several clientele of merchant elite, the Saudi leadership has asserted its leadership until now.26

2) Safeguarding the influence of economic players in North Africa, the region, and beyond: Saudi Arabia’s role as an influential regional and global economic player has also characterized its foreign policy in recent years.27 Although still based mostly on oil revenue, the Saudi economy was considerably diversified under the late King Abdullah (r. 2005–2015). Industrialization and foreign investment were intended to offset dependence on oil revenue – measures that intensified after the country’s WTO accession in 2005.28 Unlike other Gulf states such as the UAE, the Saudi business community has been only to a small extent co-opted and integrated into the royal sphere of influence, based on “segmented clientelism.”29 Of course, patronage and clientele networks have over time been established to integrate influential merchants and tribal players into the bureaucratic system, also due to the way the kofala system can foster state-legitimized corruption.30 However, traditionally strong merchant families still have preserved their autonomy vis-à-vis the royal family. Saudi political decision makers thus need to balance political and economic interests particularly in times of external trouble in order to sustain a win-win situation for both partners.31 Saudi politics often relied on the strong and well-connected networks of business families and conglomerates who have established intertwined fields of influence in political and economic spheres abroad.32 In a nutshell, both players could cooperate either as allies or compete with each other as rivals; for example, business families can act as promoters of Saudi foreign policy but also as veto players if they perceive that their own business interests are at risk due to controversial political decisions of the ruling family.33

3) Safeguarding the supremacy of religious leadership based on Wahhabism with strong anti-Shia tendencies: The Saudi identity is based on the strong alliance of the ruling family with the Wahhabi establishment (ulama) which was established in the middle of the 18th century.34 In this regard, Saudi foreign policy political decision makers need to take the interests of religious leaders into consideration not only in order to satisfy them but also to legitimize their political decisions ideologically. As “Guardians of the Two Holy Shrines” – Mecca and Medina – the Saudi royal family presents itself as a role model of Sunni Islam within the Middle East and beyond. This is particularly apparent in its anti-Shia foreign policy, which is mainly directed against Iran. Anti-Shiism has been used to demonize Iran, the arch-rival and competitor for regional hegemony since the Islamic Revolution of 1979.35 Although the official ulama still constitute a relevant power in the Saudi system, they have in recent decades lost their undisciplined decision-making role. Since the rule of King Faisal (r. 1964–1975), the religious establishment was transformed into a co-opted state clergy.36 The more it was integrated into the state apparatus, the more it lost its influence as a veto power, thereby becoming a “junior partner.”37

2.2 Saudi Arabia and the Arab Uprisings

After the outbreak of the 2011 uprisings in neighboring Arab states, these foreign policy pillars came under pressure as democratically legitimized forms of Islamic rule in Tunisia and Egypt directly undermined the raison d’être of the Saudi regime and took Saudi Arabia out of its “comfort zone.”38 The uprisings came as a shock and have been characterized as “the most severe test for the Kingdom since its creation.”39 Starting in late 2010, the Saudi political establishment has watched the destabilizing developments in the region with growing concern, fearing possible spillover effects that might threaten the royal family’s legitimacy.40 Hence, Saudi Arabia’s behind-the-scenes diplomacy approach and its strategy of “riyali-polit...
Saudi Arabia aims to normalize intra-Saudi relations. To that end, the Kingdom has initiated and fostered by Iranian anti-Sunni forces or by pro-Iranian Shiite proxies, with the aim of poking the Saudi government and establishing an Iran-dominated sphere of influence within the Arab world. The Saudi government underestimated the real threat emanating from ISIS for quite some time; when it emerged, it was seen as a manageable tool for containing Iran’s influence in Iraq. Although no proof of direct support to ISIS on the part of the ruling family exists, private donors, Wahhabi clerics, charity organizations, and influential members of the business community have most likely been supporting ISIS with financial, ideological, and logistical assistance to use the movement against the Shiite government in Iraq, channeling cash money via Kuwait to Iraqi and Syrian jihadists.

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3) The containment of Qatar’s influence in the Middle East in order to reestablish unity within the GCC under Saudi leadership. Saudi Arabia aims to normalize intra-GCC relations, which were brought to a brink after Saudi Arabia, the UAE, and Bahrain withdrew their ambassadors from Doha in March 2014. The three states strongly opposed Qatar’s support for the Muslim Brotherhood (MB) in Egypt and elsewhere in the region. They also objected to anti-Saudi statements made on the Al Jazeera news network. Furthermore, Saudi Arabia and Qatar competed intensely for influence over different Syrian opposition groups fighting Bashar al-Assad. In general, “Qatar’s strained relationships with its Gulf neighbors have become a microcosm for the broader tensions between status quo advocates and supporters of political change across the region.” Compared to the UAE, however, Saudi Arabia shows more interest in restoring GCC-unity in order to build a strong Gulf alliance against common threats such as ISIS and Iran. While the UAE strongly opposed Qatar’s support for the MB, Saudi Arabia has shown a more pragmatic stance toward Qatar; as a result of the GCC reconciliation prior to the GCC summit in Doha in December 2014, Qatar joined the Saudi-led military alliance to fight the Houthi in Yemen. Nonetheless, Saudi fear that Qatar’s strong ties to the MB will continue in the future because such ties are believed to be built on complex but robust ideological, political, and economic similarities.

2.3 Outlook: Saudi Foreign Policy under King Salman

While the late King Abdullah avoided direct military intervention in neighboring countries, the military action in Yemen of his successor, King Salman, indicates a shift in Saudi foreign policy strategies. The goals of this more interventionist, military, and non-diplomatic approach are to 1) portray Saudi strength in times of regional trouble both to its Arab-Sunni allies and to its own population, 2) overcome animosities with Qatar, while providing a reliable ally, other coalitions and ad hoc partnerships, and 3) help divert attention away from domestic socioeconomic obstacles in times of decreasing oil prices.

1) Portraying strength: The 80-year-old King Salman, who has been often characterized as too old and too ill, wanted to show that he is able to rule the country, together with his closest allies, in times of external and internal challenges.

Furthermore, both Muhammad bin Nayif, the new crown prince and minister of interior, and the “wunderkind” Muhammad bin Salman – King Salman’s son, who was designated as new minister of defense and deputy crown prince in 2014 - want to prove that they are capable leaders in order to position themselves as possible future kings. From a Saudi pro-governmental perspective, the “Kingdom needs political and military noise to prove it is there and that it is asleep....Saudi Arabia cannot be accused of being weak” in times of external pressure and rising internal challenges.

2) Overcoming differences with Qatar and proving power to the US: In terms of overcoming tension with Qatar, that country’s participation, however restrained, in the anti-Houthi alliance is a clear indicator of the joint will of both Saudi Arabia and the new Qatari emir, Tamim, to overcome recent struggles by fighting together in Yemen. Furthermore, King Salman wants to send a clear signal to the US that Saudi Arabia cannot be ignored as a regional leader. Thus, the Saudi Arabian military action based on a Sunni-coalition against the Houthis, widely perceived as Iran’s “fifth column” in Yemen, aims to reassure the US-Saudi alliance at a time of US-Iranian rapprochement and to finally overcome animosities with Qatar.

3) Distracting domestic attention from socioeconomic problems: In times of falling oil prices, the military operation in Yemen – called Operation Decisive Storm – created a “rally around the flag” effect, encouraging strong patriotism and acceptance of the rulers’ decision to go to war among the majority of the Saudi population. This neatly diverted attention from domestic challenges such as high unemployment and the absence of diversification within the Saudi private economy, which has led to rising frustration among Saudi citizens. It is true that King Salman himself as a promoter of gradual and slow change “in a Saudi way” and focuses more on foreign policy, while his predecessor King Abdullah had the image of a “reformer,” though he acted as a “modernizer” at best. Most probably, King Salman will continue to address domestic problems with the traditional “carrot and stick”; in addition, repressing mutual opposition groups such as bloggers for the First Saudi group and Shairaa, and also announced spending $14 billion USD on employees in the public sector – a typical instrument of the traditional welfare state aiming at calming the tense domestic situation without implementing any genuine structural reforms.

To sum up, King Salman aims to diversify Saudi Arabia’s external alliances in order to create a “rally around the flag” effect, encouraging strong patriotism and acceptance of the rulers’ decision to go to war among the majority of the Saudi population. This neatly diverted attention from domestic challenges such as high unemployment and the absence of diversification within the Saudi private economy, which has led to rising frustration among Saudi citizens. It is true that King Salman himself as a promoter of gradual and slow change “in a Saudi way” and focuses more on foreign policy, while his predecessor King Abdullah had the image of a “reformer,” though he acted as a “modernizer” at best. Most probably, King Salman will continue to address domestic problems with the traditional “carrot and stick”; in addition, repressing mutual opposition groups such as bloggers for the First Saudi group and Shairaa, and also announced spending $14 billion USD on employees in the public sector – a typical instrument of the traditional welfare state aiming at calming the tense domestic situation without implementing any genuine structural reforms.

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The dominant political players in the UAE are the seven ruling families (with the ruling family of Abu Dhabi’s Al Nahyan at the top, followed by Dubai’s Al Maktoum), whose members assume all relevant political positions. Their power is hereditary. The constitution stipulates that each emirate’s natural resources and land belongs to its respective ruling family, which then contributes to the emirate’s and to the federal state’s budget from its private wealth. Through this system, the ruling families finance an all-encompassing welfare system (again with Abu Dhabi shouldering the lion’s share), which also “incorporates” Emirati nationals into the “family-state.” Meaningful possibilities for political participation within the general population are absent. This “neopatrimonial” state structure secures the rulers’ political acquiescence and popularity and sustains their legitimacy, which is mainly based on traditional rather than religious grounds — unlike the royal family’s dominance in Saudi Arabia.

Economic diversification played an important role in the ruling families’ efforts to consolidate their political standing and thus secure the system as a whole in preparation for the post-hydrocarbon era. They invested in infrastructure to transform their emirates into hubs of regional and international trade. These investments consist of 1) maintaining the stability of the country’s political and social order and 2) securing its territorial integrity.

1) Maintaining the stability of the UAE’s political and social order: The UAE is considered to be a stable country in a politically instable region. Nevertheless, its leadership faces constant challenges to maintain the country’s political and social order. The state is made up of seven constituent emirates (Abu Dhabi, Dubai, Sharjah, Fujairah, Ajman, Ras Al Khaimah, and Umm Al Quwain). The political dynamics of decision making in the UAE differ in the political and social order: regional and international trade. These challenges consist of 1) maintaining the stability of the country’s political and social order and 2) securing its territorial integrity.

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The poignancy of the Engagement of Arab Gulf States in Egypt and Tunisia since 2011

Chapter One: Shifts and Deeper Changes in the Gulf States’ Foreign Policies since 2011

Introduction

The UAE is considered to be a stable country in a politically instable region. Nevertheless, its leadership faces constant challenges to maintain the country’s political and social order. The state is made up of seven constituent emirates (Abu Dhabi, Dubai, Sharjah, Fujairah, Ajman, Ras Al Khaimah, and Umm Al Quwain). The political dynamics of decision making in the UAE differ in the political and social order: regional and international trade. These challenges consist of 1) maintaining the stability of the country’s political and social order and 2) securing its territorial integrity.

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The UAE sees domestic challenges and threats in the region; 2) the threat of economic instability to UAE investments; 3) the threat posed by (Islamist) terrorism and extremism to the UAE’s security (which partially combines elements of the other three threats).

1) Countering the ideological threat posed by the MB and by political Islam to the stability of the UAE’s political and social order: Using the name Al Islah, the MB had been able to organize members and activities in the UAE for decades, though not as a political party. From the 1990s on it attracted Arab expatriates who had fled their home countries, but also Emirates who had studied abroad. Despite the fact that Al Islah had not displayed revolutionary inclinations previously, and despite its small membership, fears arose among the UAE leaders in early 2011 that the movement would spread, and that members would increasingly be found in the less wealthy emirates, which were referred to in the local press as a “potential ticking time bomb.” What followed was not only a crackdown on Al Islah itself but also on pro-democracy activists who had demanded citizenship for stateless people born in the UAE (bidoun). Also affected were the signatories to a petition requesting the right to vote for all UAE citizens and that the Federal National Council represent the whole of people from every emirate and all socioeconomic and political backgrounds — including judges, academics, lawyers, and even a member of the ruling family of Ras al Khaimah — were consequently put on trial for “breaking laws and persecuting acts that pose a threat to state security, undermining the public order, opposing the government system, and against the President.”

The state’s responses were widely criticized and seen as an overreaction. They make a certain amount of political sense, however, when one considers them, as Karen Young puts it, as “efforts to ‘bind’ the political community at the exclusion of those who challenge its authority.” It may also be helpful to accept the threat perception among the UAE leadership as real, if not overwhelming, no matter how “imagined” the actual threat posed by Al Islah and other protestors may be or may have been. This would make it a further example of the above-mentioned phenomenon of Gulf states’ policies often mirroring the idiosyncrasies of their rulers.

2) Securing UAE investments in Arab countries: Because the UAE’s investments abroad are central to keeping the country’s political and social order intact and to maintaining the UAE’s international economic and political clout, securing these investments as well as stabilizing returns on them was a major concern driving the country’s reaction to the political upheavals in the region. Consequent efforts were geared toward strengthening the economic stability of countries of strategic importance for the UAE and thus potentially the Middle East as a whole — efforts that the UAE did not feel were sufficiently appreciated, especially by European states. In general, the UAE used a “carrot-and-stick policy.” This involved, among other things, offering aid, e.g., in the form of grants and loans, and creating mutually beneficial investments through projects that involved the UAE’s SWFs and SOEs. It also involved resorting to sanctions in order to shape policies in the countries affected by the Arab upheavals in a way that suited the interests of the UAE; it even shored up military capabilities, as for example in the UAE’s engagement in Libya and Bahrain. In Egypt the UAE furthered policies of economic liberalization in the interest of future UAE investment, while it simultaneously hoped that improving the economic situation would politically marginalize Islamist movements. (See chapter 2, section 3.)

Although it remains correct that SWFs follow primarily financial and not political interests, the example of Egypt also highlights the fact that the UAE is increasingly willing to leverage its economic power and its economic entities in order to exert influence; and 4) the threat posed by (Islamist) terrorism and extremism to the UAE’s security (which partially combines elements of the other three threats).
with regard to a broader regional crisis management. Nevertheless, the Al Thani’s hereditary political authority was precarious from the outset, as most tribes grazing on the peninsula were not indigenous but transient and owed allegiance to the Wahhabis ruling nearby. This only changed when economic conditions on the water-scarce peninsula improved with the discovery of oil in the late 1930s. The result was a massive population increase from around 28,000 in 1939 to around 300,000 Qataris (nationally plus slightly less than two million foreigners today). Zahra Bahar has calculated that around 281,000 non-Qatari Arab nationals also reside in Qatar, around 150,000 of whom are employed – a figure that differs from other estimates. Arab foreign workers make up about 12 percent of the total Qatari work force and are concentrat ed in the knowledge-based sectors.

Unlike in Kuwait or Dubai before the discovery of oil, however, Qatar’s early and highly fluid social structures had not generated any enduring political institutions except for the Al Thani ruling family itself. Due to the fact that the Al Thani had loomed large even among the small number of merchants, no other social or economic groups with sufficient power existed to challenge the Al Thani’s legitimacy when the country achieved independence in 1971. Moreover, the Al Thani family has always been a powerful and used the political weakness of the population to further increase the family’s economic and political power.

Simultaneously, however, oil revenues further divided the already contentious ruling family, as can be seen from the various palace coups through which most rulers acceded to power. Oil wealth thus added a new bargaining chip to intra-family negotiations. Even more than in other Gulf states, cabinet positions and other offices were and continue to be distributed to members of the ruling family, resulting in a large number of relatively insignificant institutions and “offices for salary-drawing, patronage-dependent, older and relatively marginalized Al Thani.” In order to neutralize remaining demands for succession, around 25 percent of the revenues from the state’s natural wealth and natural resources go into financing the ruling family, which is estimated to have at least 15,000 members, while the ruler himself receives another 25 percent. The remaining 50 percent are allotted to the treasury.

Public debate about this division of revenues is hardly existent, not least because Qatari citizens receive their shares indirectly through an all-encompassing welfare system, similar to that of the UAE. Citizens can receive additional benefits and gifts through direct appeal to the ruler’s court, which reinforces the ruler’s patronage symbolically and practically. Demands for more political participation are almost unheard of, although elections for the parliament (also referred to as the Shura Council) provided for in Qatar’s constitution have been repeatedly postponed since 2005. This limits political participation of citizens to the election of municipal councils. Actual political power and influence is thus vested in the hands of a small number of people, making Qatar a total autocracy that does not offer more political partici pation to its citizens than Saudi Arabia does. Despite that, public criticism rarely addresses the political system as such but tends to focus on public spending.

According to a 2013 survey, 77 percent of the Qatari population feels that “the state should spend more resources inside the country.” Consequently, Emir Tamim bin Hamad Al Thani stressed spending on domestic development in his initial speech to the (appointed) members of the Shura Council. In his speech, Al Thani’s Hereditary: Al Thani handed over power to him in July 2013.

The contentious accession of Emir Tamim bin Ha man Al Thani demonstrates Qatar’s remarkable political stability. According to Mehran Kamrava, this stability “is rooted in the country’s comparative social cohesion (lack of sectarian tensions, as in Bahrain and Saudi Arabia), its unitary polity and small size (compared to the United Arab Emirates).” The political system is divided into 14 districts, each with a national (population compared to Kuwait). He argues that “these factors have combined to give the state relative latitude in pursuing foreign policy agendas it may not have otherwise been able to pursue.”

Christopher Davidson argues that the reigning family’s political future will remain largely unchallenged as long as the state can actually sustain high spending and distribute wealth to its population. Securing the economy is thus of central importance for the future stability of the current political regime of Qatar. But Qatar has not yet diversified its economy to the extent that the UAE has. The country’s wealth is mostly based on revenues from the search for routes for gas pipelines and its GCC neighbors have been unable to agree on a mutually acceptable gas price. Nevertheless, the Al Thani’s hereditary political authority was precarious from the outset, as most tribes grazing on the peninsula were not indigenous but transient and owed allegiance to the Wahhabis ruling nearby. This only changed when economic conditions on the water-scarce peninsula improved with the discovery of oil in the late 1930s. The result was a massive population increase from around 28,000 in 1939 to around 300,000 Qataris (nationally plus slightly less than two million foreigners today).

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According to the Qatari constitution, the Al Thani has seemed to follow a similar strategy, albeit valuably (if not indispensable) to multiple regional and international actors. According to Karen Young puts it, to “reinventing the power dynam
An analysis of Qatar’s response to the Arab uprisings and its policy toward the affected countries calls for differentiation in two phases: the early phase of interventionist initiatives taken by Emir Hamad bin Khalifa Al Thani starting in early 2011 and lasting until his abdication in summer 2013, and the second phase of scaled-back policies under Emir Tamim bin Hamad Al Thani. The first of these two phases seems to have demonstrated a temporary shift away from Qatar’s prior foreign policy strategy, whereas the second shows a return.17 Already in 2011, analysts of Qatari politics pointed out that the Qatari leadership was showing signs of overstrain due to a lack of long-term strategies and a lack of professionals for large diplomatic networks. 18 Qatar seems to have realized that an overcommitment to the Muslim Brotherhood – its Salafi-Brotherhood hybrid – as the true achievement of its Islamic credentials, which puts the leadership under pressure to conform to moral and religious expectations. 19 Support for Islamist movements during the Arab uprisings offered Qatari leaders an opportunity to brand themselves as religious and ideological actors, and to pursue various initiatives in favor of Islamic concerns like Palestine and on behalf of the Muslim poor via Islamic charities. 20 Religious legitimation of Qatari foreign policy has helped the leaders divert attention from their dependence on cooperation with non-Muslim powers and to thereby deprive domestic and regional critics of such ideological arguments. 21

2) Branding Qatar internationally as an interlocutor: Up until 2011, Qatar was perceived as more neutral than other Arab and Gulf states, for it had been less unilateral in its foreign policy and had been less engaged with the Muslim Brotherhood than had some of its neighbors. 22 Qatar aimed to adopt a leading political role in the Arab League and to facilitate dialogue in order to enable the representation and political inclusion of relevant stakeholders. 23 However, it is beyond doubt that Al Jazeera’s manner of reporting on the events helped raise the profile of the initial uprisings as a whole and of certain actors in particular, while the matter of Qatar’s direct financial support for certain groups remains disputed. 24 Qatar’s interest in portraying itself as a mediator in the Middle East is a strategic move designed to present its foreign policy as pro-active and responsible. 25 While Qatar is not a regional power in its own right, the way it presents itself externally is critical to its reputation and could have long-term implications for its influence in the region. 26 Qatar’s desire to become a regional power and to avoid the fate of other Arab and Gulf states, for it had been less unilateral in its foreign policy and had been less engaged with the Muslim Brotherhood than had some of its neighbors. 27 Qatar aimed to adopt a leading political role in the Arab League and to facilitate dialogue in order to enable the representation and political inclusion of relevant stakeholders. 28 However, it is beyond doubt that Al Jazeera’s manner of reporting on the events helped raise the profile of the initial uprisings as a whole and of certain actors in particular, while the matter of Qatar’s direct financial support for certain groups remains disputed. 29 Qatar’s interest in portraying itself as a mediator in the Middle East is a strategic move designed to present its foreign policy as pro-active and responsible. 30 While Qatar is not a regional power in its own right, the way it presents itself externally is critical to its reputation and could have long-term implications for its influence in the region.

The Engagement of Arab Gulf States in Egypt and Tunisia since 2011
Andrew Hammond, however, draws attention to the fact that Qatar held the presidency of the Arab League – plus the concurrent weakness of the League’s traditional power brokers (Egypt, Syria, and Libya) due to the uprisings – gave Qatar prominence that was readily embraced by Emir Hamad and his closest advisor, Hamad bin Jassim Al Thani, the country’s prime and foreign minister during that period. 31 Under Emir Hamad, Qatar’s response to the uprisings was based on several rationales that followed the well-established Qatari strategy of differentiating itself from other Arab Gulf states. Through its new interventionist policies, Qatari leadership was able to project itself domestically and regionally as champion of the people’s right to self-determination while simultaneously diverting attention from its own poor democratic record. 32 To brand Qatar internationally as an interlocutor between the “Arab street” and the West while distinguishing itself from the one-sided position taken by Saudi Arabia and the UAE, and 33 to seek new investment opportunities.

1) Portraying Qatar domestically and regionally as champion of the people’s right to self-determination: Publicly, Qatar based its engagement during the Arab uprisings on its constitution, Article 7 of which demands support for all people’s right to self-determination. 34 Emir Hamad seems to have felt that taking a principled stance on behalf of the uprisings would help Qatar achieve a greater regional role – and potentially divert international attention away from his country’s own poor democratic record. 35 Qatar argues, however, that it did and does not favor parties or factions but that it works with legitimate governments. Where such legitimation is lacking – or questioned – Qatar offers its good offices to facilitate dialogue in order to enable the representation and political inclusion of relevant stakeholders. 36 However, it is beyond doubt that Al Jazeera’s manner of reporting on the events helped raise the profile of the initial uprisings as a whole and of certain actors in particular, while the matter of Qatar’s direct financial support for certain groups remains disputed. 37 A central question addressed in analyses of Qatar’s “siding” with the Muslim Brotherhood and similar Islamic groups during the early phase of the Arab protests is whether Qatari leaders had ideological inclinations toward these movements. While some see Qatar’s shift in strategy as a rather opportunistic move that lacked long-term strategy, others point out that Qatar had little choice but to side with the MB, which had not partnered with other regional powers. 38 Kamrava argues that Qatar chose what it considered “the lesser of two evils” with less potential for undermining Qatari stability in the long term. 39 Andrew Hammond, however, draws attention to an important ideological aspect rooted in domestic politics: Although members of the Brotherhood had been living in Qatar, exile for decades and were engaged in various sectors of the state, such as education, it was especially Emir Hamad who had used them to moderate the impact of the country’s own clerical base, which leans toward Wahhabism. According to Hammond, the 2011 naming of Doha’s central mosque after Mohammed Ibn Abdul Wahhab (1703–1792) should not be interpreted as an effort on Qatar’s part to appease the Saudi Arabian authorities but rather as an attempt to represent “Qatar’s moderate Wahhabism” – its Salafi-Brotherhood hybrid – as the true representative of Mohammed Ibn Abdul Wahhab’s message as a mujaddid (renewer) of the faith.40 Furthermore, it should not be overlooked that a relevant number of Qatari citizens as well as members of the ruling family are sympathetic to the goals and ideas of both the Muslim Brotherhood and Wahhabism, as well as the Salafis. 41 Qatar’s desire to present itself as a mediator in the Middle East is a strategic move designed to present its foreign policy as pro-active and responsible. 42 While Qatar is not a regional power in its own right, the way it presents itself externally is critical to its reputation and could have long-term implications for its influence in the region.
in Egypt, Qatar did not have relevant financial and economic stakes in influencing politics and political actors. The events of 2011 and the removal of former strongmen thus provided Qatar with new investment opportunities for its sovereign wealth fund QIA, and these were expected to result in more political influence in the affected countries. 140 The fact that Qatar had not invested heavily in Egypt before summer 2013 also meant that limiting its demonstrated interest in the region after the removal of President Morsi from power hardly harmed Qatar’s economic stakes in Egypt.

4.3 Outlook: Qatari Foreign Policy under Emir Tamim bin Hamad Al Thani

Domestically, Qatar seems more stable than ever, as demonstrated by the smooth accession to power of Emir Tamim in 2013. Qatar did not have relevant financial and economic stakes in influencing politics and political actors. Qatar’s search for new gas markets, however, could provide windows of opportunity for closer dialogue with Western states.

Notes to Chapter One

2 Haines, “Qatar’s Foreign Policy,” p. 30.
3 Hansell, Lijphout’s As-Rovio, p. 237.
6 The impact of Arab labor migrants on the responses of the individual Gulf states was discussed in the following chapters in detail, but it is noteworthy that while in 1970s, more than 70 percent of migrant workers in the Gulf were Arab, their proportion had fallen by 2005 to 40 percent to Qatar, 31 percent in Saudi Arabia and Kuwait, 22.42 percent in Bahrain, 8.7 percent in the UAE and 5.7 percent in Oman. See Moman, Lijphout’s As-Rovio, pp. 128–29.
8 Koford Stolting, “Krisen als Normalität?”, p. 4;
13 In 2013, GCC Arab states accounted for 31% of total world trade and has increased more than fourfold from 2000 to 2010. In 2013, Arab tradeg the largest trading partner with a bilateral trade volume of more than 675 billion USD. See Coats Ulrichsen, “Small States,” p. 2; Patrick, “The GCC,” p. 23; Frederick, “GCC’s Arab Pivot.” With regard to China, the trade volume between the GCC and China increased with an annual growth rate of 57% between 2000 and 2009. In the same period, exports from the GCC to China grew from 3.6 billion USD to 24.35 billion USD, while imports increased from 6-45 billion USD to 20-45 billion USD. See Koe, “Embracing Interdependencies,” p. 4; Janathalad, “China, India,” p. 299; Chin Mo, “Exploring Economic Relations,” p. 69.
14 Kamara, “Arab Spring and the Saudi-led Counterrevolution,” p. 96.
16 Elshobahy, “GCC Foreign Policy,” pp. 25–22;
20 See Dreyer, “Islamic State” and Steinberg, “A New Coalition?”
21 The new counterterrorism law of February 2014, however, also reveals an effort to limit the security forces and government to suppress a wide range of powerful Islamist movements and non-けturnant jihadists. Civilian opposition, liberal Movements (such as the Wafa Al-ham and Musuhammad Al-ahman), and Salafi States (such as preacher Nime Al-muf saw) have suffered harsh regime repression, including the arrest, which is pointing to a closer alignment of Qatar’s foreign policy strategy resting on good relations with a number of other states and non-state actors. 191 Despite the recent rapprochement with Saudi Arabia, which is pointing to a closer alignment of Qatar’s foreign policy with the GCC, the country’s foreign policy is nevertheless likely to remain somewhat unpredictable to outsiders due to the country’s aspirations to be a regional power and ultimately a player in international politics. 192

A lack of insight into tiny khati Qatar decision-making circles on the part of outsiders furthers complicates predications. The Saudi influence on Qatar will remain restricted, for Qatar, much like the UAE, is interested in curbing out its role as a regional actor independent of Saudi Arabia’s influence. Qatar is thus likely to continue to a certain extent to – pursue policies that question Saudi political hegemony and Saudi claims to represent the GCC as a whole. 193 Furthermore, the leverage of Western states on Qatar will be limited as long as the country’s main economic partners – and, as a consequence, its political partners – are in Asia. Qatar’s search for new gas markets, however, could provide windows of opportunity for closer dialogue with Western states.

due to the destabilisation of Iraq after 2013, the GCC states have taken steps to limit their exposure to Saudi, who has been the US’s ally in the region, in the face of the unfinanciable oil revenues of 2014. Qatar, however, could provide the GCC a window of opportunity to transition from a merely “arab alliance” to a more “economic association” in Gina.” 194
Chapter Two

Egypt after 2011: The Impact of Gulf State Engagement

1. Gulf Support for Egypt prior to 2011

Egypt has always been a country of great importance to the Gulf states. Its geostrategic position, its political influence in the Arab world, the size of its military, and the potential of its market are all contributing factors. In some of these fields, Egypt and the Gulf states have formed strong and sustainable partnerships, whereas in others they have viewed each other as rivals.

The following chapter analyzes the interests of Saudi Arabia, the United Arab Emirates, and Qatar in Egypt and contextualizes their efforts and measures in Egypt since 2011. This forms the necessary basis for the assessment at the end of this chapter of the impact of these measures on democratization and inclusive socioeconomic change. Due to its geographic and demographic size— with a population of almost 90 million (see fig. 1) — but also because of its shared borders with Israel, Egypt has always enjoyed financial and political support from Gulf countries. This was even the case under Egypt’s President Gamal Abdel Nasser (r. 1952/54–1970), when political ideologies were supported that conflicted with those of the Gulf states. In general, financial assistance from the Gulf in order to support Egypt’s economic stability never stopped, although political tension has occurred several times in recent decades. As Arab donors consider Egypt to be a middle-income country, official financial assistance to Egypt by Gulf states in the past was offered mainly in the form of loans. In addition to providing development assistance, Gulf businesses, both private and state owned, have become heavily invested in Egypt’s economy over the past decades. These investments were driven on the one hand by the expectation of high financial returns due to the sheer size of the Egyptian market. On the other hand, Gulf states sought to influence economic globalization processes in the region in their interest by diversifying their domestic economies, which are driven by oil, and to strengthen their business relations with countries such as Egypt in order to overcome dependence on Western partners such as Europe or the US.

While Saudi Arabia established close business ties to their Egyptian counterparts as early as the end of the 19th century, the smaller Gulf states such as Kuwait and the UAE have been relatively new economic players on the Egyptian market. Qatar only became a significantly active player on the Egyptian market when Hosni Mubarak was removed from power and the Muslim Brotherhood-dominated government of President Mohamed Morsi was in place between 2012 and 2013.

2. Saudi Arabia and Egypt after 2011: Interests, Efforts, and Future Prospects

2.1 Saudi Interests in Egypt after 2011

The Saudi government under the late King Abdullah (r. 2005–2015) viewed the fall of Egypt’s Hosni Mubarak in 2011 and the subsequent electoral victories of the Muslim Brotherhood (MB) with great concern because it threatened Saudi interests in Egypt. Those interests are: 1) stopping the expansion of democratically legitimized political Islam, 2) containing Iran and Shiism, 3) maintaining Egypt’s ability to offer protection to Saudi Arabia through military manpower, 4) preserving Saudi economic interests, and 5) reinstating Saudi supremacy as a regional power broker.

1) Stopping the expansion of democratically legitimized political Islam. For decades, political Islam has been a challenge to the ideology of Saudi Wahhabi rule. Saudi Arabia’s leadership under the late King Abdullah thus had an interest in the Morsi government’s failure in Egypt because of “the triple combination of Islamic governance based on forms of electoral representation, nonsectarian ideological commitments, and possible American support,” to quote Bernard Haykel. A sustainable Islamist government under Morsi could have resulted in anti-monarchical spillover, destabilizing the Saudi rulers’ legitimacy at home. This perception is widely shared...
These Egyptian migrant workers account for 5.7 billion USD in remittances from Saudi Arabia to Egypt, while total revenues of remittances of 18 billion in 2015 constitute roughly eight percent of the Egyptian GDP. The same year, Saudi Arabia ranked first, with a share of 42.7 per cent in the global remittances market, followed by Kuwait (21.3 percent) and the UAE (12.2 percent). From the 1950s to the 1970s, young Saudis were educated with school curricula inspired by Egyptian teachers affiliated with MB ideology when the movement had been banned under Egypt’s President Nasser. As Nasser’s strong Egyptian nationalism – which was combined with secular elements of socialism and expansionist pan-Arabism, including anti-monarchical tendencies – posed a viable ideological threat to Saudi Arabia during this time, bilateral relations between Egypt and Saudi Arabia deteriorated. This went hand in hand with a massive influx to Saudi Arabia of Egyptian dissidents who had to flee abroad – including members of the MB. After their arrival in the kingdom, MB members started to establish a Saudi-based network. They created the “backbone of the modernization of the kingdom” by working as teachers, engineers, and political advisors throughout the newly founded state institutions such as ministries and investment authorities. The influx of Egyptian Islamists was thus for some time perceived in positive terms by the Saudi leadership, as the lack of qualified Saudi teachers and administrative officials was gradually corrected by highly qualified Egyptian migrants (and other Sunni Arabs from across the region). Furthermore, “the Saudis needed an Islamic ideology to systematically oppose Nasser’s Arab Nationalism, yet the Wahhabi ulama were too traditional to build one out of Wahhabism. So the MB were put in charge of the whole Saudi counterpropaganda apparatus” against their competitors, Socialist, and nationalist influences within Saudi Arabia.

The MB’s ideology has nonetheless aimed from the start at removing Arab monarchies and hereditary dynasties from power and replacing them with an Islamist transnational political system. Hence, the Saudi leadership subsequently began to perceive the growing sympathies for the MB – led by Sayyid Qutb’s brother, Mohamed, who was professor of the Umm al-Qura University in Meca from 1971 onward – with suspicion and as a challenge to its own legitimacy. In the 1990s, a rising Islamist opposition within Saudi Arabia (al-Sahwa al-Islamiya, or ‘Islamic Awakening’) was accused of being influenced by Muslim Brothers in Saudi Arabia. The Sahwa movement demanded political reforms such as the installation of a constitutional monarchy, more individual freedoms, and the removal of corrupt administrators. As Haykel states, “the regime saw these claims not only as a form of betrayal by a former protégé but more significantly as an attempt by the Brotherhood to seize the reins of power in the name of Islam.” The Saudi rulers’ relationship with the MB subsequently began to perceive the growing sympathies for the MB – led by Sayyid Qutb’s brother, Mohamed, who was professor of the Umm al-Qura University in Meca from 1971 onward – with suspicion and as a challenge to its own legitimacy. In the 1990s, a rising Islamist opposition within Saudi Arabia (al-Sahwa al-Islamiya, or ‘Islamic Awakening’) was accused of being influenced by Muslim Brothers in Saudi Arabia. Since 2011, influential and prominent religious figures inspired by the MB such as Salaman al-Awdah, the leader of the Sahwa movement, have expressed their sympathies with the Arab uprisings. In 2012, al-Awdah called for a “hybrid discourse that embraces the inevitability of political change,” which the late King Abdullah harshly suppressed when he prohibited the publication of al-Awdah’s book Asilat al-Thawra. According to Madawi Al-Rasheed, “unlike the majority of official Salafi ulama, al-Awdah anchored peaceful collective revolutionary action in an Islamic framework and reached out for humanist interpretations that amass Western intellectual positions with this Salafi background.” The royal family regarded this as a threat to its power and supremacy.

2) Containing Iran and Shias. Highlighting Egypt’s role as part of an axis of Sunni-Arab nations has always been important for Saudi Arabia in order to contain Iran’s influence in the region. Thus, the cautious Egyptian-Iranian rapprochement initiated by Morsi seriously worried Saudi Arabia, as this conflicted with Saudi geopolitical reasoning in which Saudi religious and political rivalry with Iran features prominently. For instance, this rapprochement was demonstrated by successive high-level meetings between officials of both states. In addition, Morsi initiated mutual cooperation with Qatar, which had presented itself as a strong supporter of the MB for decades, especially after 2011. Saudi rulers perceived this with great concern, intensifying the rift with Qatar within the Gulf Cooperation Council (GCC). Although Egypt’s rapprochement with Iran took place at a very low and non-strategic level, King Abdullah was not able to overcome his deep skepticism about the new Egyptian administration, although Morsi tried to build up a relationship of mutual trust with the Saudi leadership, as evident in his visit to Riyadh soon after his election.

3) Maintaining Egypt’s ability to offer protection to Saudi Arabia through military manpower: Both countries have closely cooperated in the military sector for decades, particularly during Mubarak’s reign. Egypt has served as a major supplier of arms to Saudi Arabia in times of external challenges such as the Iranian threat. This is due to its large quantity of soldier manpower and its reputation as the only functioning and efficient army in the Arab world. The strong military cooperation continued even after 2011 and despite tense relations with the Morsi administration. The annual exercises “Morgan” and “Faisal” (the biggest joint military exercise in May 2013 during Mubarak’s reign), and the joint military training in Tabuk in the northwest of Saudi Arabia, testified to Saudi Arabia’s pragmatism over political and ideological ambiguities when security concerns come into consideration.

4) Preserving Saudi economic interests: The fall of Mubarak in Egypt also had widespread consequences for the Saudi business community’s interests. Saudi businesses had been active in Egypt for decades, as Egypt is the largest consumer market in the region, geographically well situated as a logistical and economic hub to the Sub-Saharan countries and Europe. Egypt is also geographically close to the Hijaz region of western Saudi Arabia, which includes the city of Jeddah, the kingdom’s most important trade center. Some bilateral business networks can be traced back to the end of the 19th century, when members of important Egyptian merchants’ families came to the Hijaz in order to visit Mecca and Medina for pilgrimage (hajj), and then settled in Jed- dah and started trade activities from there. Since then, close trading networks have been established through intermarriages (e.g. of the Babtain or Juhayni families), migration to or from Egypt, and joint projects in the construction or agricultural sector. Also noteworthy is the tremendous involvement of Egyptian businessmen in the infrastructural development of Mecca and Jeddah since the middle of the 20th century, e.g. by Talaat Pasha Harb (1876–1941), the founder of the Egyptian Misr Bank, who initiated many economic projects in Saudi Arabia in the 1930s and 1940s. On the Saudi side, famous merchant families such as the Jamjun clan initiated trade projects with Egypt as early as the 1870s. These longstanding ties have stood the test of time no matter what diplomatic conflicts occurred between the two governments. Saudi businessmen, especially entrepreneurs operating from Jeddah, have generally followed their business interests independently of political decisions and government interests. These days, they often use direct access to Egyptian political decision makers.

5) Reinstituting Saudi supremacy as a regional power broker: The fall of the MB in Egypt also meant an end to Qatar’s strong influence in Egypt. Saudi Arabia welcomed this as an opportunity to reinstall itself as the “true leader” of the Muslim world as well as within the GCC.

2.2 Saudi Efforts in Egypt after 2011

Under the rule of the Supreme Council of the Armed Forces (SCAF) until June 2012, and especially after the removal of Morsi in July 2013 by the Egyptian military under General Abdel-Fattah el-Sisi, Saudi Arabia became the strongest partner of post-Mubarak Egypt. It did so by offering economic support (1), large financial aid, military aid (2), through private economic activities, (3) via the politi- cal and economic influence of non-governmental and semi-governmental Saudi players, (4) through measures to solve legal disputes on economic transactions, and (5) by securing Wahhabi influence.

1) Financial support for regime stabilization: In order to preserve the interests of the ruling regime, Saudi Arabia disbursed tremendous sums in financial assistance in the form of loans, grants, and energy subsidies. This began soon after the removal of Mubarak in order to prevent Egypt’s insolvency. Of course, financial assistance was aimed at stabilizing the current regime rather than supporting political transition toward more political freedom and democratization. To this end, the Saudi Fund for Development (SFD) granted soft loans in 2011 and 2012 such as 430 million USD for financing development projects in Egypt in different sectors. These included housing, water, irrigation, sanitation, electricity supply, energy, health, and a credit line to finance non-oil products worth 750 million to bridge the budget deficit in May 2011; a deposit of 1 billion to the Central Bank in May 2012; and a further 500 million as treasury bonds and bills in June 2012. A sum of 200 million aimed to foster SME establishments was also provided by the SFD in the Egyptian Development Program supervised by the Ministry of International Cooperation as well as 250...
In February 2014, the Egyptian administration stated that the influx of Gulf financial assistance had increased economic growth to 3.5 percent, while economic growth was only one percent in the second half of 2013.13

After Morsi’s removal, Saudi Arabia pledged financial assistance of 4.5 billion USD to stabilize Egypt’s deteriorating economy. Aid took the form of a non-interest deposit of 2 billion (with a five year duration) to the Central Bank of Egypt (CBE), donations of 1 billion, and gas and oil support of 2 billion.14 In 2013, a 350-million bilateral energy deal was signed.15 Additionally, 4 billion have been pledged as 1 billion in deposits to the CBE and 3 billion toward development assistance and investment. These pledges were made during the Egyptian Economic Development Conference (EEDC) in March 2013 at Sharm el Sheikh (see fig. 2).14

Figure 3: Financial Assistance to Egypt, 2011–15 (in USD)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total</th>
<th>Oil and gas subsidies</th>
<th>Petroleum exports</th>
<th>Oil support</th>
<th>Cash</th>
<th>Line of credit for non-oil products</th>
<th>Deposit in CBE</th>
<th>Assistance to the Sisi administration</th>
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<tr>
<td>2011–12</td>
<td>3,305</td>
<td>250 million</td>
<td>250 million</td>
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<td>2013–14</td>
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<td>10.9</td>
<td>1,285.5</td>
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<tr>
<td>2014–15</td>
<td>206.3</td>
<td>152.5</td>
<td>595.2</td>
<td>109.1</td>
<td>64.1</td>
<td>3,016.6</td>
<td></td>
<td></td>
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<tr>
<td>2015–16</td>
<td>201.3</td>
<td>150.9</td>
<td>569.8</td>
<td>63.5</td>
<td>10.9</td>
<td>1,509.2</td>
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The influx of Saudi money was to a large extent part of a political understanding between Saudi Arabia’s and Egypt’s leaders, as both were interested in cracking down on the MB.16 For a certain period of time, the financial assistance was thus judged to be a “win-win situation” for both Saudi Arabia and Egypt’s new leadership.17 However, taking money from abroad became a double-edged sword for Egypt’s economic recovery. On the one hand, Sisi bought time to manage the currency depreciation smoothly, but on the other hand, future economic recovery could be hampered if Egypt’s government is to avoid cutting subsidies and implementing other economic reforms.18 Furthermore, criticism has spread among Egyptian social media activists and researchers who have accused the government of “selling” the country to the Gulf region.19

Similar reservations about ongoing financial support have also emerged in Saudi Arabia. Challenged by decreasing oil revenues due to the low price of oil, high domestic energy consumption,20 and rising discontent within the domestic population, which suffers from high youth unemployment (30 percent), financial assistance to the Sisi administration is seen as a “financial burden” from the Saudi perspective.21 There is a degree of alarm at the extent of Saudi financial and economic assistance and a sense that Egypt may turn out to be a “bottomless pit” requiring constant and long-term support.22 Calls for halting assistance to Egypt were widespread and are manifested for example in a Twitter campaign in summer 2013 called “Salaries are not for Sale.”23

2) Private economic activities: Saudi Arabia’s private business community has a keen interest in a stable, secure, and investment-friendly Egyptian market in the long term. Demands for economic reforms of the type made by the UAE are less important for Saudi Arabia. In total, 3,302 Saudi companies are said to have been active in the Egyptian market in 2014, most of them working via local sub-contractors, middlemen, or branches of multi-sectoral conglomerates.24 In fiscal year 2013–14, the trade volume reached 3.25 billion USD (exports: 420 million, imports: 2.83 billion) and rose to 3.31 billion in fiscal year 2014–15 (exports: 595.2 million, imports: 2.71 billion) (see fig. 4). Saudi Arabia is thus Egypt’s main Gulf trade partner (see fig. 5).

The Engagement of Arab Gulf States in Egypt and Tunisia since 2011

They are mainly investing in projects in industry, real estate, finance, tourism, construction, agriculture, petrochemicals, services and telecommunications. Official statistics for sector-related Saudi investment are not available, however. When non-official estimates are taken into consideration, it seems most likely that Saudi investors are more than 60 percent engaged in tourism, real estate, and construction projects, while tourism and agriculture/agribusiness constitute another 25 percent, followed by the remaining sectors such as petrochemicals or finance, with 15 percent.25 The most controversial Saudi-initiated mega projects have been the installation of a common electricity grid between both states, the construction of a connecting bridge between Egypt and Saudi Arabia, and the involvement of the Saudi investor Prince Alwaleed bin Talal in the agricultural project Toshka. All of these projects were announced under Mubarak several years ago. However, substantial progress on them has not yet been achieved due to legal disputes, lack of financing, bilateral political disputes, and unrealistic expectations. As a result, these “white elephants” show little sign of being sustainable, well-planned projects. (For an overview of Saudi-initiated projects in Egypt see fig. 7, p. 28.)

Although it sounds surprising, some Saudi businessmen even expressed their discontent with the removal of Morsi. They had hoped for efforts by the MB to fight corruption and cronyism, as the Saudi private business community enjoys considerable political independence. The MB’s willingness to vigorously fight the lack of transparency, corruption, and Mubarak-fashioned patronage networks by putting long-lasting contracts under test generally met with sympathy within the Saudi business community, which hoped to benefit from reforms within the economic and bureaucratic structure. They, however, may find it difficult to do business within the Saudi business community.

In 2014 total Saudi investment in Egypt amounted to 27 percent of the Arab total investment in Egypt, invested in 2,743 projects, which means that the kingdom is the second largest investor in Egypt from the Gulf (see also fig. 6) after the UAE.26 Saudi Arabian companies hold the largest proportion of investments from the Gulf. Due to the structural set-up of these investments, however, their scope is often not visible.

Figure 5: Egypt’s trade volume with selected Gulf countries (in USD) 2010–14

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<tbody>
<tr>
<td>Saudi Arabia</td>
<td>323.4</td>
<td>206.3</td>
<td>240.4</td>
<td>191.7</td>
</tr>
<tr>
<td>UAE</td>
<td>103.5</td>
<td>410.8</td>
<td>259.8</td>
<td>460.6</td>
</tr>
<tr>
<td>Kuwait</td>
<td>86.7</td>
<td>58.6</td>
<td>133.5</td>
<td>46.4</td>
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<tr>
<td>Qatar</td>
<td>74.0</td>
<td>191.5</td>
<td>419.8</td>
<td>375.6</td>
</tr>
<tr>
<td>Bahrain</td>
<td>64.1</td>
<td>96.2</td>
<td>152.5</td>
<td>262.7</td>
</tr>
<tr>
<td>Oman</td>
<td>3.8</td>
<td>11.9</td>
<td>13.3</td>
<td>10.9</td>
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Figure 6: Net foreign direct investments from Gulf countries (in million USD) 2009–2013

<table>
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<tbody>
<tr>
<td>Saudi Arabia</td>
<td>350.5</td>
<td>595.2</td>
<td>2,710.5</td>
<td></td>
<td></td>
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<tr>
<td>UAE</td>
<td>3,076.6</td>
<td>1,285.5</td>
<td>1,631.4</td>
<td></td>
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<tr>
<td>Kuwait</td>
<td>1,092</td>
<td>88.0</td>
<td>1,451.2</td>
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In 2014 total Saudi investment in Egypt amounted to 2.5 billion USD, while the trade volume was 5 billion – indicating no fundamental change in comparison to the period before 2013.21

3) The political and economic influence of non-governmental and semi-governmental Saudi players: In addition to Saudi private businessmen, non-governmental players and semi-governmental players (with strong influence of influential Saudi private business players) are also exerting influence via their longstanding ties to members of the old elites within the Egyptian business community, the military, and the current government. “In general, the Saudi government is not involved directly when the chambers of commerce bring partners together,” explained a Saudi businessman.22

Among these organizations are the Jeddah Chamber of Commerce and Industries (JCCI); the Riyadh Chamber of Commerce and Industries (RCCI); and the Federation of Saudi Chambers; the bilateral Egyptian-Saudi Business Chambers (ESBA), founded in December 2013 by JCCI and the General Federation of Egyptian Chambers of Commerce (FEDOCC);27 and Saudi conglomerates owned by prominent merchant families such as az-Zamil, Bin Ladin, Salih Kamil, or al-Juffali. The Saudi business community enjoys considerable political independence. Among these organizations are the Jeddah Chamber of Commerce and Industries (JCCI); the Riyadh Chamber of Commerce and Industries (RCCI); and the Federation of Saudi Chambers; the bilateral Egyptian-Saudi Business Chambers (ESBA), founded in December 2013 by JCCI and the General Federation of Egyptian Chambers of Commerce (FEDOCC);27 and Saudi conglomerates owned by prominent merchant families such as az-Zamil, Bin Ladin, Salih Kamil, or al-Juffali. The Saudi business community’s strong influence on the Egyptian economy was also shown in the lead-up to the EEDC in Sharm el Sheikh in March 2015. Together with the UAE, the Federation of Saudi Chambers and ESBA, chaired by Saudi business tycoon Sheikh Salih Kamil, were involved as co-organizers of the conference.28 At the end of the conference, a total of 142 billion USD was mobilized by the Egyptian side in forms of investment agreements of 33 billion, memorandum of understandings (MoUs) with a volume of 92 billion, and aid and grants of 17 billion (including 12.5
King Salman wants to cooperate with the Egyptian government as the Egyptian political elite. In total, there were 28 legal disputes between the Morsi government and Saudi entrepreneurs, which has caused bitter resentment from the Saudi side. The concerns of Saudi investors were in danger – a situation unacceptable to both the Saudi business community and the Saudi political elite. In March 2015, there were 28 legal disputes and 1 million Saudi Riyals were accused of bribery to manipulate Egypt’s tenders and auctions law. For their part, Saudi investors demanded compensation for the nationalization of their assets and threatened to otherwise withdraw their invested capital from Egypt. These included five Saudi investors who established the Foras Company at the end of 2013 with a paid up capital of 2.67 million USD. They intended to raise it to 20 million should the Egyptian government satisfy their requests and abolish the legal disputes. As a consequence, the Egyptian ministry of investment and the Saudi embassy set up a joint committee to solve legal disputes between Saudi investors and the Egyptian government. In addition, the Egyptian ministry of investment and the Saudi embassy closely cooperated and opened a special office to examine complaints and worries of Saudi investors. As a result, all these cases were settled out of court by March 2014. Nine additional cases have been resolved since the Sisi administration took office, showing the deep involvement of Saudi businessmen in the Egyptian market and their strong ties with Egypt’s political institutions. As one Saudi businessman stated, “if I have a legal problem in Egypt, I will meet my Egyptian partners in politics and they will resolve the issue as I wish.”

5) Securing Wahhabi influence: Several governmental and non-governmental actors from Saudi Arabia have been active for decades in spreading Wahhabism throughout the Islamic world and beyond. Nonetheless, the precise extent to which the Saudi government plays an active part in promoting the Wahhabi discourse in Egypt is not clear. However, Egyptian Islamic scholars as well as migrant workers influenced by Wahhabism during their work stays in Saudi Arabia have inspired segments of Egyptian society. Over time, the influence also grew within the prominent theological university Al Azhar, as Laurent Murawiec stated: “Toward the end of the 1990s, it was hard to find an Azhari who had not enjoyed Saudi largesse. The Saudis feared that this influence might be curtailed by initiatives of the MB in power. It is likely that Saudi Arabia exerted pressure on its Egyptian religious and political partners not to curtail the influence of Wahhabism within Al Azhar (whatever its extent may be). No information on such steps is available, making it difficult to substantiate concrete efforts. However, there is widespread discussion in Egypt that the Saudi relations have exerted pressure on its Egyptian religious and political partners to curtail the influence of Wahhabism within Al Azhar (whatever its extent may be).”

2.3 Future Prospects for the Egyptian-Saudi Relationship

King Salman and his closest political partners – these include his son Mohammed (who was designated Minister of Defense in January 2015) and deputy crown prince in May 2015, and the new Crown Prince Mohammed bin Nayef (interior minister and first grandson of the state founder in line of succession) – will not generally turn away from their traditional partner, Egypt. However, the bilateral relationship with Egypt may undergo several modifications under the new Saudi monarch, King Salman. There are several critical factors: King Salman’s interest in a possible reconciliation of the MB, Egyptian disapproval of Saudi military action in Yemen, the shift from unconditional Saudi financial assistance to more conditional, project-focused support, personal animosity, and, finally, mutual skepticism within society. King Salman is interested in a possible reconciliation of the Muslim Brotherhood. King Salman wants to cooperate with Turkey and Qatar in order to counter ISIS in Iraq and Bashar al-Assad in Syria. Hence, he might be interested in reintegrating Egypt’s MB in order to appease pro-Islamist Qatar and Turkey. In March 2015, King Salman received Turkey’s President Recep Tayyip Erdogan in Riyadh to discuss further security and military cooperation and the support for insurgents fighting Assad in Syria. The Egyptian-Saudi settlement resulted in founding a joint command center in the northeastern Syrian province of Idlib. By May 2015, Saudi Arabia had started to coordinate with groups affiliated with the MB in Syria, with Turkish support, in order to fight Assad’s troops.
With regard to Qatar, King Salman is considered to be a friend of Qatar's new emir, Tamim bin Hamad Al Thani. This could also change the former Saudi anti-MB policy because their personal friendship could further lead to a Saudi-Qatari modus vivendi by dealing with Islamist movements across the region. At present, the Egyptian side regards this new Saudi pro-MB strategy with great concern; it has caused rifts in the bilateral relationship. Furthermore, King Salman and other high-ranking members of the Saudi royal family are worried about Sisi's decreasing popularity among his own people. Soon after he was elected president, Sisi raised tremendous expectations to solve the economic crisis, create jobs for unemployed youth, and reinstall security. However these goals have yet to be met. Thus, the image of Sisi in Saudi Arabia has further declined.

Mutual skepticism extends to society at large. Traditionally, skepticism has been a hallmark of Egyptian society regarding the country’s close relationship with Saudi Arabia. The artificial monarchy created in the desert – the middle of the Arab League, with strong Egyptian leadership, King Salman is more interested in forming ad hoc coalitions under his own control. The establishment of the joint Arab League military force, comprising roughly 40,000 soldiers, was announced at the Arab League summit in Sharm el Sheikh in March 2005 on Sisi’s initiative. As the largest and best-equipped army in the region (with 400,000 active soldiers and 500,000 military reservists) Egypt is seeking to recover its regional clout by commanding this joint military force and taking the lead in the Yemen operation that was denied by King Salman. At the time of writing, Egypt was only involved in Yemen with four war vessels. With regard to the pro-MB stance of King Salman, Saudi Arabia seeks to find a pro-military conflict solution in favor of the kingdom and is thus looking for an alliance with Yemen's branches of the MB such as the Islah Party, which is of great concern for Egypt.

There will be a shift from unconditional Saudi financial assistance to more conditional, project-focused support. Due to decreasing oil revenues, rising discontent within the Saudi domestic population, and the new King’s more pragmatic approach toward the kingdom, unconditional financial assistance in terms of loans, grants, and energy subsidies might go down under King Salman, focussing more on the financing of concrete investment projects. Already in September 2013, the former Saudi Foreign Minister Saud al-Faisal stated, “Every beginning has an end. Saudi Arabia offered grants and loans to Egypt, but will not continue to support it forever.... We cannot support Egypt forever.”

Personal animosity exists on both sides. Furthermore, the leaking in February 2013 of telephone conversations between Sisi and his advisers disparaging Saudi Arabia and other Gulf states caused extremely negative reactions in Gulf media and social networks. Although the authenticity of these leaks has not yet been confirmed – and although Sisi tried to calm the waves by immediately calling King Salman – the Twitter campaign “Sisi ridicules the Gulf” started calling for the abandonment of Saudi financial support of Egypt. Furthermore, King Salman and other high-ranking members of the Saudi royal family are worried about Sisi's decreasing popularity among their own people. Soon after he was elected president, Sisi raised tremendous expectations to solve the economic crisis, create jobs for unemployed youth, and reinstall security. However these goals have yet to be met. Thus, the image of Sisi in Saudi Arabia has further declined.

3. The United Arab Emirates and Egypt after 2011: Interests, Efforts, and Future Prospects

3.1 Emirati Interests in Egypt after 2011

The UAE viewed the political developments in Egypt starting in 2011 with the fall of the Mubarak regime and leading to the electoral victories of the Muslim Brotherhood (MB) with great concern. This is because these changes challenged and even threatened a number of UAE interests. Due to the UAE's longstanding strategic, financial and political investments in Egypt, complex interdependencies between the two countries had evolved that affected how the UAE chose to engage in Egypt after 2011.

The UAE's engagement in Egypt has been led by 1) a desire to undermine the potential influence of political Islam as a competing political ideology, 2) a need to safeguard the UAE's security in the face of regional instability, 3) a wish to strengthen the role and image of the UAE as a power broker in the region, and 4) an interest in securing pre-existing investments and to open new markets.

1) The desire to undermine political Islam's potential influence as a political ideology: Political Islam as represented by the MB is perceived by the UAE leadership as a threat to its political order (see chapter 1, section 3). Relations between the UAE and the MB deteriorated quickly after the outbreak of protests in Egypt in early 2011, during which the UAE sided with Hosni Mubarak. But in fact, relations with the MB had been tense ever since the 1980s. The UAE has become concerned about the MB's influence within the educational and religious sector of the UAE, where many political dissidents from Egypt had found work. UAE leaders perceived this as a form of betrayal because they had expected loyalty and gratitude for the asylum they had provided to members of the MB. As a response, they cracked down on the MB's Emirati branch, Al Islah, in the early 1990s; members of Al Islah were removed from governmental and teaching positions and banned from preaching in mosques. Those notions of betrayal by the MB were quickly revived in the light of the developments that began in 2011 and have reentered the UAE's political discourse.

In order to contain the influence of political Islam, it is in the UAE's interest to either prevent the movement from accessing power again or cause it to fail when it is in power. In fact, by framing the conflict with the MB as a problem of “if you win, we lose,” as Sultan al-Qassemi puts it, the UAE has been less accommodating in its response to the MB than Saudi Arabia. Domestically, the UAE fears that Emiratis, especially in the poorer emirates, will be instigated by political Islam through transnational propaganda – but also through migrant Arab workers in the UAE, although these only constitute 8.7 per cent of the overall migrant population in the country. Among these, however, Egyptians figure prominently and are estimated to number between 300,000 and 400,000. Both sides denied rumors that the UAE temporarily restricted the renewal of residence permits of Egyptian workers when the MB was in power in Egypt. Given the strong negative reaction to the MB by UAE officials, however, this measure was considered possible, and the rumors thus caused widespread alarm.

2) The need to safeguard UAE security against regional instability: The UAE views regional stability as central to its security. It is therefore in its interest to keep Egypt and its social and political conflicts under control in order to prevent spillover effects to countries closer to the Gulf and to the Gulf itself. This also frees UAE capacities to deal with other, potentially more urgent crises in the region.

Furthermore, the UAE views Egyptian stability as central to its economic growth, which is significant for upholding the UAE's political and social order (as outlined in chapter 1, section 3). Many goods going through the Suez Canal and UAE enterprises are strongly invested in infrastructure and companies that offer services along the Suez Canal and the Egyptian Red Sea Coast. Stability in and around Egypt is also important to the UAE because Egypt serves as a hub for UAE economic activities in other African countries, especially for agribusinesses in Sudan and Ethiopia.

Finally, Egypt figures prominently in the UAE's political discourse on security, power, and hegemony. This discourse is targeted against Iran as well as against Arab actors and movements that challenge the existing geopolitical order of states and regimes in the Gulf region. The
UAE portrays Egypt as a potential security provider and as a central member of an axis of strong Sunni nations; the relationship with Egypt is constructed as “bound within the same security complex.” However, alliance-building measures from the early 1990s on had been pursued more by way of positive propaganda than actual reliance on the Egyptian military for the UAE’s defense. In fact, UAE leaders severely mistrusted Egypt’s military capabilities. This public relations strategy also seems to be behind numerous references to the “decisive” role Egyptian ground troops played in liberating Kuwait from Iraq in 1990, which have been made in recent years in UAE media and in speeches of UAE representatives. One can also analyze information about recent joint military exercises, presumably leaked by the UAE, as part of PR efforts to fortify the image of the UAE as a guarantor of Gulf solidarity between Egypt and the UAE and to sustain the concept of strategic balances within the region.

3) Strengthening the role and image of the UAE as a regional power broker: Egypt is a stage on which the UAE can prove its political leadership capabilities. It competes on this turf with Egypt itself but also with Qatar and Saudi Arabia.

On an intra-Arab level, Egypt’s need for financial support from the Gulf signaled the country’s weakness and hurt its regional standing (and self-perception) as one – not the major Arab power. By injecting huge amounts of money into the Egyptian economy – funds that were not offered by Western states – the UAE proved its willingness to take up political responsibility not only for Egypt but also for the region as a whole. Moreover, military interventions by the UAE in neighboring Libya signal the UAE’s willingness to increase its sphere of influence even without backup from its traditional political partners like the US.

4) Securing investments and opening new markets: Through investments made by state-owned enterprises (SOEs) and sovereign wealth funds (SWFs), but also by private Emirates businesses with whom the UAE ratifying familial links in closer relations or in investments makes it an important player in Egypt’s economic affairs long before the 2011 upheavals. Measures to stabilize the Egyptian economy have always been driven by concerns about existing investments and future financial returns. Furthermore, the UAE has an interest in securing Egypt as a market for future investments and to use Egypt for penetration of other markets, for example in Sub-Saharan Africa. UAE investments in Egyptian private equity firms like Citadel and Beltone act as vehicles for acquiring farmland in Africa, most notably in Sudan, and thus form a stepping stone for the expansion of Gulf-based capital into the wider Africa region. Similar regional activities in Egypt by competitors such as Qatar and Turkey are thus seen as a threat to UAE interests.

The UAE’s economic interests in Egypt also relate to the future of the Suez Canal. The country is keen to influence Egypt’s plan regarding the expansion of the Suez Canal and infrastructure development on Egyptian shores and to protect the central position of UAE harbors in regional trade and transport. The UAE is also eager to expand its position as a regional hub along the “New Silk Road” linking China, Europe, and Africa. It thus has an interest in influencing Chinese-Egyptian economic relations in general and Chinese investments made into and along the Suez Canal in particular. The operation, development, and management of Sokhna Port (south of the Suez Canal) by the Dubai-based company DP World since 2008 has been key to that strategy.

Before 2011, UAE investments existed in key sectors of the Egyptian economy. These included real estate and land development, agriculture and agribusiness, banking and finance as well as tourism. While initial investments were made decades ago, they increased tremendously in the 2000s as part of the UAE’s wish to internationalize revenue during the times of high oil prices. The UAE’s faith in the Egyptian economy resulted from intricate networks with Egyptian businessmen in the UAE but was also rooted in strong connections involving the ruling families of the UAE, Egyptian politicians, and influential Egyptian families. It is thus not surprising that the UAE was the first to organize an economic mission to Cairo’s dynasty and in the course of the political upheavals faced with numerous lawsuits for bribery.

The exact extent of UAE investment in Egypt prior to 2011 is difficult to determine, partially because of the high number of Egyptian-Emirati joint ventures. According to Karen Young, 400 Emirati firms were active in Egypt in 2009. However, most figures quoted in the literature relate to the volume of investments in general and not to investments in individual countries. It is said that Gulf capital comprised at least 25 percent of foreign direct investment (FDI) in Egypt in 2007 and 2008, with some estimates going up to 47 percent. Meanwhile 50 to 75 percent of the stocks in the Egyptian stock market are said to be owned by Gulf investors.

As for large-scale real estate development, in the decade before 2011, the UAE through its SOEs and SWFs had become one of the largest investors in this sector as a consequence of the privatization of state-owned land under Mubarak. Gulf-based investors like Dubai-based Emaar and its offspring Emaar Mize were the chief beneficiaries of land auctions but also participated indirectly in real estate projects through stakes in Egyptian companies like SODIC. The Abu Dhabi Fund for Development also provided loans for a number of real estate projects, for example in Sheikh Zayed City near Cairo.

UAE investors and companies have also come to dominate Egyptian food production, processing, and retailing both directly and indirectly. These investments are based on economic considerations but also on the UAE’s policy to ensure its own food security. UAE investors in this sector include the Abu Dhabi Fund for Development, Al-Qudra Holding Company, owned by members of the UAE royal family and well connected Emirati business networks with Egyptian businessmen in the UAE but was also rooted in strong connections involving the ruling families of the UAE, Egyptian politicians, and influential Egyptian families.

Like other Gulf states, the UAE is highly invested in Egyptian private equity firms and banks. In 2006, the UAE-based Abraaj Capital became the largest shareholder in the Egyptian EFG-Hermes but clearly signaled that it would not necessarily align its foreign policy with Egyptian interests. UAE harbors in regional trade and transport. The UAE also has stakes in the food retail chain via investments by UAE businesswoman Majid Al Futaisi in Carrefour supermarkets and by UAE’s Abraaj Capital in Spinney’s Supermarket. The country also has a number of indirect stakes in the Egyptian agribusiness sector through investments of UAE wealth funds in Egyptian private equity firms that are invested in Egyptian agricultural companies like Dina Farms and Egyptian Fertilizers Company.

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The UAE quickly realized that it was worried about the transitional government’s refusal to analyse DGAP analyse Nr. 9 / October 2015
The Engagement of Arab Gulf States in Egypt and Tunisia since 2011
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158 The UAE will have to weigh this against its interest in a strong Egyptian military. India and the UAE have been engaging with each other more frequently in recent months, as indicated by the visit of Indian Prime Minister Narendra Modi to the UAE in October 2015. This visit was significant because it marked the first high-level visit from India to the UAE in years. The visit was seen as an important step towards strengthening bilateral relations between the two countries. The visit included discussions on a wide range of topics, including trade, investment, and security. India and the UAE have strong economic ties, with India being the UAE’s fifth-largest trading partner. The visit also highlighted the growing interest of Indian investors in the UAE’s real estate, tourism, and logistics sectors. India and the UAE have also been working together to address regional issues, such as counterterrorism and regional stability. The visit was therefore seen as an important step towards furthering bilateral cooperation in these areas. In conclusion, the visit of Narendra Modi to the UAE was significant because it marked the first high-level visit from India to the UAE in years. The visit included discussions on a wide range of topics, including trade, investment, and security. The visit also highlighted the growing interest of Indian investors in the UAE’s real estate, tourism, and logistics sectors. India and the UAE have also been working together to address regional issues, such as counterterrorism and regional stability. The visit was therefore seen as an important step towards furthering bilateral cooperation in these areas. In conclusion, the visit of Narendra Modi to the UAE was significant because it marked the first high-level visit from India to the UAE in years.
countries. The wheat silos are thus part of a larger eco
tent in all governorates.

In this sector, the UAE is actively improving educational facilities
and curricula that are intended to benefit more than 67,000 Egyptians; a total of 100 new schools are planned to be built and new vocational training programs imple-
mented in all governorates. These efforts are portrayed as part of the UAE’s grassroots development projects, but Emirati companies working in Egypt will also benefit from the improved skills of the labor force.

In this sector, the UAE pays special attention to religious education. By exerting direct influence on Al Azhar through dialogue between religious experts from both countries and through financial support, the UAE wishes to encourage a form of Islam that is closer to UAE traditions over political and Wahhabi strands of Islamic thought. These efforts are also part of the UAE’s war on terrorism, which targets organizations of political Islam like the Muslim Brotherhood as much as it targets actual terrorism. Already in July 2012, a memorandum of understanding (MoU) was signed with Al Azhar to pro-
vide 30 million USD in funds to support the university’s educational and cultural activities. In addition, the UAE is also supporting the Coptic Church to run education and healthcare projects.  

6) Investments by UAE SOEs and private companies: Most UAE investments in Egypt in recent years were made by SOEs and SWFs and less so by private Emirati businesses. This reflects the strong political (rather than purely economic) calculation behind present investments in Egypt. As previously pointed out (see chapter 1, section 3), however, many seemingly private UAE companies blur the line between public and private UAE investments due to the strong personal involvement of members of the ruling families.

In the run-up to the EEDC in March 2015, a large num-
ber of projects were developed and discussed in the media that were officially announced during the conference itself. UAE-financed projects seem to focus on sectors like real estate and land development, energy, transport, and food and agribusiness and thus reflect a continuation of the UAE’s past investment strategy. (Information about each sector is detailed below.) The sectors promise quick and high returns and correspond to the energy that also contribute at least partially to Egypt’s economic growth because real estate and construction projects are labor-

tensive; from an Egyptian perspective, however, they offer only short-to-medium-term solutions to the problem of creating jobs for Egyptians. Transport- and food-related investments also strongly reflect the UAE’s interests in regional trade. Investments in the energy sector as well as in the improvement of food storage are in keeping with UAE concerns about the untenable Egyptian subsidy sys-
tems for energy and food, which are currently financed by Egypt’s foreign creditors and donors. As far as Real Estate and Land Development are con-
cerned, the “new capital” project, with an overall volume of 44 billion USD (a third of the overall investments of 130 billion USD announced during the conference) stands out particularly. The new capital city is planned to spread over 700 square kilometers east of Cairo and comprise more than one million residential units. An MoU was signed between the Egyptian ministry of housing and Capital City Partners, a private real estate investment fund created specifically for this project and led by Mohamed Alabbar, chairman of Dubai’s state-owned real-
estate company Emaar Properties. Alabbar described the investment as beneficial for both sides: “We’re in a part-
nership with the government. They will offer the land, we will invest, and we will split the profits.” Nevertheless, already in May 2015, rumors erupted about the cancella-
tion of the MoU due to disagreements about UAE funding and the provision of military-owned land. Insistence that Emaar Properties is not itself involved in the deal and rumors about UAE objections to involving other state-
owned funding into the project suggest that this project is more financially than politically interesting to the UAE. The same financial reasoning seems to apply to another real estate deal announced during the conference that in-
volved the development of a new city west of Cairo. This is expected to cost 20 billion USD and was agreed by the Abu Dhabi-owned investment firm Aabar and the Egypt-
tian property development firm Palm Hills Development, which is partly owned by Aabar. The UAE’s construction firm Arabtec is also involved, as Aabar owns a third of it. There has also been talk about the development of a new city near Fayoum through UAE investments.

As for the Energy Sector, UAE’s Dana Gas announced a 350-million USD gas deal that involves drilling nearly 40 new development wells, workovers on existing wells, building new pipelines, and making an existing plant more efficient. Dana Gas Egypt has already been one of Egypt’s largest gas producers. UAE’s Masdar an-
ounced investments in coal-based energy; the UAE and the UAE’s Al Nouais Investment announced plan to invest 4.5 billion USD in coal-based energy. The UAE is thereby highly involved in Egypt’s energy sector in general but also in the management of energy demand in order to increase regional energy security. Coal-based energy is especially labor-intensive and is thus seen as a source for employment.

In terms of the Transport Sector, the above-men
tioned projects for the Egyptian railway system, partly financed by the Al-Suwaidan Group, are noteworthy in that they are planned to better connect Sokhna Port with ports at the Mediterranean coast and other parts of the country. The project also seems to include the China Harbour Engineering Company and the Chinese AVIC International Holding Company, again highlighting the UAE’s interest in securing its position along the “New Silk Road” to East Asian markets. Another deal worth 45 million USD was signed with DP World to construct liquid bulk terminals at the Sokhna Port in order to handle the anticipated increased demand for the storage and ship-
ning of fuel and petrochemicals.

With regard to Food Production, Storage, and Retail, the UAE is highly involved in the 6-billion USD deal with the Al-Suwaidan Group to invest in silos and grain logis-
tics in Damietta. Furthermore, the UAE-based company Canal Sugar announced plans to invest 850 million USD to set up a sugar factory and reclaim agricultural land in Minya province. The private Emirati businessman Maj-
id Al-Futtaim, who manages Carrefour’s activities in the Middle East, announced plans to invest 550 million USD in Egypt in the coming years.

A further financial investment in various other sectors, including Health, Waste Management, and Renew-
able Energy, was made by the private Emirati invest-
ment group Khalifa bin Butti Bin Omeir (KBBO). Egypt’s Ministry of International Cooperation was also eager to point out that a number of deals were struck that involve joint financing from the UAE, Egypt, and France that had resulted from negotiations between the UAE and France prior to the EEDC.

3.3 Future Prospects for the UAE-Egyptian Relationship

The kind and extent of UAE support for Egypt, especially since summer 2013, speaks clearly to the importance the UAE attaches to Egypt and to its interests in Egypt. The following developments can therefore be expected: Strong UAE engagement in Egypt in the future is not only likely but also possible because the UAE does not face the same domestic financial constraints as Saudi Arabia. Financial engagement is however increased by the current political conditions which match both countries.

The UAE will discourage political steps such as a reconciliation with the Muslim Brotherhood, but this decision depends more on Saudi considerations of how to engage with the MB and on the MB’s international sup-
pporters. Qatar and Turkey.

Long-term financial support is possible. Already in 2013 the UAE, Kuwait, and Saudi Arabia signalled to Egypt that their support would not be permanent. But given that the UAE does not face the same domestic financial con-
straints as Saudi Arabia, support for Egypt may continue as long as there is the political will in the UAE. This will be routed in an interest in Egypt’s economic stability, due to the large UAE investments in Egypt but also based on calculations and personal convictions of Emirati foreign policy decision makers. Generational leadership changes in the UAE might thus impact the UAE’s Egypt policy, but as long as the current leadership identifies the transna-

cational network of the MB and its Egyptian headquarters as a threat to its domestic security, the UAE is likely to raise the necessary funds to influence Egyptian politics. In order to reduce costs, the UAE is more likely to di-
rect its future support into loans and technical assistance rather than additional grants. UAE enterprises and SWFs will also continue to invest in sectors like real estate, ag-

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Regime stability and economic growth.

Having learned in depth about the weaknesses of the Egyptian economy through the activities of the Egyptian-UAE Task Force, the UAE has an interest in incorporating more donors into the effort to stabilize Egypt economically. It will thus help Egypt to secure FDI from countries like Russia and China, especially for projects that conform to the UAE’s economic strategy of remaining a relevant regional transport hub for Asia, Africa, and Europe. Future UAE investments in Egypt’s infrastructure should also be seen in this wider context.

Long-term financial support for Egypt is also likely because the UAE perceives Egypt as a field from where it can increase its sphere of influence in – and beyond – the region.

Financial support will not come unconditionally. The activities of the UAE since President Sisi came to power suggest that the UAE will not give its financial support unconditionally. While financial aid was necessary to stabilize Egypt, all of the Gulf states have realized that simply pumping more money into Egypt will only postpone solutions that are needed to effectively address serious underlying economic problems. In its effort to push for results, the UAE will continue to demand the implementation of more administrative and economic reforms. More than in the past, the UAE can be expected to use its economic power for such political leverage.

The UAE may be forced to reconsider its pace, however, for it increasingly realizes the Egyptian leadership’s difficulty in implementing reforms, which result from pressure coming from the population and from domestic stakeholders. Pushing harder for reform entails risking the currently good reputation of the UAE in Egypt, especially if the Egyptian leadership decides to blame “external forces” for social hardships caused by these reforms. The UAE is thus likely to continue financing high profile projects for the poor to improve its reputation. However, it must also be careful not to fall back into its habit of presenting itself as a donor for “miserable Egyptians,” emphasizing instead that the partnership takes place on an equal footing.

For the UAE, economic reforms and related political measures in Egypt enjoy priority. As long as stability in Egypt can be maintained without making implausibly high economic commitments, the UAE is unlikely to change its bet on the current Egyptian leadership. For the time being, the UAE will thus continue to demand more economic reforms from the Sisi government while not pressing for other political reforms or for political reconciliation with other Arab states, Qatar after 2011: Interests, Efforts, and Future Prospects

4.1 Qatari Interests in Egypt after 2011

Qatar, unlike its GCC neighbors, perceived the political developments that started to unfold in Egypt in 2011 more as an opportunity than as a threat. As noted in chapter 1, section 4, Qatar was politically stable due to strong domestic support for the ruling family, while its comparative social coherence made it more or less immune to the socio-political unrest that shook the wider Arab region. Furthermore, the MB and other Islamist movements had never mobilized against the Qatari leadership, instead enjoying a mutually beneficial relationship with Qatar, which allowed it to use various Qatari channels for its external activities. Moreover, regular Qatari expatriates in Qatar, working mainly in law enforcement and in high-skilled sectors, were not prone to political activism. Finally, Qatar had not been engaged financially and politically in Egypt to a relevant extent before 2011, so that Egypt’s economic instability posed no threat to Qatari financial interests.

In early 2011 there was therefore little reason for Qatar to join its GCC neighbors in their efforts to fight the growing political influence of the MB in Egypt and in other Arab countries. Instead, actively aligning itself with the demands of the Egyptian MB, Qatar offered an opportunity to advance its national interests. However, this calculation had changed by summer 2013, when power was handed over in Qatar from Emir Hamad to his son Tamim and when the Morsi-led government was toppled by the Egyptian military. By then, Qatar’s support for the Egyptian MB had “turned into more of a liability than an asset,” as Kristian Coates Ulrichsen argues.

Under Emir Hamad – that is until summer 2013 – Qatar’s engagement in Egypt was led by three main motives: 1) to brand Qatar to the West as a bridge and an interlocutor with the MB, 2) to improve Qatar’s image in the Arab world by portraying itself domestically and regionally as a champion of the Egyptian people’s right to political self-determination, and 3) to make inroads into the Egyptian market, which had thus far been dominated by other GCC states and their enterprises. A fourth motive – to demonstrate a different, more moderate foreign policy under Emir Tamim – came into effect in 2013 and has since eclipsed the other three.

The new Egyptian government led by Abdel-Fattah el-Sisi, however, offers little room and potential for Emir Tamim to further pursue motives 1-3. While the prospects for Qatari engagement in Egypt will be discussed further on, it is important to highlight that keeping a low profile in Egypt since summer 2013 has also served Qatari interests by providing proof of Qatar’s less unilateral foreign policy toward its neighbors – both to a domestic Qatar and to a regional Arab audience.

1) Branding Qatar to the West as an interlocutor with the Muslim Brotherhood

Long before the regional political upheavals of 2011, Qatar had already taken steps to carve a position as an independent interlocutor between the Middle East and Western states. It had strongly invested in nurturing partnerships with various political movements and actors, among them Islamists as well as secularists and Arab nationalists.

It had relied on these contacts in multiple mediation efforts through which it sought to brand Qatar as a neutral, reasonable, and responsible player motivated more by the will to be “a good global citizen” than by interest politics, as Mehran Kamrava argues. Actively siding with one political current, that is, the moderate Islamists of the MB, during the regional upheavals marked an abrupt shift and was a risky maneuver in the heretofore balanced Qatar power play. But apparently Qatari leaders expected the political Middle East to be about to change drastically, and it bet that the MB would become the future power in Egypt and in other Arab countries. According to most analysts of Qatari politics, the decision to throw Qatar’s full weight behind the MB in Egypt was fueled by calculations of possible benefits and power maximization – ranging from opportunities for economic investments to forms of direct political influence – that outweighed the costs of giving up its carefully crafted previous policy.

Qatar portrayed its active engagement in ousting repressive autocrats – not just in Egypt but also in Libya and Tunisia – as a clear political stand against authoritarian rule. This presentation was clearly geared toward a Western audience. Moderate Islamism was cast as a pan-Arab unifying concept and as the better alternative to Wahhabi and Salafi Islam.

Qatar stressed its willingness to use its contacts to apply moderating influence on these actors and thereby offered itself as a bridge and interlocutor between the West and the Arab world’s alleged political powers of the future. In doing so, it expected it would strengthen Qatar’s international standing in its competition with GCC states like the UAE and Saudi Arabia. Furthermore, by strengthening moderate values like human dignity, social justice, and political and economic freedom, Qatar simultaneously tried to divert Western attention away from Qatar’s own poor democratic record.

These calculations did not bear fruit, however. Not only did Qatar come to be perceived as a partisan player interfering in the domestic affairs of other nations, but it was also subjected to unprecedented international scrutiny. Here the controversy surrounding FIFA’s decision to appoint Qatar as host of the 2022 Football World Cup is but one example.

2) Improving Qatar’s image in the Arab world: By siding with revolutionary forces in Egypt and in other Arab states, Qatar also sought to improve its controversial image in the Arab world. Already prior to 2011, Qatar had been increasingly perceived in the region to be “punching above its weight.” Expressing its engagement as a form of Arab solidarity was thus meant to foster Qatar’s claim for political leadership in the Arab world. Qatar’s mediation efforts had also led to accusations of interfering in the domestic affairs of other states. It thus used its engagement in favor of the revolutionary Arab street to portray itself as champion of the people’s right to political self-determination and to realize their democratic aspirations. It stressed this approach as a continuation of similar efforts that Qatar had made on behalf of the Palestinian people. Qatari leaders stressed that such support did not contradict the national sovereignty of another nation but fully respected legitimate governments. Implying that the Mubarak regime had forfeited this legitimacy, Qatar portrayed its engagement as an effort to include all parties in the political process and as a measure to protect peaceful supporters against the use of force.

Finally, Qatar had been perceived as a close ally of the US, which...
itself does not enjoy good standing in the Arab world. Qatar thus saw its engagement in favor of what increasingly seemed to be an Arab majority as a step to improve its reputation.213

One instrument the country used to present its position on the political uprisings was Al Jazeera. The network’s reporting on the uprisings led to the so-called “Al Jazeera effect,” which not only raised Qatar’s profile but simultaneously also those of the uprisings themselves.214 Protests and especially protagonists of the Egyptian Muslim Brotherhood received ample airtime to comment not only on the events in Egypt but also on the position of other GCC countries. The Egyptian preacher Youssef al-Qaradawi’s criticism, aired on Al Jazeera, of the crackdown on MB members in the UAE aggravated the local context of the Gulf states and the UAE, but also angered Saudi Arabia.215 So while Qatar was able for a certain time to improve its image in the countries of the uprisings, especially among moderate Islamists, its engagement further infuriated its neighbors as well as Arab secularists.216

3) Winning over the Egyptian market: Qatar expected that changing power structures in Egypt would provide new investment opportunities for Qatar’s Investment Authority and for private Qatari businesses. It hoped thereby to increase Qatar’s efforts of economic diversification but also to reduce the economic and political influence of its GCC neighbors on Egypt.217 It expected to capitalize on the long-nurtured relations with the Egyptian Muslim Brotherhood, e.g. by receiving preferential treatment from the Muslim Brotherhood. Good relations with the new government were also expected to settle the Qatar­Egyptian conflict regarding both countries’ economic and political interests in Sudan, as Egypt considered Qatar’s involvement there as meddling in Egypt’s backyard.218

4) Branding Emir Tamim as different from his father: Today, Qatar is able to provide evidence that Emir Tamim has readjusted Qatar’s foreign policy, thanks to the new emir’s political reconciliation with Egypt’s new government beginning in late 2014 as well as to the fact that it now keeps a low profile in Egypt in general. Tamim has ceased his father’s policy of outright intervention and returned to mediation by offering Qatar’s offices as an interlocutor with the Muslim Brotherhood (with whom Qatar had not broken despite considerable external pressure).219 Whole on the while Qatar interests in Egypt remain similar to those pursued under Emir Hamad, the strategies of following these interests have been adjusted.

4.2 Qatari Efforts in Egypt since 2011

After the outbreak of political tensions in Egypt in early 2011, Emir Hamad reacted swiftly with a number of measures. These measures included 1) support for the political opposition, especially for the Muslim Brotherhood, 2) financial support for macroeconomic stabilization, 3) business investments, and 4) technical assistance for development purposes.

1) Immaterial and presumably also material support for the political opposition: Qatar supported the Egyptian opposition and especially the MB through its political rhetoric against the Mubarak regime and by championing the Egyptian people’s right to political self-determination. The various TV channels belonging to the Qatari Al-Jazeera network, especially Al Jazeera in Arabic and Al Jazeera Mubasher Egypt, provided coverage for a long time to highlight the demands and activities of the opposition and the government’s crackdown on the opposition.216

2) While on air, commentators like the MB protagonist Youssef al-Qaradawi also criticized the UAE for its domestic activities against Islamists. Al Jazeera was thus a thorn in the flesh of the Egyptian regime and military but also caused anger in the UAE and Saudi Arabia.210 While Qatar continued to support the MB, the government of Egypt expressed its dissatisfaction with the Qatari government, the network’s financial dependency on the state undermines this argument.223

Allegations of direct Qatari financial support for the MB have not been substantiated. The issue, however, loomed large in the media, not least because all groups accused each other of receiving foreign funding.221 Ferry Biedermann also points out that there is no evidence showing that material support was used for violence against the Egyptian state, even though the Egyptian discourse on the MB as terrorist organization implies this.224

The ups and downs of official Qatari­Egyptian relations were also demonstrated through the withdrawal of their ambassadors at different stages, even as the embassies continued their diplomatic and consular work.225 While relations took another downward dip right after Emir Tamim took power in Egypt, the ambassadors did finally return in the spring of 2015 after the political reconciliation within the GCC, the release of Al Jazeera journalists from Egyptian prisons, and the closure of Al Jazeera Mubasher Egypt.226

2) Financial support for macroeconomic stabilization: Qatar provided financial support for macroeconomic stabilization mainly via grants and loans to the Egyptian Central Bank. Financial transfers after 2011 were meant to shore Egypt up economically against looming insolvency. In 2011, Qatar had pledged support amounting to 10 billion USD, a considerable amount of which it transferred between October 2011 and April 2013, when other Gulf states abstained from transferring most of their pledged support. According to Coates Ulrichsen, it is unclear how much money was actually provided, but Qatar deposited at least 1 billion as a grant and 4 billion as loans with the Central Bank of Egypt of which 3.5 billion was to be converted into bonds through a newly established Medium­Term Note Program.227 In September 2013, 2 billion were returned to Qatar after negotiations on the conversion had failed.228 In spring 2013, Qatar and Egypt had already failed to negotiate the conditions of a further loan of 3 billion at an interest rate of 5 percent.

In addition, Qatar delivered five liquefied natural gas shipments meant to ease Egypt’s shortage of power in late 2012, that is, after the Morsi­government was removed from power, and thereby kept promises it had made earlier. After the change of government, however, there was no follow-up on negotiations for a long-term delivery contract for Qatari gas to Egypt that had already been concluded in a memorandum of understanding (MoU).229

Pledges Qatar made in 2012 that were meant to “shore up Egypt’s economy” consisted mainly of announcements of investments (to be discussed below) and did not involve financing macroeconomic stabilization.

3) Larger and smaller business investments: In September 2012, members of the Qatari government and the Qatari Investment Authority (QIA) announced plans to invest 10 billion USD over the course of five years in real estate and tourism projects near Alexandria and 8 billion for an integrated power project in Port Said.230 No details of these plans were publicized, and further negotiations broke down with President Morsi’s removal from power and the subsequent deterioration of Qatari­Egyptian relations. Furthermore, a partnership was announced between the Egyptian equity firm Nile Capital and a son of Qatari prime minister to create a 500 million USD fund to invest in education across the Arab world, but again no further information was provided.231

Several Qatari state­owned companies started to penetrate the Egyptian market, among them the real estate enterprises Barwa and Qatari Diyar. While some projects in real estate are currently put on hold, most activities in this sector continue; apparently Egyptian consumers have not tied their private purchases to the political tension between Qatar and Egypt.232 Similarly, the business of Qatar National Bank (QNB), which had acquired the Egyptian Al­Aby Bank, is said to have suffered only marginally due to the termination of official Egyptian clients while the majority of private clients remained with the bank.233 Mehran Kamrava mentions that, on the whole, QIA invested 543.8 million USD in Egypt and thereby created 4,000 jobs.234 This amount seems minor compared to the support and the investments showered up by the UAE, Kuwait, and Saudi Arabia since the summer of 2013. Indeed, most negotiations between Qatar and Egyptian private businesses do not seem to have come to fruition, despite numerous Egyptian business delegations that visited Qatar.235 Nevertheless, skepticism about Qatar’s objectives in Egypt were strong and rising, even before 2013, signaling the strained relations between Qatar and Egypt even before Morsi was removed from office.236 Other GCC states were also generally impressed by the business activities in Egypt, much more than about Qatar’s involvement in Tunisia, as Coates Ulrichsen notes.237

4) Technical assistance for development: According to annual reports on Qatar’s foreign aid that are published by Qatar’s foreign ministry, Qatar has been financing a number of development projects in Egypt. Amounts have been extremely inconsistent, with 500 million USD in 2012 and 1 million USD in 2011.238 Moreover, even before Qatar’s development cooperation thus does not seem to reflect the closeness of the countries during this period. The reports do not go into great detail about the projects themselves, but minor parts of the overall amount seem to have gone into projects of Qatari development organizations providing technical assistance in Egypt.239 Silatech, a Qatari organization established in 2008 by businesspeople from the UAE and the Gaza strip that focuses on youth employment in Middle Eastern and North African countries, has been active in Egypt to improve youth employment in cooperation with Microsoft’s CSR Department. Together, they ran the online platform “Maat Works,” which matched job seekers with job providers. Silatech also offered training in youth centers and universities in all governorates. Together with the German GIZ, Silatech also had a project to develop bank saving accounts for Egyptian youth.240 Reach Out to Asia (ROTA), a Qatari organization under the umbrella of Qatar Foundation, was planning to venture into Egypt in 2013 in order to improve primary and secondary education. While ROTA initiatives never seemed to have made it off the ground, other Qatar projects apparently continued even after the summer of 2013, although mediated by local Egyptian and international NGOs and by local and international businesses.241
4.3 Future Prospects for the Egyptian-Qatari Relationship

The GCC Summit in Doha in December 2014 marked not only Qatar’s reconciliation with its GCC neighbors but also opened a new page in Qatari-Egyptian relations. While most experts argue that it is still difficult to predict the foreign policy line Emir Tamin will be following, a number of developments seem likely with regard to Egypt.243 In order to strengthen its ties and relations with Saudi Arabia and reduce tensions with its direct neighbors, Qatar is pressed to reconcile politically with Egypt and to refrain from unilateral approaches. Having to navigate a “post-Arab spring” regional landscape, Qatar is also pressed to reach out to other political actors and to diversify its networks and contacts in Egypt. Nevertheless, Qatar will continue to demand the political inclusion of the Muslim Brotherhood. This pertains not only to the situation in Egypt, and because it needed to maintain good relations with the Muslim Brotherhood. Finally, Qatar’s economic support for Egypt is likely to remain limited and its investment to be restricted to certain sectors.

Cautious Qatari-Egyptian political reconciliation is underway. Emir Tamim seems to act with the understanding that the political Middle East has undergone structural changes that do not allow him to antagonize Saudi Arabia as his father did. This pertains not only to the situation in Egypt, but also to the Muslim Brotherhood as an important political influence when the Morsi government was toppled, but also to developments in the Persian Gulf itself. As a result of the recent US-Iranian rapprochement, Iran is now less dependent on Qatar, a country that has long drawn strength from being a bridge linking Iran, the GCC, and the US. This leaves Qatar pressed to reach out to Saudi Arabia to secure its claim to the gas field it shares with Iran.244 Under Emir Tamim, Qatar is thus less likely to pursue unilateral initiatives, but to seek and influence GCC consensus on regional strategies. It has consequently taken a number of steps to reduce tensions with its neighbors, both with regard to Egypt and to other regional conflicts, although it stressed that it would not compromise on certain fundamental principles.245

With regard to Qatar’s Egypt policy, this has translated into a careful rapprochement since late 2014. While Qatar did not expel members of the MB from Qatar or express any kind of apology for its political involvement in Egypt during the uprisings, it did suspend its Egypt-focused TV channel Al Jazeera Mubasher Misr.246 Consequently, Egypt released three Al Jazeera journalists who had been held in jail since December 2013. Another sign of reconciliation was President Sisi’s personal reception of Emir Tamim at the Arab League Summit at the end of March 2015 in Sharm el Sheikh, where the two also held bilateral talks.246 Two weeks earlier, however, the Emir had not participated in the EDDC investment conference but only sent a small delegation headed by an official from the ministry of the economy. Qatar’s media similarly ignored the conference and instead published an opinion piece by Azmi Bishara, one of the Emir’s closest advisers, in which he strongly criticized the Sisi government.247 Moreover, the conflicting Qatari and Egyptian responses to the Egyptian military attacks on Libya in February 2015, which led to yet another temporary withdrawal of the Qatari ambassador from Egypt, prove that tension between Qatar and Egypt is still simmering.

There is a need to diversify relations with Egyptian political actors. Qatar is likely to reach out to political parties and movements beyond the MB and to thereby widen its political partnerships in Egypt. This is a pragmatic step for Qatar to improve its “post-Arab spring” regional landscape, as Coates Ulickienna put it, but it also necessary in order to shed some of the “baggage” that it had acquired in recent years relating to its one-sided position in favor of the MB.248 In that regard, the growing political influence of Azmi Bishara on Emir Tamim is noteworthy. Bishara is a Christian Palestinian and former member of the Israeli Knesset with pan-Arabist inclinations and a wide network of contacts throughout the entire Arab world.249

Qatar makes ongoing demands for politically integrating the Muslim Brotherhood. Despite Qatar’s need to reach out to new partners and to establish new contacts in Egypt, Qatar has not cut its ties with the MB, although the rhetoric of outright support was downgraded in order to stem tensions within the GCC and especially with the UAE. But Qatar continues to provide refuge to representatives of the MB and presents itself as “the destination of the oppressed.”250 Yusuff al-Qaradawi continues to be counted by Emir Tamim and still heads the Doha-based International Union of Muslim Scholars.251 Furthermore, Emir Tamim and members of the Qatari government continue to stress the importance of finding a “political solution” in order to settle the social and political conflicts in Egypt.252 In other words, Qatar continues to demand the inclusion of the MB into a national political dialogue. This demonstrates that Emir Tamim has not shredded all attributes of his father’s foreign policy but instead holds on to some elements as part of a longer-term strategy.253 Keeping its contacts with the MB might eventually enable Qatar to become useful again as an interlocutor, not only for GCC members, but also by the EU and the US.244

Qatar’s economic engagement in Egypt will remain limited. It is unlikely that Qatar will return to Egypt politically and economically before demands for the political reconciliation with the MB are at least partially met. For Qatar itself, this would mean losing face, even though in regional and international media Qatar’s current exclusion from Egyptian politics is depicted as a defeat of Qatar’s regional aspirations. If Qatar were asked to resume its activities, this might mean a substantial win for Qatar, as it may demand in exchange either a visible mediating role in Egyptian domestic reconciliation or measures that would strengthen Qatar’s role within the GCC. Such a development would in fact turn into a win-win situation for Qatar, as its current inactivity in Egypt saves Qatar money. Despite Saudi and especially UAE opposition to such political inclusion of the MB in Egyptian politics, the two countries might still press for more Qatari financial support for Egypt’s stabilization in order to share this financial burden.

Qatar’s relatively few financial investments in Egypt do not merit any forced moves to return to the Egyptian scene. Qatar’s main economic ties are currently with Asia. The country signaled its independence from Egypt’s economic future by sending only a small and not very high-ranking delegation to the 2015 EEDC. For the moment, only profitable business activities of Qatar in Egyptian real estate (Qatar Diyar) and banking (QNB) will continue, for these are unlikely to be harmed even if political tension between Qatar and Egypt increases.

Unlike the UAE and Saudi Arabia, moreover, Qatar has never reached out to Egypt as a security partner. For Qatar, it made little to evoke a Sunni axis because it did not face challenges from its own Shia population and because it needed to maintain good relations with Iran. The effects of the recent nuclear deal with Iran on Qatar remain to be seen, but Qatar’s foreign minister has already made clear that Egypt’s stability – and good relations with Egypt – are both in Qatar’s interest as well.255

5. The Impact of Gulf State Financial Support on Egypt’s Political and Economic Development since 2011

5.1 General Remarks

In general, the financial assistance Gulf states provided to Egypt after 2011 indisputably had both an economic and a political impact on the country’s subsequent development. Despite the lack of real insight into the restricted political decision-making circles in Gulf states, it is safe to argue that all Gulf states intended to stabilize Egypt economically in order to forestall economic collapse with severe socio-political consequences and to thereby protect their investments in Egypt.265 In addition, they also sought to strengthen, if not to install, political actors who followed an agenda close to the respective Gulf state’s regional policy outlook. Preventing Egypt’s collapse and keeping the region as a whole under control were of highest priority to all of the Gulf states, whereas helping Egypt transform its political system into a more open and democratic one was certainly not. (It should be noted, however, that Qatar did argue that its support for the protests expressed the importance it attached to the people’s right to self-determination.) Gulf assistance might thus not have led to fulfilling the hopes and demands of the Egyptian protestors who had sought deep socioeconomic and political changes, but it certainly played to the interests of the Gulf states that sought to contain future uprisings.267 Assistance from the Gulf enabled both the Morsi and the Sisi government to pursue along well-established lines, for example by continuing to finance subsidies for energy and bread. Thus the question arises of whether or not Gulf assistance allowed the Egyptian government to avoid reforms that addressed the root causes of the political and social unrest of 2011. Such root causes have been identified for example in the need to provide more and better job opportunities, to offer more democratic participation, to participate in elections, to reform the bloated bureaucracy, and to break the overwhelming economic and political influence of certain economic elites and individuals as well as the military.258 The answer to this question is complex. As the handling of the uprisings in several other Arab countries has shown, first steps toward reforms were only taken after the situation had calmed down, for which salary increases were introduced in many countries of the region.259 In retrospect, it was unrealistic to expect Egypt’s new leaders to possess sufficient political will or competence to quickly introduce reforms, when these measures were expected both to engrave former elites and power brokers and to be the disadvantage of the poor.

A critical assessment of the impact of Gulf state assistance to Egypt also calls for a critical assessment of Western approaches and measures of support, which were intended to foster Egypt’s transition to democracy and the market economy. Over time, the political and administrative conditions that went along with most large-scale Western financial pledges fostered the impression among Egyptian decision makers and bureaucrats that these pledges were mainly rhetorical and that many were never actually going to be disbursed.260 Unlike the Gulf states, most Western states and donor organizations never really applied their leverage via financial assistance. Furthermore, the coordination among Gulf and Western

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states and donor organizations deteriorated over time, particularly following the removal of Morsi from power. The questions will thus remain open about whether the Gulf states could have been engaged more actively to push for reforms that went beyond mere stabilization and whether they could have been persuaded to moderate their approaches to certain political forces.

The following section outlines the concrete ways in which assistance from the Gulf States has an impact on political and economic developments in Egypt after 2011.

5.2 Impact on Political Developments in Detail

The Muslim Brotherhood was excluded from political participation. The wish of Saudi Arabia and the UAE to politically marginalize the MB coincided with the interests of Egyptian military figures who had become increasingly critical of the Morsi government.263 To them, Saudi and Emirati support for Morsi’s removal was seen as supporting the political will of the Egyptian majority that wished to free itself from a repressive Islamist regime, even though this did not happen through elections.264

Civil-society organizations and political activists were further marginalized. Emirati and Saudi financial and political support for President Sisi’s government contributed to a marginalization and repression not only of the MB, but also of civil-society organizations and political activists in general.265 It helped to re-consolidate the pre-2011 political order – a strong army, marginalized civil society, and lack of political freedoms – even though some of these developments should be seen as unintended. If welcome, side effects instead of an outcome that Gulf assistance directly sought. In any case, further marginalization of political actors left unresolved the problem of restricted political freedoms – one of the root causes of the 2011 uprising.

Gulf assistance undermines President Sisi’s political standing. A growing number of Egyptians view Gulf assistance with ambivalence.264 Sisi is facing criticism from various political and social camps for being a “puppet” of Saudi Arabia and the UAE, with whom his government has to consult on most political decisions.264 This hurts Sisi’s political reputation and his government’s image in the Egyptian public and thus does not foster trust in the government.

Dependency on Gulf assistance affects a wide range of Egyptian policies. Sisi’s power currently depends on continuous support from the Gulf states. But this support cannot be taken for granted, due to the increasing reluctance of Gulf states to assist Egypt financially in the long term if certain political demands remain unfulfilled.264 As long as no other donors step in to provide this assistance, the government of President Sisi will be under pressure to conform to new and even more sweeping political demands from the Gulf states. This might also continue to hamper initiatives to integrate the Muslim Brotherhood into political dialogue, unless Saudi Arabia as the leading Gulf power changes its position in this regard.

Saudi support fuels Egyptian fears of “Wahhabitization” and widens rifts within Egyptian society. Not only do secular Egyptians fear the influence of Saudi Wahhabism thinking in general and its influence on Al Azhar university in particular, which contrasts with what is domestically perceived as more tolerant Egyptian form of Islam. The widespread discourse on the threat of a “Wahhabitization” of Egypt is also widening the deep rift within Egyptian society.267

5.3 Impact on Economic Developments in Detail

Bilateral financial assistance prevented an economic collapse. Government-to-government financial support from Gulf states to Egypt has helped to balance the budget deficits and substituted for the lack of financial assistance from Western donors and international institutions such as the IMF.268 Such financial assistance was widely supported by Egyptian elites like the business community, the traditional political elites, and the army, because Gulf assistance helped preserve the existing economic structures. From an Egyptian economic perspective, this assistance was indispensable to overcoming the economic crisis that Egypt faced after 2011.

Gulf business investments are not aimed at inclusive economic growth. In addition to bilateral financial assistance provided by the governments of Saudi Arabia, the UAE, and Qatar, public and private enterprises from these countries made business investments in Egypt. These investments are based on business calculations, not on long-term vision for inclusive economic growth in Egypt.269 Rather, Gulf businesses seek to secure and expand their market shares in Egypt and protect their investments.270

Given the limited sectors in which Gulf businesses are competitive, Gulf investments are geared toward a small number of sectors only, especially real estate, tourism, energy, agriculture and agribusiness, and transport. Most of these investments currently do not promise to lead to any serious trickle-down effects or major employment opportunities, especially not for better educated Egyptians. Most real estate projects do not benefit the poor, and energy projects, agriculture, and agribusiness, as well as transport projects are mainly conceived with an eye on expected returns on investments for Gulf businesses, thereby benefiting the economic diversification of Gulf economies. While these investments might not directly harm Egyptian interests, most of them are not oriented toward Egyptian goals such as creating jobs or providing more social security. (It is noteworthy, however, that several projects financed by the UAE are specifically designed to cater to the needs of the poor, thereby presenting the UAE not only as an influential power in Egypt but also as a generous partner of the Egyptian people.)

Most business investments from the Gulf are conservative in nature. Business investments from Gulf enterprises are risk-averse when it comes to innovative solutions or know-how based projects. Therefore, Gulf investments are unlikely to trigger developments that could lead Egypt for an agricultural and service-oriented economy toward a know-how based technological economy. However, significant differences between the Saudi and the UAE approach can be identified. While the Saudi private business community is investing heavily in real estate, agriculture, tourism, and infrastructure projects, the UAE’s state-owned enterprises practice more diversified economic investment. This is also related to sustainable approaches such as support for small and medium-size enterprises, demands for political reforms in order to improve social inclusiveness, and long-term economic development.271

Trade and investment relations lack diversity. Despite increased deportations of migrant workers,272 the engagement of Arab Gulf states in Egypt and Tunisia since 2011 is, however, surprising.273 Gulf investments need to be complemented to increase foreign direct investments (FDI), however. There is a growing awareness that although Saudi and UAE investments comprise a significant share of FDI in Egypt in general, Egypt’s economy needs to expand and diversify its trade and investment partnerships in order to overcome the dependence on Gulf FDI and to enhance Egypt’s economic performance. New partners such as China and Russia are already being approached (see fig. 8).274 For political reasons, Qatar currently plays a rather marginal role as a potential investor, although it continues to pursue a number of financially rewarding projects, especially in real estate and banking.275

Notes

1. SeeAlonzo and Dollar, “Who Grows Foreign Aid”; Foley, Arab-Gulf States, Al-Akim, The Foreign Policy of the UAE.

2. Nasser’s strong Egyptian nationalism, combined with secular elements of socialism and expansionist pan-Arabism, posed a viable threat to the legitimacy of most of the Gulf states at the time.

3. Based on interviews the authors conducted in Egypt, Tunis, and Kuwait, October 2013.


5. Based on interviews conducted in Riyadh in December 2014.


7. Al-Rashed, “Saudi Arabia’s Foreign Policy.”

8. In the early 1990s, of a total 20,400 employees in the energy sector, 14% came from other Arab countries, mostly from Egypt. See Brown, Oil, God, and Gold, p. 140, Sots, “From Segregation to Integration,” and Vivaldi, “Arab Oil World,” p. 10.

9. Today Egyptians make up the strongest Arab share of the 9 million labor migrants within the kingdom, with roughly 1.2 million (a share of 14.3% of the total workforce), followed by Yemenis (430,000), Jordanians (370,000), Syrians (340,000), and Kuwaitis (130,000). See Saudi Gazette, “85% of Expatriates are from 6 Countries,” September 30, 2014 <http://www.saudigazette.com.sa/index.php?example=home. region=conventional&201491012751614aces=(accessed June 4, 2015). According to an interview one of the authors conducted in Riyadh in December 2014, the Egyptian Embassy estimates the number of Egyptian migrants in Riyadh to be even higher (3 million), June 3, 2014 <http://www.muna.gov.eg/Arabic/Template/ArticleDisplay.aspx?ArtID=64833 (accessed June 4, 2014).


11. Al-Rashed, “Saudi Arabia’s Foreign Policy.”

12. Based on the authors’ research, this section is somewhat empirical and not based on official statistics.


14. Interview in Riyadh with former member of the Majlis al-Shura in December 2014; see also Al-Rashed, “Saudi Arabia’s Foreign Policy.”


For political reasons, Qatar currently plays a rather marginal role as a potential investor, although it continues to pursue a number of financially rewarding projects, especially in real estate and banking.275

Figure 8: Egypt’s main trade partners in 2014 (in %)
Chapter Three
Tunisia after 2011: The Impact of Gulf State Engagement

1. Gulf Support for Tunisia prior to 2011

There were a number of root causes of the Tunisian uprising of 2011. These included low economic performance in general (see fig. 1), high unemployment (figs. 6 and 9) and corruption, pronounced dependency on migrant workers’ remittances (fig. 5), on revenues from tourism (fig. 10), and on foreign direct investment (FDI) in the energy sector (figs. 7, 8, 11), and the failure of the economy to create jobs that matched the aspirations, needs, and skills of the growing number of educated youth. Economic opportunities were largely geographically confined to the coast and thereby prevented relevant parts of the population from sharing the benefits of economic growth. In addition, an inefficient state subsidy policy did not solve the imbalance of job opportunities and economic productivity between the coastal areas and the rural hinterland. According to the World Bank, “Tunisia was unable to advance beyond the low-skill, low-wage economy because it did not in fact open up its economy (to domestic investors, as well as internationally) and did not change the underlying state-controlled economic model. It was this lack of change, in the face of the demographic time bomb of educated youth, which rendered the economic model increasingly inadequate.”

Prior to the uprising in 2011, the Gulf states focused their official financial support for Tunisia on energy and transport-related infrastructure projects, financed through loans provided by bilateral and multilateral Arab development funds. Because it was perceived as a middle-income country, Tunisia did not receive financial grants from Gulf states in relevant amounts. Thus, Gulf investments only played a minimal role in creating new job opportunities for Tunisian youth and in assisting the country in overcoming the fundamental economic crisis it had suffered from since the 1990s. Furthermore, economic investments from Gulf states in Tunisia had been limited in the past due to the closed and highly state-controlled nature of the Tunisian market, its “narrow strategic significance,” and the domination of European investors (see figs. 2–4). Unlike most European businesses, Gulf investors were not and are not active in Tunisia’s offshore sectors.

Development assistance provided to Tunisia was hindered by the fact that coordination between Western and Gulf Arab donors was and continues to be a challenge. This is because Gulf Arab donor organizations have no local presence and are thus not able to attend regular coordination meetings. Their embassies do not engage in coordination work.

On a political and societal level, fears of political influence from the Gulf countries started to emerge within Tunisia prior to the 2011 uprisings, when the share of Gulf investments began to rise. The UAE and Qatar in particular started to invest in real estate and the telecommunication sector during President Zine el-Din Ben Ali’s last years in office. After his removal from power, these projects were put on hold or cancelled. Nevertheless, most Tunisians remember them vividly because they caused fears within the population of a “Gulf buy-out” of Tunisia. This shows that Tunisian concerns about the growing influence of Gulf states on the country were already circulating before 2011. However, foreign funding from Gulf states for political parties was non-existent (because illegal) and Gulf funding for NGOs was minimal prior to the uprisings (also because their activities were limited by law to social and cultural issues).

In a regional context, Tunisia served as a gateway to Libya under UN and US sanctions when Gulf states started to invest in Libya over the past decade. Today Tunisia serves as a “safe haven” for Libyan political and militant players who are receiving support from different Gulf states. Thus, “competition between the UAE and Qatar led to continued support of both states to opposing sides, with Qatar supporting Misrata and the Islamists, and the UAE supporting the anti-Islamist current” under the leadership of General Khalifa al-Haftar.

Figure 1: Tunisian Gross Domestic Product (2005–15)

2. Saudi Arabia and Tunisia after 2011: Interests, Efforts, and Future Prospects

Saudi Arabia’s former government under the late King Abdullah was concerned by the fall of Ben Ali in 2011. In recent decades Ben Ali had served as a strategic ally for Saudi Arabia, as a partner in the fight against terrorism, in securing North African stability, and in countering Iranian influence in the region. In political and economic terms, however, Tunisia has been far less important than Egypt to Saudi Arabia. Although Ben Ali was a trusted friend to Abdullah (who died in 2015) and to the former Minister of Interior Prince Nayf bin Abdulaziz (who died in 2002) – and although he found asylum in Saudi Arabia after his ouster in spring 2011 – Saudi Arabia did not criticize the Tunisian uprisings in the same harsh terms it used to condemn those in Egypt. Vice versa, the matter of Ben Ali’s Saudi asylum has not become an issue for Tunisian interlocutors, nor has it fed political tension between Tunisia and Saudi Arabia. In fact, many Tunisians might
not object to Ben Ali’s return, as feelings are on the rise that the upheaval did nothing to improve the economic and security situation. Even the subject of the recovery of assets and funds embezzled by Ben Ali and his in-laws does not figure prominently when the Saudi role for Tunisia’s state budget is discussed.10

2.1 Saudi Interests in Tunisia after 2011

While the Egyptian Muslim Brotherhood (MB) was perceived as a real threat to Saudi Arabia’s political stability and the royal family’s legitimacy, Tunisia’s Ennahda party – itself an ideological cousin of the Egyptian MB – has shown more pragmatism and an inclusive approach toward non-Islamist party rivals. This made it less threatening to Saudi leaders.11 Unlike the administration of Mohamed Morsy in Egypt, the first period under Ben Ali was characterized by initiating a cautious rapprochement with Iran between 2002 and 2013. Tunisia’s various governments did not reach out to Iran. Tunisia has thus remained an important part of the Saudi government’s strategy in fighting Iran – an effort in which it considers Algeria and Egypt to be important allies. In this regard, Ennahda had the advantage of learning from the mistakes made by Egyptian Islamists. Instead, according to a Moroccan-style “winner-takes-all” policy after winning the elections, the party’s leaders fostered an inclusive strategy, integrating all important political decision makers into its government. Especially after Morsi’s fall, Ennahda became concerned that it would be excluded from the political scene if it did not adapt to the Tunisian political culture of inclusion and constructive dialogue.12

This more pragmatic and integrative course coincided with the Saudi assessment that a successful Islamist government in Tunisia would not cause spillover effects, threaten the monarchy’s legitimacy, or destabilize Saudi regional supremacy. There were no worries that the Tunisian democratic model could influence political aspirations and developments in any other Arab countries, especially as several Tunisian political actors (including Ennahda) have proven their capacities for reconciliation and compromise since 2011. As a former Tunisian political...
pansies works in the chemical sector with a FDI volume of 18 million USD. This is followed by 931 workers in the construction material industry with a total FDI volume of 35 million. In total, 3,100 foreign companies are present in Tunisia (including 1,200 from France, 500–600 from Italy, 350 from Germany, 80 from UK, 80 from The Netherlands, and 65 from the US) with an investment volume of 14 billion EUR.28

Figure 13: Saudi Arabia’s economic activities in Tunisia by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of companies</th>
<th>FDI in million USD</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>2</td>
<td>0.91</td>
<td>20</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>1</td>
<td>0.97</td>
<td>41</td>
</tr>
<tr>
<td>Agriculture services</td>
<td>1</td>
<td>2.00</td>
<td>20</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>1</td>
<td>1.78</td>
<td>32</td>
</tr>
<tr>
<td>Chemical</td>
<td>1</td>
<td>18.03</td>
<td>319</td>
</tr>
<tr>
<td>Electronic</td>
<td>1</td>
<td>1.06</td>
<td>372</td>
</tr>
<tr>
<td>Pharmaceutical Industry</td>
<td>1</td>
<td>2.16</td>
<td>862</td>
</tr>
<tr>
<td>Construction material sector</td>
<td>5</td>
<td>16.26</td>
<td>991</td>
</tr>
<tr>
<td>Mechanical sector</td>
<td>1</td>
<td>3.84</td>
<td>601</td>
</tr>
</tbody>
</table>

Since 2011, several Saudi Arabian companies have announced their intent to intensify their investments in Tunisia especially in the real estate and power sector. However, none of these projects has been implemented so far. In this regard, the most ambitious announcement was made by the Saudi company Hesham bin Abdulaziz Almousa Group from Riyadh, together with 50–60 Tunisian and other Arab and international partners. These wanted to invest 118 billion USD in the Tunis Economic City in the Enfidha district near Sousse and Hammamet, which was predicted to help to attract Arab investors and contribute to the development of such sectors as tourism, finance, and healthcare.29 The city plan contains a port zone, an industrial and warehouse zone, and a free trade zone. Officially, the project aims to attract 5–7 billion EUR. In addition, 7,000 Tunisians have been retrained and 1,500–3,000 have been rehired. Approximately 1,000 Tunisians from France, 500–600 from Italy, 350 from Germany, 80 from UK, 80 from The Netherlands, and 65 from the US, with an investment volume of 14 billion EUR.28

Tunisia (including 1,200 from France, 500–600 from Italy, 350 from Germany, 80 from UK, 80 from The Netherlands, and 65 from the US) with an investment volume of 14 billion EUR.28

Although one Saudi-initiated mega project in the real estate sector has been successfully implemented: the construction, under Ben Ali, of the new district of Tunis, Bergez du Lac, and the rehabilitation of the lake of Lac du Tunis, financed by the Saudi business mogul Salah Kamil. Both projects started in 1985 and were administered by the Saudi Tunisian company La Société de Promotion de Tunis (SPTL).30 However, this Saudi-initiated project caused tremendous controversy in Tunisia, as a ban on alcohol was introduced at Saudi demand. This further damaged the public image of Saudi Arabian investors among parts of the secular population of Tunisia. As one Tunisian put it, Saudi “investments as such might not be harmful, but they come with conditions attached.”31 With regard to their competitors, the ban on alcohol has also negatively affected the local restaurants and bars. In the agricultural sector, Saudi investments remain minimal because Tunisia only rents instead of selling land to foreign investors. This has prevented Gulf investment in recent years. In addition, Tunisian agriculture is dominated by the cultivation of olives, dates, and wine products that do not serve Saudi Arabia’s import interests. Closely linked institutional networks are missing, and Saudi Arabia’s business community and Tunisia’s investment promoting agencies often lack detailed information about possible opportunities for bilateral cooperation. While a Saudi-Tunisian Business Council and a bilateral development bank do exist, their activities to foster Saudi investment remain significantly low.32

3) Political efforts: Unlike Egypt, Tunisia has received only minimal financial support from Saudi Arabia in comparison to international donors and European countries. Roughly 700 million USD per year in the form of loans have been provided since Ben Ali’s removal, mostly by the Saudi Fund for Development (SFD), while in 2013 an additional 500 million will be spent for the last time.33 Only a few official visits from Saudi political representatives have taken place in recent years.34 The Saudi leadership is cautiously watching the deteriorating situation in Tunisia due to increasing jihadism and radicalism, however.35 Such situation in Libya in particular has caused widespread discussion of Tunisia’s future stability.36 Approximately 1,000 Tunisians are fighting in Libya,37 additional 1,500–3,000 have been recruited by ISIS,38 and 600 Tunisian jihadists have returned home from Iraq and Syria.39 In addition, 7,000 Tunisians have been prevented from leaving the country to join fighting in Iraq and Syria. Thus, Tunisian security experts estimate the number of jihadists returning to jihadi ideology at about 100,000, which would mean ten percent of the total population.40 The terrorist attacks on the Bardo Museum in March and on a hotel resort in Sousse in June 2015 dramatically showed the fragility of the domestic security situation.

2.3 Future Prospects of the Saudi-Tunisian Relationship

Tunisia is of limited geopolitical relevance to Saudi Arabia. On a political level, Saudi engagement is likely to remain limited unless the situation in – and, more importantly, around – Tunisia changes in any (unforeseen and maybe unlikely) way that makes Saudi political or even military intervention necessary to protect Saudi interests. As the new King Salman has shown in Yemen, his foreign policy is focused on deflating the region and containing hot spots nearby, whereas Tunisia seems to be beyond the Saudi scope. The strong role that Tunisian jihadists play in countries like Syria is not yet an issue that has triggered a Saudi response.

However, the more the situation in Tunisia deteriorates, the more Saudi Arabia’s new King Salman may consider sending additional financial or logistical support in order to stabilize Tunisia, secure the border to Libya, and prevent Tunisian jihadists from entering Saudi Arabia.41 In this regard, Tunisian needs support in securing its borders and in creating jobs in rural areas and along the border. Both could become future fields of Saudi-Tunisian cooperation.

Tunisia is of limited economic relevance to Saudi Arabia. From an economic perspective, Saudi Arabia’s business activities in Tunisia will not increase extensively in the future. This is due to the absence of investment opportunities as well as to cultural reservations and bureaucratic reluctance on the Tunisian side. Albeit on a small scale, Saudi companies might engage more intensively in the mid and long term. The new Tunisian government is in strong need of additional FDI and is thus working on improving the investment climate for foreign partners. In this context, an investment conference entitled “Invest in Tunisia” took place in Tunis in November 2014. Some 22 projects were presented to European, Arab, and multilateral donors. However, the follow-up remained limited, and foreign investors showed reluctance for increased engagement because Tunisia’s interim government was not considered a reliable partner. After the victory of Nidaa Tunes and the completion of the political transition process in spring 2015, Tunisia is again organizing an investment conference at the end of 2015 in order to present tenders for projects in all sectors aiming at attracting international investors.

However, it remains to be seen whether the new Tunisian government is willing to design special concepts and strategies to attract FDI from Saudi Arabia. This would entail a more investment-friendly and sensitive approach to the Gulf state similar to Lebanon’s approach. In this case Saudi Arabia might change its economic policies toward Tunisia. Lobbying must therefore be concentrated on the political players within the kingdom to promote Tunisia as a hub connecting Saudi companies to Africa and Europe. This could be fostered by bilateral institutions, chambers of commerce, and even the embassies. If the generational shift within Saudi Arabia’s political and economic elite takes place quickly, there is a chance that bilateral business relations might advance, for both sides share a similar mindset on economic progress and “the American way.” Both new generations have been educated in the US or in European countries and are thus more globalized than previous generations.42

Saudi Arabia has limited understanding of Tunisia’s multifaceted political culture. Saudi Arabia’s political decision-makers have little understanding of or trust in the Tunisian democratic and institutional structures, which are evolving as part of the Tunisian transition process. They are consequently grappling to identify potential religious, political, and economic partners with whom they can cooperate, which hampers the development of a concerted policy approach to the country.43 At the same time Tunisian political and economic players face domestic challenges, including widespread cultural prejudices against Saudi Arabia. These need to be overcome if closer cooperation with Saudi Arabia is to take place. A lack of insight among Tunisian policy makers and bureaucrats into Saudi decision-making processes further contributes to this problem.
3. The United Arab Emirates and Tunisia after 2011: Interests, Efforts, and Future Prospects

Relations between Tunisia and the UAE prior to 2011 were good, but they were neither particularly close nor of strategic importance for either side. Bilateral trade had been limited, but it increased during the last years of the Ben Ali government. Between 2009 and 2010 alone, there was a growth in non-oil trade of 69 percent from 68 million USD in 2009 to (still very modest) 133 million in 2010. During those years, a number of major real estate projects had also been agreed upon that have never, however, been implemented. While the global financial crisis caused the first delay, most projects were eventually cancelled or put on hold after the 2011 uprisings due to pending legal cases against these contracts. The planned investments of 1,000 million USD in the Mediterranean Gate Real Estate Project (widely known as “Sama Dubai”), of 5 billion in Tunis City of Sport, and of 1,9 billion in a tourism project in Marina al-Qouser are vividly remembered in Tunisia and are largely responsible for fueling the popular feeling of a “Gulf buy-out of Tunisia” that had spread during those years. On the other side of the relationship, there seems to be no precise information available about the number of Tunisians living and working in the UAE nor about the volume of remittances, but Tunisian interview partners have argued that the UAE has attracted a large number of Tunisian engineers and similar academically trained people who have not shown inclinations toward political activities in the UAE.

3.1. Emirati Interests in Tunisia after 2011

The UAE’s engagement in Tunisia seems to be guided mainly by political interests pertaining to the wider Arab region. Since it has no major financial investments in Tunisia, the UAE is not overly concerned about the stability of the Tunisian economy, which is in stark contrast to the rationale of the UAE’s engagement in Egypt. The UAE’s economic interests have more geared toward Libya, for which Tunisia serves as a political and geographic gateway. Similarly, the UAE is less concerned about instability in Tunisia than about the spillover effects of the Libyan conflict, where the UAE supports the government of Khalifa Al-Hafar.

The UAE’s main interests in Tunisia relate to its fight against terrorism and the spread of political Islam. While the Ennahda party is not perceived as following the same transnational agenda as the MB in Egypt, the UAE is still interested in limiting its political influence. This should, however, also be seen as an expression of the UAE’s interest in weakening Qatar’s political role in the region, thereby strengthening its own role and image as a regional power.

3.2. Emirati Efforts in Tunisia after 2011

Emirati efforts in Tunisia since 2011 have been most pronounced in 1) security sector cooperation and 2) mainly rhetorical support for those representatives of Nidaa Tounes like Beji Caid Essebsi. Unlike its engagement in Egypt, the UAE has not provided macroeconomic support for Tunisia’s economic stabilization in the form of loans or grants, presumably because the UAE did not fear major spillover effects from Tunisia on the wider region and expected European countries to take the lead in stabilizing Tunisia economically. Other efforts such as 1) business demonstration projects, 2) assistance to those beneficiaries and humanitarian causes have in fact been extremely limited. Tunisians see the comparatively small scale of support as proof that there is no political will in the UAE to help Tunisia.

1) Material and political support in the fight against terrorism: The UAE is providing support to Tunisia to fight terrorist activities inside the country and to secure the Libyan-Tunisian border against the influx of militants and weapons. Personal links and cooperation between the UAE and Tunisian security apparatuses are said to be strong. This is expressed in the loan of a dozen Black Hawk helicopters to Tunisia, which will last until the country receives new helicopters from the US in 2016. Moreover, the UAE is said to have financed Tunisian purchases of French military equipment in much the same way it participated in trilateral deals involving the UAE, France, and Egypt. Support for the Tunisian fight against jihadism and movement terrorism is also expressed symbolically, as could be seen in the participation of a UAE delegation led by the UAE minister of youth and culture, Sheikh Nahyan bin Mubarak Al Nahyan, in the demonstration in Tunisia after the attacks on the Bardo Museum in March 2015. The UAE portrays itself through such measures as a reliable partner of the new Tunisian government. Stressing that it shares Tunisia’s political concerns over terrorism and Islamist extremism, the UAE also uses activities in this policy field to contrast itself with Qatar.

2) Support for Nidaa Tounes and its representatives: Whereas close to Tunisian political parties, the UAE seems to have focused its attention on Nidaa Tounes, with which it shares a number of foreign policy concerns. As Youssef Cherif argues, “Nidaa leaders, in their animosity toward Ennahda, have willingly entered the Emirati axis – joining anti-Islamist forces such as Egypt’s Sisi and Libya’s General Khalifa Haftar – to counter the Qatari-Ennahda alliance.” It is important to note, however, that a relevant number of Nidaa Tounes representatives favor a different approach to Libya, causing serious rifts inside the party. The need to balance these different interests inside the party are reflected in a remark by a high-ranking party official who said: “Our best friend is the Emirates, but our direct neighbor [Libya] is supported by Qatar.” The UAE seems to have placed particular trust in Beji Caid Essebsi, with whom UAE leaders enjoyed close personal relations because he had allowed Emirati (and Qatari) weapons to be shipped to Libya through Tunisia during his term as prime minister in 2011. As a result, the UAE offered Essebsi two armored cars during the presidential election campaign, which he quickly announced to have turned over to the state.

3) Business Investments: The Tunisian Foreign Investment Promotion Agency (FIPA) calculates that Emirati investments in Tunisia by the end of 2014 created or secured around 11,500 jobs, of which 2,100 were in industrial sectors, 1,200 in tourism, and 8,000 in telecommunications. The latter most probably stems from the UAE purchase of 35 percent of Tunisie Telecom’s stakes in 2006. This shows the limited extent of UAE investment since 2011, which is probably at least partially a result of lingering disputes over the various UAE real estate projects in Tunisia that had been agreed before 2011 and either put on hold or cancelled after Ben Ali was toppled. Recently, however, both countries have expressed their interest in increasing UAE investments in Tunisia, especially after Prime Minister Mehdi Joma’a’s visit to Abu Dhabi in early 2014 and the participation of the UAE’s minister of interior cooperation and development, Sheikha Lubna Al Qasimi, in Tunisia’s investment conference in September 2014. The UAE-based private equity firm Abraj has a small number of Tunisian companies in its investment portfolio, especially in the health sector. Moreover, the UAE is rumored to have an interest in getting more involved in the Tunisian harbor business – a step that would resemble similar activities in Egypt.

4) Humanitarian assistance and limited official development assistance: UAE official development assistance for Tunisia had been very limited for many years even prior to 2011, with the main development focus on the UAE and agricultural sector and minor financial support for building dams for water irrigation. Since 2011, the UAE focus has been on humanitarian assistance, for example medical assistance for refugees coming from Libya and food and clothing for around 10,000 poor Tunisian families during the winter season. Most funding came from the Khalifa bin Zayed Foundation and projects were implemented in cooperation with the Tunisian Red Crescent and the Tunisian Union of Social Solidarity. Altogether, 11.6 million USD was disbursed in 2011, around 2 million in 2012, and 5.8 million in 2013. In 2013, the foundation also provided the Tunisian Ministry of Health with 12 ambulances and other medical equipment for health centers in various cities. In winter 2015, the foundation continued its support for more than 4,700 families.

3.3 Future Prospects for the UAE-Tunisian Relationship

Further UAE business investments in Tunisia are likely. The UAE has an interest in investing in Tunisia as part of its effort to increase the UAE’s economic diversification. Due to the small size of its market, however, this should not be expected to result in a major inflow of investment from the UAE. UAE investments are likely to come from the country’s state-owned enterprises and sovereign wealth funds, whose investments are largely driven more by economic than by political calculations. While such investments may accompany political efforts, as the Egyptian example shows, they will not be geared towards countering political security for the UAE’s war effort, an important factor in tackling Tunisia’s pressing socioeconomic problems. Future investments also seem to depend on a settlement of current legal disputes against members of the UAE ruling families and of Tunisian close to them. Political cooperation will be closest in the security sector.

Future relations between Nidaa Tounes and the UAE depend as much on the UAE as on the party itself. In order not to compromise its political standing among Tunisian voters, the party must not be seen as a puppet of the UAE. For its part, the UAE must come to terms with the less personalization of way of doing politics in Tunisia – in contrast to...
Egypt. Tunisia thus poses a challenge as well as an opportu-
nity to the UAE – and to other Gulf states – to learn how to engage with political parties in a post-revolutionary Arab world.

The UAE will make geopolitical use of Tunisia as a gate-
way to Libya. The current Tunisian government is eager to protect its “neutral” status in order to avoid being drawn further into the conflict in Libya. It is aware of the diverging interests of the UAE and Qatar in this area. Currently, Tunisia’s open borders with Libya seem to be in every-
body’s interest. For the moment, the UAE will therefore not push the Tunisian government to take sides.

4. Qatar and Tunisia after 2011: Interests, Efforts, and Future Prospects

4.1 Qatar Interests in Tunisia after 2011

Among the Gulf states, Qatar was probably the most deci-
sive political and economic player in Tunisia after 2011. Its engagement was motivated by precisely the same motives behind its engagement in Egypt (see chapter 2, section 4).

In Tunisia, too, Qatar perceived the political develop-
ments that began in 2011 as an opportunity rather than a threat, also because the estimated 20,000 Tunisians work-
ning in Qatar posed no political challenge in Qatar. Here too Emir Hamad wished for the West to perceive Qatar as an interlocutor and a bridge – in this case to Ennahda, as part of a larger network of Islamist movements that were expected to be the future powers in the Middle East. He presumed that strong influence on the new governments in Arab countries would provide the potential to strengthen Qatar’s role in the GCC, especially in its competition with the UAE. By politically supporting Tunisian protesters he also sought to improve Qatar’s image in the Arab world and divert attention from Qatar’s own authoritarian rule.

As in Egypt, considerations of economic diversifica-
tion were at work in Tunisia as well. Qatar expected that changing power structures in Tunisia would provide new investment opportunities for Qatar’s Investment Author-
ity (QIA) and for private Qatari businesses. It hoped to capitalize on relations that had long nurtured with Ennahda and receive preferential treatment. More than other Gulf states, Qatar also seems to see Tunisia as a potential gate-
way to sub-Saharan African markets.

Finally, Qatar also sees Tunisia as a gateway to Libya, where it wishes to increase its political influence and make additional investments.36

Under Emir Tamim, the new Qatari emir, the general line of engagement in Tunisia did not change consider-
ably. This is because Ennahda, unlike the MB in Egypt, remained integrated in the political landscape and because the various Tunisian governments were eager to attract investments from all Gulf countries, regardless of their political outlook. Nevertheless, in Tunisia, too, Emir Tamim has opted for less political visibility and is eager to keep a lower political profile than his father.

4.2 Qatari Efforts in Tunisia after 2011

Qatar’s engagement in Tunisia since 2011 has included 1) political support for Tunisian governments and for Ennahda, 2) financial support for macroeconomic stability, 3) business investments mainly by state-owned enterprises, and 4) official development assistance.

1) Political support for Tunisian governments and for Ennahda: Qatar is widely held to be a strong supporter of Ennahda. Indeed, relations between Qatari officials and members of the party seem to be cordial. Rachid Ghannouchi himself, the intellectual leader of Ennahda, is said to have called Qatar a “partner in Tunisia’s revolu-
tion,” and Rafik Abdessalem, son in-law of Ghannouchi, served as head of the Research and Studies Office at the Al Jazeera Center for Studies before joining the cabinet of Hamed Jebali as foreign minister in December 2011.37 While Tunisian authorities wish to keep Qatar’s influence at bay, they also seek to take it for granted that Ennahda receives funding from Qatar, there is a lack of hard evidence to substantiate such claims. The British newspaper The Independent even had to issue a formal apol-
logy for claiming that Ennahda’s election campaign had been funded by Qatar.38 Among Tunisians and especially Tunisian politicians, however, this claim is still generally treated as a fact.39

Focusing on Qatar’s links with Ennahda, however, risks overlooking the fact that Tunisian politicians from various positions on the political spectrum enjoyed good standing with the Qatari leadership. Mohsin Marzouk, the secretary general of Nidaa Tounes, for example, worked for several years at the Doha-based Arab Democ-
acy Foundation, a project close to the heart of Sheikha Mozah, wife of Qatar’s former Emir Hamad, and is said to still be on good terms with Foreign Minister Khalid al-
Attiyah and Emir Tamim’s advisor, Azmi Bishara. Moncef Marzouki, Tunisian president between 2011 and 2014 and former leader of Tunisia’s leftist opposition party Congrès pour la République (CPR), is also said to have been close to Emir Hamad. During his presidential term, he repeat-
edly defended Qatar against popular criticism and called the country’s “very very good relations” with Qatar a “win-win relationship.”40 Youssef Cherif rightly points out that Qatar had an in-
terest in supporting post-revolutionary Tunisian govern-
ments despite their political background, because a “successful transition in Tunisia would help boost the image of the small Gulf state at a time when its reputation was already suffering from accusations of funding ter-
rorism.”41 Indeed, Emir Hamad, in personally attending the first anniversary of the Tunisian uprising on January 14, 2012, made it undoubtedly clear that Qatar wished to be associated with Tunisia’s democratic transition.42 The same message was sent by providing a significant contribution to Tunisia’s Martyr’s Fund (for families of the dead and injured) and by helping the Tunisian government recover 28.8 million USD in funds embezzled by the former president Ben Ali and his family.43 Cherif notes, however, that Ennahda – due to its lack of support among rich Tunisians and due to the opposition of other Gulf states to movements of political Islam – was hardly dependent on Qatar, for example on Qatar media outlets such as Al Jazeera and Qatar-owned Arab newspapers like Al-Araby al-Jadid and Al-Quds al-Arabi. This made it most likely to praise Qatar locally and abroad in the name of the Tunisian state in the case of an electoral victory.44 A Tunisian interlocutor has referred to the Qatari approach in reaching out to different Tunisian political players as having a “Hitlerite” style, or to take it for granted that Ennahda receives funding from Qatar, there is a lack of hard evidence to substantiate such claims. The British newspaper The Independent even had to issue a formal apol-
logy for claiming that Ennahda’s election campaign had been funded by Qatar.38 Among Tunisians and especially Tunisian politicians, however, this claim is still generally treated as a fact.39

In fact, Qatar’s wish to be so strongly associated with the uprising and to claim the victory over the Ben Ali regime as its own might be among the main reasons why Qatar’s image ultimately suffered more. It is noteworthy that some Tunisians blame Qatar for activities that other countries have undertaken without attracting similar criti-
cism. For example, Qatar and Al Jazeera are criticized for their activities training journalists, presumably because such training is believed to have a negative impact on the journalists’ ability to report objectively. At the same time, Deutsche Welle and other Western media and NGOs are spared criticism for similar activities.45 Similarly, the fact that Al Jazeera had already aired programs critical of Ben Ali before 2011 – a scandal that resulted in the withdrawal of Tunisia’s ambassador from Doha at the time – has not burned Qatari’s – and Al Jazeera’s – reputation among Tunisians today.46

Against this background, the rumor is plausible that Emir Tamim expressed to President Eobbies the wish for a “new beginning” in his country’s relations with Tunisia.47 Unlike Qatar’s relations with the MB in Egypt, those with Ennahda have not become an outright liabil-
ity and are thus likely to be pursued further. But Qatar can be expected to reach out even more than in the past to other political actors in Tunisia, too, rather than focusing exclusively on Ennahda.

2) Financial support for macroeconomic stability: In spring 2012, Qatar deposited 500 million USD with the Tunisian Central Bank in the form of a five-year loan at 2.5 percent interest. The purpose of this loan was to help the country overcome external balance problems.48 Another loan in the same amount was announced in Novem-
ber 2013, but it is unclear if it actually came through.49 Qatar is the only Gulf country to have supported Tunisia through such a measure.

3) Business investments: After 2011, Qatar started to invest in various sectors, among them telecommunica-
tion, tourism, banking, and petrochemicals. Although these investments exceed 6 billion USD, former President Marzouki has called them “relatively low” and called for trade relations to be improved.40

Qatar invested the most in building an oil refinery in Skhira and in a phosphate project in Sra Ouerzane.40 Ac-
cording to Kristian Coates Ulrichsen, the Skhira refinery will allow Tunisia to refine oil from Libya and thereby develop its potential as an export hub for refined products, massively expanding capacity beyond the existing older refinery.41 What is more, Al-Jazeera real estate company Qatar Diyar, owned by Qatar’s sov-
eign wealth fund QIA, had announced investments in the Tunisian tourism sector for a luxury hotel in Touzeur worth 80 million USD and another in Mahdia.42 While it seems that these projects are still in the planning phase, partly for security concerns especially in Tozeur, the Qa-
tari-owned La Gacila hotel chain has in the meantime re-
furbished a luxury hotel in Tabarka. Furthermore, Qatari National Bank (QNB) purchased more than 99 percent of the Tunisian Qatari Bank, whose name was consequently changed into QNB.43 The Qatari mobile company Oore-
doo/QTel purchased 90 percent of shares of the mobile company Tunisiana, whose name was likewise changed into Ooredoo. Further investments were discussed during numerous bilateral business delegations visiting Doha and Tunisia that often involved high-ranking politicians from both sides. These included President Marzouki and Prime Minister Jumaa of Tunisia, and Foreign Minister Al-Arityah of Qatar.44

According to FIPA, Qatari investments created or se-
cured 850 jobs, 800 of them through the aforementioned Tunisiana purchase. Several interview partners men-
tioned that investments in Tunisia’s agricultural sector would create a large number of jobs. This sector is indeed of general interest to Qatar, also as part of its efforts to
strengthen its domestic food security, but Tunisia is only willing to lease rather than to sell land.44 Most interview partners in both countries argued that profit was the major motivation behind Qatari investments in Tunisia, especially those related to QIA, which conforms to the strategies followed by all Gulf state sovereign wealth funds. Given the close connections between QIA and the ruling family, however, it seems plausible that political interests were also at work, some of which go beyond interests in Tunisia itself. On the one hand, investments in Tunisia are part of Qatar’s regional outreach in the Maghreb and sub-Saharan Africa.45 On the other hand, there are rumors circulating that tie promises of Qatari investments in Tunisia to Tunisia’s recognition of Libya’s National Transitional Council.46

Like Qatar’s other fields, its investments meet more popular opposition in Tunisia than those of other countries do. One example of strong anti-Qatari sentiment was the popular campaign against Tunisiana/Ooredo, which resulted in the cancellation of a large number of subscriptions after its sale to Qatar. This is especially noteworthy when compared to the Tunisians’ apparent lack of interest in the Emirati ownership of Tunisie Telecom among other Gulf states. Qatar is criticized for bringing “only money but no know-how,” although the country’s investments hardly differ from those of other GCC investments in this regard.47 Many interview partners were also more suspicious about QNB activities in the banking sector than about those of other Gulf-owned banks. When analyzing such negative responses, it should be recalled that other countries do not tend to accompany their activities and investments with as much publicity as Qatar does. Again, strong anti-Qatari reactions among Tunisians may not only be a response to Qatar’s political line in Tunisia but also to its tendency to spotlight itself. As a result, Tunisians also overlook the positive side effects for the Tunisian labor force, for example, the cooperation between Qatari Diyar and Sitelaltex, a Qatari development organization, in the tourism project in Tozeur, which is meant to create new jobs in this impoverished area.48

4) Official development humanitarian assistance: Qatar provided financial assistance for a number of development projects that were implemented by Tunisian, Qatari, and international NGOs and charities. Reports of the Qatari foreign ministry on foreign aid state around 10 million USD in 2010–11, 135 million in 2012, and 3 million in 2013.49 The large amount stated for the year 2012 seems to include a 100 million loan provided by the Qatar Friendship Fund for projects benefiting employment and education. This loan is managed from afar by the Qatari foreign ministry in Doha with the help of the Qatari embassy in Tunis. Several Qatari organizations working in Tunisia seem to receive part of their project funding from this loan, among them Silatech and Qatar Charity. While Silatech focuses on employment and job creation for youth in cooperation with local and international partners like the World Bank and the Japan Social Development Fund (JSDF), Qatar Charity is involved in a 5-year project totaling 10 million USD that focuses on agricultural projects and housing in rural areas.49 Also the Shaikh Thani Bin Abdullah Foundation for Humanitarian Services (RAF) is said to run humanitarian projects in Tunisia. Qatar also provided funding for two housing projects, one of them a project in Sijoumi that had been initially started by Libya but ran out of funding after 2011.

According to Tunisian government employees, Qatar was the most generous provider of development assistance among the Gulf states until 2013, after which Saudi Arabia and Kuwait increased their official assistance. Western development organizations in Tunisia and even Tunisian government officials have little information about Qatar’s activities in this sector because employees of Qatar’s organizations in Tunisia do not participate in coordination meetings.

This lack of information fuels rumors about the activities of Qatari charities in Tunisia. As a result of growing anti-Qatari sentiment within the Tunisian population, Silatech and Qatar Charity took different measures to protect their projects and their local partners against political hijackings. While the implementation of Silatech’s projects is mostly mediated by international NGOs that are not required to use Silatech’s logo, Qatar Charity has decided to coordinate the projects with the help of consultants. This has the effect of taking local partners out of the spotlight and playing down the extent of their participation.50

4.3 Future Prospects for the Qatari-Tunisian Relationship

Qatar is likely to remain an active political player in Tunisia. Under Emir Tamim, the general line on engagement in Tunisia did not change considerably. This is also because the current Tunisian government remains committed to attracting investments from all Gulf countries, regardless of their political outlook. It is interesting to note that several Qatari organizations reacted to growing anti-Qatari sentiment in Tunisia by taking measures to divert attention from Qatar and the organizations themselves as well as to protect local Tunisian partners and their work.

On the whole, Qatar can be expected to continue its political support for Ennahda while simultaneously increasing its efforts to diversify its political contacts. Personal links between the Qatari leadership and Tunisian politicians of various parties provide a good basis for reaching out to new political partners. However, this will also depend on the Tunisian parties how much influence Qatar will be able to exert, for parties have to be careful not to compromise their political standing with Tunisian voters. Like the UAE, Qatar will have to come to terms with the less personalized way of doing politics in Tunisia. As with the UAE, Tunisia thus offers an opportunity for Qatar, too, to learn how to engage with political parties in a post-revolutionary Arab world.

Qatar will make geopolitical use of Tunisia as a gateway to Libya. As already noted in this chapter’s section on the UAE, the current Tunisian government is eager to avoid being drawn further into the Libya conflict and to maintain its “neutral” status. It is aware of how the interests of the UAE and Qatar in particular diverge on this matter. Tunisia’s openness to new relations with Libya is at present to Qatar’s interest as well, also because at least for the moment Qatar is neither in the position to push the Tunisian government further into taking sides nor interested in doing so.

5. The Impact of Gulf State Financial Support on Tunisia’s Political and Economic Development since 2011

5.1 General Remarks

The assistance provided by the Gulf states to Tunisia since 2011 has been limited, especially compared to what the same states have provided to Egypt. The economic and political impact of this assistance has thus been commensurately limited. The small scale of assistance reflects the comparatively smaller concerns of Gulf states about Tunisia’s political uprisings and the ensuing transition there. Politically, the UAE and Saudi Arabia were and are less worried about Ennahda’s role in Tunisia’s political future than about the MB’s role in Egypt. The Ennahda party was not seen as having a transnational agenda, and it proved willing to cooperate with other Tunisian political players and movements in the political transition process. Economically, the Gulf states were not as anxious about Tunisia’s economic stability as they were about Egypt’s, as they had relatively few investments in Tunisia. In their eyes, an economic collapse of Tunisia would not have had a significantly negative impact on the region as a whole, nor would it today. Indeed, only Qatar has thus far taken measures to stabilize the Tunisian economy – in the form of loans to Tunisia’s Central Bank.

While the poor condition of the Tunisian economy may not have an overwhelmingly negative impact on the region, it still represents the core problem. Insufficient economic performance and unevenly shared economic benefits were, after all, at the root of the 2011 uprisings in Tunisia.102 Nevertheless, despite an impressive, if occasionally rocky, political transition process since the uprisings of 2011, the economic system that existed under Ben Ali remains largely intact. Certainly, the Tunisian public’s strong demands for access to economic opportunity are far from being met. Furthermore, a recent World Bank report suggests that the current Tunisian economic model has not yet been reformed into an inclusive and sustainable model that promotes investment, enables firms to increase their productivity and competitiveness, and accelerates the creation of quality jobs throughout the country. In order to successfully tackle the existing socioeconomic and political challenges, Tunisia urgently needs to launch a healthier economic system and ensure more effective protection for the poor and vulnerable.103 This will take time. Certainly, no recent push for such reforms has come from Gulf business investments or from Gulf political initiatives. Nor can it be expected in the future.

Beyond the very modest direct engagement of the Gulf states in Tunisia itself, the country could also be affected economically and politically by their engagement in neighboring Libya, especially that of the UAE and Qatar.104 The Tunisian government is well aware of the extent to which negative developments in the conflict in Libya threaten its own future political and social stability. The international community needs to coordinate with the Gulf states to ensure that the Libyan conflict does not hamper Tunisia’s economic and political transition process and endanger the domestic security situation.

The following sections outline the concrete ways in which assistance from the Gulf states had an impact on political and economic developments in Tunisia after 2011.
5.2 Impact on Political Developments in Detail

Foreign funding for charities had an impact on overall political discourse. Post-revolutionary Tunisia has been considerably more open to foreign contributions to help build its new political and economic order. This is because suspicions about the “agendas” of foreign donors were less pronounced than in 1991 when Tunisia and especially the Islamic弯kauh argues that this has led the new government to adopt a legal and political framework after 2011 that was broadly favorable to such foreign assistance.36 However, while foreign funding for associations and charities was legalized, foreign funding for political parties remained illegal. Developing charities as proxies for ideologically close political parties was one way of getting around this problem.37 As many Gulf states handed out more financial support to religious charities than to secular NGOs, allegations of Gulf funding for political parties via related charities and associations quickly arose. This in turn led to rising concerns about any financial funding coming from the Gulf, concerns that are further manipulated in political debates both by Tunisian political players and by the Gulf states themselves.

The Tunisian fight against terrorism is in danger of being co-opted. Terror attacks on Tunisia pose an indispensible threat. However, supporting the country’s fight against terrorism has provided especially the UAE with a platform to balance Qatari’s influence on domestic Tunisian politics. By supporting Tunisia’s security sector, the UAE manages to leverage its influence in the Tunisian government’s stand on Libya, where the UAE has its own political agenda, while the Tunisian government is interested in being perceived as a neutral player.

5.3 Impact on Economic Developments in Detail

There is potential for more foreign direct investment from the Gulf, and the Tunisian government wishes to increase Gulf investment. However, the main efforts to this end have proved to have rather limited impact. If a few projects did not target rural areas or the needs of socially and economically marginalized Tunisians. It must be noted, however, that development organizations from Qatar in particular are showing interest in youth employment, rural development, support for small and medium-sized enterprises (partially via Sharia-compatible loans), and the renewable energy sector.

Gulf business investments target high returns on investments. With investments in the banking, telecommunication, and real estate sectors, Gulf state companies and SWFs have shown particular interest in sectors that have been rather closed to competition in the past and dominated by Tunisian state-owned enterprises. Key to such investments is the potential of preferential treatment. In doing so, they are able to achieve more independence from its most important trading partners. However, the Tunisian fight against terrorism is in danger of being co-opted. Terror attacks on Tunisia pose an indispensible threat. However, supporting the country’s fight against terrorism has provided especially the UAE with a platform to balance Qatari’s influence on domestic Tunisian politics. By supporting Tunisia’s security sector, the UAE manages to leverage its influence in the Tunisian government’s stand on Libya, where the UAE has its own political agenda, while the Tunisian government is interested in being perceived as a neutral player.

Tunisian case – Gulf investments in Tunisia’s energy sector and economics. Most Gulf business investments target sectors with high returns on investments. With investments in the banking, telecommunication, and real estate sectors, Gulf state companies and SWFs have shown particular interest in sectors that have been rather closed to competition in the past and dominated by Tunisian state-owned enterprises. Key to such investments is the potential of preferential treatment. In doing so, they are able to achieve more independence from its most important trading partners. However, the Tunisian fight against terrorism is in danger of being co-opted. Terror attacks on Tunisia pose an indispensible threat. However, supporting the country’s fight against terrorism has provided especially the UAE with a platform to balance Qatari’s influence on domestic Tunisian politics. By supporting Tunisia’s security sector, the UAE manages to leverage its influence in the Tunisian government’s stand on Libya, where the UAE has its own political agenda, while the Tunisian government is interested in being perceived as a neutral player.
With the political uprisings in Arab countries that started in early 2011, the wealthier Gulf states quickly responded by leveraging considerable political and economic power to shape regional policies according to their own interests. Political upheavals in the region left a void, as did the ongoing reluctance of Western states to offer these countries meaningful political and economic incentives that could help them undertake radical political and economic reforms. The smaller Gulf states in particular now saw an opportunity to substantiate their demands for more political influence, which had grown out of their increased economic influence.

The Gulf states’ engagement in North Africa was fueled by the perception that they would have to shoulder the main burden of responsibility for the region. This was the result of decreased trust in Western powers as providers of stability for the region. Thus arms sales to the Gulf states by Western states have increased, Western powers are perceived as paying too little attention to Gulf interests. This has been compounded since the 5+1 negotiations on Iran’s nuclear program and the West’s reluctance to intervene effectively in Libya and Syria. The Gulf states thus started to use their enhanced international profile and clout for regional political powers in North Africa with out seeking prior consent from their Western allies. They consequently and increasingly tend to align themselves with emerging powers, especially in Asia.

As a result of the paradox of the Arab League, the role of the Gulf Cooperation Council (GCC) in intra-Arab conflict mediation has risen. Discord among its members, especially between Qatar and the United Arab Emirates, still simmer beneath the surface. That tension is currently muted due to pressure exerted by Saudi Arabia, which wishes to form a united front against the Houthis in Yemen and against the so-called Islamic State (ISIS) on a regional level. Despite the recent rapprochement between Saudi Arabia and Qatar, tension between Qatar and the UAE is likely to erupt again, for example on the Libyan issue, whereas Saudi Arabia under the new king is expected to focus its attention more on Yemen.

Saudi Arabia’s foreign policy: For decades Saudi Arabia’s foreign policy was based on three pillars: 1) safeguarding the domestic power of the royal family as the legitimate ruler of the kingdom, 2) safeguarding the influence of the UAE economic region in and beyond, and 3) safeguarding the supremacy of religious leadership based on Wahhabism, with strong anti-Shia tendencies. After the outbreak of the Arab uprisings, as democratically legitimized forms of Islamic rule, especially in Egypt, began to challenge the notion of dynastic power, these policies have come under pressure. Thus, Saudi Arabia shifted its foreign policy strategy from a non-interventionist, mediating policy toward a counter-revolutionary policy aiming at the stabilization of allied regimes like Egypt. In comparison to his predecessor’s policy, the new King Salman’s military action in Yemen indicates again a shift in Saudi regional policy in its unilateral and non-cooperative approach. King Salman’s foreign policy is thus focused on nearby hotspots such as Yemen, where North African countries are of decreasing interest and will only be prioritized if security in these countries deteriorates. Regarding traditional Saudi allies such as the US, King Salman is diversifying external alliances in order to prove his ability to act as a sovereign regional power. Although the US remains a reliable ally, ad hoc partnerships – for example with Russia – will become more important.

The foreign policy of the United Arab Emirates: The UAE’s foreign and security policy is guided by its vital interests: securing the state’s territorial integrity and maintaining the regime stability of its constituent emirates (with the ruling family of Abu Dhabi’s Al Nahyan at the top, followed by Dubai’s house of the Al Maktoum), Saudi Arabia and Iran both pose direct and indirect threats to these vital interests, as they have in the past exerted influence on the smaller and poorer emirates, causing internal unrest within the UAE. To maintain internal stability, the UAE has gone to large degrees to limit foreign policy playing a minor role in these efforts, as reflected in the UAE’s large-scale foreign direct investments over the past two decades – mainly on the part of the ruling families, state-owned enterprises, and sovereign wealth funds. Securing UAE investments was therefore a major concern driving the country’s reaction to the political upheavals in the region that began in 2011. Furthermore, there was deep concern that branches of the Muslim Brotherhood (MB) – which the UAE would vigorously try to limit – would gain unrest in the less wealthy emirates, thereby threatening the federation’s stability and the power of the ruling families. The UAE has been using a range of incentives as well as sanctions to promote UAE interests and influ-
ence policies in the countries of the Arab uprisings. These efforts center on furthering economic liberalization and politically marginalizing the Muslim Brotherhood and similar movements in these countries.

The foreign policy of Qatar: For twenty years, Qatar’s leadership has relied heavily on foreign policy to pursue its vital interests: territorial integrity (threatened mainly by Saudi Arabia and Iran) and regime stability (challenged ultimately from within the Al Thani family itself). The cornerstones of that strategy have been to foster close political relations with various, often rival, international and regional actors and to diversify Qatar’s economy and its economic partners. Unlike Saudi Arabia and the UAE, Qatar interpreted the 2011 regional upheavals as a unique opportunity to increase its political and economic leverage in the region.

This led Qatar to shift abruptly toward a strategy of proactive intervention. Qatar was able to portray itself as a champion of the people’s right to self-determination, particularly since it is not challenged domestically by Islamist forces. Qatar’s interventionist foreign policy strategy was short-lived, however. After power was handed over from Emir Hamad bin Khalifa Al Thani to his son, Tamim bin Hamad Al Thani, in June 2013, it has not been adjusted. Today Emir Tamim acts on the realization that Qatar’s leaders needed to seek closer approval from Saudi Arabia and that Qatar’s main political allies were coming under increasing pressure. The country’s foreign policy is nevertheless likely to remain somewhat unpredictable to outsiders. This is due, for one thing, to its aspirations to be a regional power and ultimately a player in international politics and, for another thing, to the fact that outsiders have little insight into their decision-making circles. Leverage of Western states on Qatar is limited because the country’s main economic partners – and, as a consequence, its political partners – are in Asia. Even the Saudi influence on Qatar is restricted. For Qatar, much like the UAE, it is essential in carving out its role as a regional actor independent of Saudi Arabia’s influence. Qatar is thus likely to continue to pursue – to a certain extent – policies that question Saudi political hegemony and Saudi claims to represent the GCC as a whole.

1.2 Egypt after 2011: The impact of Gulf State Engagement

Saudi Support for Egypt since 2011: Starting in 2011, Saudi Arabia became interested in 1) stopping the expansion of democratically legitimized political Islamic movements such as the Egyptian Muslim Brotherhood, 2) stopping the cautious rapprochement then taking place between Mohamed Morsi and Iran – in order to contain the regional influence of Shiite Iran, and 3) in protecting Saudi economic interests in Egypt. For these purposes, Saudi Arabia became one of the most reliable and generous donors of financial assistance to the Egyptian Supreme Council of the Armed Forces between 2011 and 2012, and – since July 2013 – to the government of General Abdel Fattah el-Sisi. The country’s total financial support conveyed since Sisi took power has been about 10–12 billion USD.

Furthermore, the Saudi business community wanted to preserve its traditional, long-lasting economic interests in Egypt. Around 3,200 Saudi companies hold the largest proportion of investments from the Gulf states, with an investment volume of 5.2–5.5 billion USD in 2014 in the form of FDI; 3,229 projects.

Saudi Arabia also feared that its own initiatives to spread Wahhabism throughout Egypt could be curtailed by initiatives undertaken by the Egyptian Muslim Brotherhood during its time in power. It is thus highly likely that Saudi Arabia pressured its Egyptian religious and political partners to refrain from curbing the influence of Wahhabism within Al Azhar – the leading Sunni theological council of the Middle East – and to limit the growth of Salafist ideology, to the extent that Saudi Arabia feared evidence that such steps were taken. Moreover, Saudi Arabia welcomed the fall of the MB, as it ended the strong influence of its rival, Qatar in Egypt. The country could thus reestablish itself as the “true leader” of the Muslim world and within the GCC.

It remains to be seen whether Saudi Arabia’s strong ties to the Sisi administration will continue under the new Saudi leader, King Salman. Faced with domestic challenges such as rising youth unemployment and low oil prices, King Salman is showing more reluctance to support Egypt’s government financially. On a political level, King Salman wants to integrate Turkey and Qatar into his anti-terror alliance against ISIS and, as part of the anti-ISIS efforts, is also interested in reintegrating members of Egypt’s MB – against Sisi’s will. Thus, under the new king, unconditional financial assistance to Egypt might change into more conditional forms of support such as the financing of concrete investment projects.

Emirat support for Egypt since 2011: The UAE’s support for Egypt is led by 1) a desire to undermine the potential influence of political Islam as a conflicting political ideology, 2) an interest in safeguarding the UAE’s security in the face of regional instability, 3) a wish to strengthen the role and image of the UAE as a power broker in the region, and 4) an interest in securing pre-existing investments and to open new markets.

Like other Gulf states, the UAE responded immediately after the outbreak of political unrest in 2011 by promising large-scale financial support to Egypt. By the end of 2012, however, only 50 million USD had been delivered. Since Morsi’s removal from power, the UAE has provided grants and loans to Egypt’s Central Bank in order to prevent Egyptian insolvency as well as to finance energy subsidies. The UAE also provided considerable manpower via the so-called UAE-Egypt Task Force, which was essential for the timely organization of the 2013 EEDC investment conference in Sharm el Sheikh. Hundreds of millions of dollars have been disbursed since 2013 to implement social and economic projects in order to brand the UAE as a generous supporter of the Egyptian people. According to the OECD, the UAE’s support for Egypt made it the largest foreign donor of development assistance globally in 2013 and 2014, which further contributed to the UAE’s international standing.

As the UAE does not face the same domestic financial constraints as Saudi Arabia, it will be able to support Egypt as long as there is political will in the country to do so. Financial support will not come unconditionally, however. The UAE pushes for results and will continue to demand accountability and an administration committed to economic reforms. The UAE will not, however, be encouraging political reforms or the inclusion of additional domestic actors into Egyptian politics, as this is currently not in the UAE’s interest. This decision will, however, depend more on Saudi considerations of how to engage the MB and its international supporters, Qatar and Turkey, in other regional efforts and conflicts.

Qatar’s support for Egypt since 2011: Under its former leader, Emir Hamad, Qatar’s engagement in Egypt after 2011 was strongly guided by the wish to brand Qatar in the West as a bridge and an interlocutor with the MB, which it anticipated would become the future power in the Middle East, as well as to improve Qatar’s image in the Arab world. By siding with the opposition in Egypt, Qatar portrayed itself as a champion of the people’s right to political self-determination and as a supporter of their democratic aspirations. It was also hoped that pro-revolutionary rhetoric by Qatar’s emir would divert public attention from Qatar’s own authoritarian rule. Qatar also expected that changing power structures in Egypt would provide new opportunities for investment, thereby further increasing Qatar’s efforts to diversify economically. Good relations with the new Egyptian government were also expected to settle the Qatar-Egyptian conflict over both countries’ economic and political interests in Sudan.

Under Emir Hamad, Qatar provided large-scale financial support to the MB in particular. This took the form of anti-Mubarak political rhetoric and extensive airtime on the various TV channels belonging to the Qatari Al Jazeera network highlighting the demands and activities of the opposition and covering the government crackdown on the opposition. Allegations of direct financial support for the MB cannot be substantiated.

Qatar provided financial support for macroeconomic stabilization via grants and loans to the Egyptian Central Bank. Shipments of liquefied natural gas (LNG) helped ease Egypt’s shortage of power. Negotiations on large-scale investments totaling 18 billion USD broke down with the removal of President Morsi from power. However, several Qatari state-owned companies active in real estate and in energy purchases to the political tension between Qatar and Egypt. Similarly, the work of Qatar development organizations continues, although mediated by local Egyptian and international NGOs and companies.

Under the new leader, Emir Tamim, the first steps have been taken toward political reconciliation with Egypt. This led to the removal of UAE support for Egypt in December 2014. Tension is still simmering, however, as could be seen in the conflicting Qatar and Egyptian responses to the Egyptian military attacks on Libya in February 2015. On the whole, Qatar’s current low profile in Egypt helps support the claim that Emir Tamim is readjusting Qatar foreign policy. Qatar’s relatively few investments in Egypt do not merit any forced moves to return to the Egyptian scene.

Like his father, however, Emir Tamim demands that a political solution be found for the conflict with regard to the conflict over allowing the MB to participate in Egyptian political life. It is unlikely that Qatar will return to Egypt politically before such demands are at least partially met, as this would involve losing face. Despite Saudi and especially UAE opposition to the inclusion of the MB in Egyptian politics, they might still press for more Qatari financial support for Egypt’s stabilization in order to share this financial burden.

The impact of Gulf State engagement on Egypt’s political and economic development: The financial assistance provided by Gulf states to Egypt has had both economic and political impact on Egypt’s development since 2011. Economically, government-to-government financial support from the Gulf states has helped balance budget deficits and substituted for the lack of financial assistance from Western donors and international institutions such as
the IMF. At present, however, the business investments in particular do not hold any promise of serious trickle-down effects or large-scale employment opportunities, especially not for better-educated Egyptians. Preventing Egypt’s collapse and keeping the region as a whole under control was of highest priority to all of the Gulf states, whereas helping Egypt transform its political system into a more open and democratic one was cer-
tainly not – although Qatar did argue that its support for the protests expressed the importance it attached to the people’s right to self-determination. The Sisi govern-
ment’s current dependence on UAE and Saudi finan-
cial and political support has helped to re-consolidate a return to the pre-2011 political conditions and even contributed to repression not only of the MB but also of civil-society and political activists.

In retrospect, it was unrealistic to expect that there was sufficient political will or competence among the new figures in power in Egypt to actively introduce reforms. The situation was made more complicated by the fact that most Western states and donor organiza-
tions never really applied their leverage through finan-
cial assistance and that coordination between Western and Gulf states remained insufficient throughout the period.

1.3 Tunisia after 2011: The Impact of Gulf State Engagement

Saudi Support for Tunisia since 2011: Compared to Saudi involvement in Egypt, Saudi support for Tunisia after 2011 has been minimal. Saudi Arabia did not consider the Ennahda party as posing an ideological threat, as the party did not engage with Iran and, unlike the Egyptian MB, did not attract a massive number of followers within Saudi Arabia.

From a business perspective, neither private nor public Saudi businesses are economically invested in Tunisia to a relevant extent. The small market and limited number of consumers, the domination of European companies, and the lack of traditional business networks makes Saudi Arabia’s private sector reluctant to invest in Tunisia. Only 39 Saudi companies are listed as having been active in the Tunisian market, representing roughly 6,200 jobs, mostly in the agricultural, industrial, energy, and tourism sector. Since 2011 several Saudi companies have announced their interest in investing in Tunisia’s real estate and power sectors. However, no concrete projects have yet been implemented. Many Tunisians feel, moreover, that Saudi Arabia is influential in spreading its conservative understanding of Wahhabism in Tunisia. In this regard, rumors exist that the Saudis are supporting Salafi charities in order to increase the impact of their Wahhabism ideology in the country. However, direct financial support for Tunisian mosques and charities by the Saudi government cannot be substantiated.

Under the new king, Tunisia is likely to remain a low priority in Saudi regional policy, especially compared to Egypt, due to the country’s limited geostrategic and economic relevance and a limited understanding in Saudi Arabia of the respective political cultures. For now, Saudi Arabia considers Tunisia to be “under control” in terms of the role that political Islamist groups play and with regard to its overall economic and social situation.

Emirati Support for Tunisia since 2011: UAE assistance to Tunisia since 2011 has been limited, especially com-
pared to the support it provides to Egypt. The UAE did not provide macroeconomic support in the form of grants or loans to the Tunisian Central Bank. Nor did it fund new development projects. Instead it limited its assistance to humanitarian channels. Via various state-owned enter-
prises, it did, however, make a number of investments, for example in the telecommunication and health sectors, while most real Emirati projects agreed upon under Zine el-Abidine Ben Ali were put on hold or can-
celled altogether. The UAE provided political and limited material support to the Nidaa Tounes party and some of its representatives. On a bilateral governmental level, material and immaterial support was offered also to the Tunisian army in its fight against terrorism.

This assistance clearly reflects the UAE’s interests in Tunisia. The UAE’s fight against terrorism and political Islam is also taking place on Tunisian soil, and the UAE uses its engagement in Tunisia to strengthen its role and image as a regional power. Moreover, these efforts are also undertaken in order to limit Qatari influence on Tunisia and in the region as a whole. Beyond that, Tunisia is seen as a gateway to Libya, where the UAE wishes to increase its political influence and economic investments.

It is likely that the UAE will continue to invest in Tun-
sia despite rumors that such investments are tied to the condition of the Tunisian government’s exclusion of Is-
lamists like Ennahda from political participation. A num-
ber of unresolved investment disputes from the pre-2011 era and legal disputes regarding Tunisians closely con-
ected to the Emirati ruling families show that relations between the UAE and Tunisia are somewhat strained.

Qatar’s Support for Tunisia since 2011: Among the Gulf states, Qatar was the main provider of assistance for Tunisia after 2011. It provided loans to the Tunisian Cen-
tral Bank and for development projects. It also invested

strongly in tourism, real estate, telecom, banking, and
etro-chemical industries. Qatar’s direct financial sup-
port for Ennahda cannot be substantiated, but is widely
assumed among Tunisians.

The decisiveness of Qatar’s engagement in Tunisia after 2011 was motivated by precisely the same reasons behind its engagement in Egypt. Here, too, former Emir Hamad wished the West to perceive his country as a bridge to
Islamist movements (in this case Ennahda), as a potential interlocutor and future power in the Middle East, in addi-
tion to improving Qatar’s image in the Arab world. As in Egypt, considerations of economic diversification were at work here as well. Like the UAE, Qatar also sees Tunisia as a gateway to Libya, where it wishes to increase its po-
itical influence and make additional investments.

Under Emir Tamim, the new Qatari emir, the general
line of engagement in Tunisia did not change consider-
ably, partially because the various Tunisian governments since 2011 were eager to attract investments from all Gulf countries, regardless of their political outlook. It is interesting to note, however, that several Qatari organiza-
tions reacted to growing anti-Qatari sentiment within the Tunisian political parties by taking measures to diversify its political contacts there beyond the Ennahda party.

The Impact of Gulf State Financial Support on Tunisia’s Political and Economic Development: Since 2011 the eco-

nomical and political impact of Gulf assistance on Tunisia has been rather limited, especially compared to Egypt. Only Qatar seems to have provided loans to the Central Bank of Tunisia to stabilize the country. Business invest-
ments from the Gulf are said to have created or secured more than 21,000 jobs, but the small number and size of planned and implemented projects did not provide wide-
spread trickle-down effects. With a few exceptions, most projects did not target rural areas or the needs of socially and economically marginalized Tunisians. Perhaps the Tunisian government and bureaucracy could have at-
tracted more business investments from the Gulf if they had been willing to offer Gulf investors the preferential treatment they requested. Nonetheless, the current Tun-
sian government is interested in increasing investments from the Gulf. It is probably more challenging to “sell”

investments from the Gulf to the public, however, due to
concerns about the political but also the social and cul-
tural consequences of increased Gulf influence in Tunisia.

Socioeconomically, the major issue at stake remains
how Tunisia will push for more equitable distribution of economic benefits in the future. Such a push for more
social security is unlikely to come from or through Gulf business investments. It must be noted, however, that
development organizations from Qatar and the UAE in particular are showing more interest in youth employ-
ment, rural development, support for small- and medium-
sized enterprises (partially via Sharia-compatible loans), and the renewable energy sector.

Politically and with regard to democratization efforts, allegations of Gulf funding for political parties and their related charities and associations are of considerable impact on Tunisian political discourse. The dynamics of this discourse are, however, also fueled by the Tunisian law prohibiting foreign funding for political parties, whereas foreign fund-
ing for associations is legal. Beyond the direct engagement of the Gulf states in Tunisia, the country could also be affected economically and politically by the engagement of the UAE and Qatar in neighboring Libya, where negative developments form a considerable liability to Tunisia's stability in every regard.

2. Conclusion

This study’s central question was whether the engage-
ment of the Gulf states in Egypt and Tunisia after the development organization had from the beginning or negatively impact on those countries’ political and economic develop-
ment. Of course, judging this impact as “positive” or “negative” depends on what set of criteria one applies. For

the sake of this project – and in light of the political strate-
gies pursued by Germany for Egypt and Tunisia since 2011 – the two main criteria considered were democratization and inclusive socioeconomic change.

It is important to highlight that these criteria do not

necessarily guide the strategies of the Gulf states for Egypt and/or Tunisia. Nor do they necessarily reflect
the priorities of key actors within Egypt and Tunisia themselves. Indeed, different priorities – also relating
to the sequencing of measures to support the countries – could be observed both among European and
Gulf providers of assistance as well as between key actors in Germany, on the one hand, and actors in Egypt and Tunisia on the other. Thus, Egyptian and Tunisian stakeholders sometimes considered certain Gulf state measures in positive terms, whereas the same measures

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could, in normative terms, be viewed as having a nega

tive effect on democratization and/or inclusive socio

economic change in the two countries. Consequently, the

input provided by the Gulf states as well as by Germany

and other European states was also judged according to
criteria and standards that differed from those set by
Germany and its Western partners. It is therefore of little
surprise that the various measures for support often did
not complement each other and arguably sometimes even
contradicted one another in terms of their impact.

Analyzing measures taken since 2011 by Gulf countries
to assist Egypt and Tunisia – and looking at how these
measures were (not) coordinated with actions taken by
other providers of assistance – this project draws five
major conclusions. Its policy recommendations are de

rived from these conclusions.

1. Instead of mutually complementing each other in their
support for Egypt and Tunisia, Western and Gulf coun
tries have been insufficiently aligned – even though they
supposedly operate under the same umbrella, the
Deauville Partnership. There are many reasons for this
lack of coordination. The chief one is a lack of mutual
consideration for and/or knowledge of the respective
interests of the MENA region and Gulf countries. The
forums for discussing policies and strategies are inade
quate. While some argue that the Deauville Partner
ship succeeded in establishing such forums over time,
this was certainly not the case in its beginning.

2. All providers of support resorted to ad hoc measures
that strongly reflected their respective interests. This led
to different priorities in the sequencing of
measures. While the Gulf states were mainly concerned
with establishing immediate political and economic
stability, Western countries pursued longer-term goals:
democratization and inclusive socioeconomic change.
Instead of attempting to harmonize these approaches
in long-term strategies for each country, the different
“camps” of providers tended to pit themselves against
one another – and to blame each other for failures and
setbacks. On the whole, both Western and Gulf provid
ers of support remained too general in their approaches
to Arab countries. As such, they failed to respond to the
individual needs of the beneficiary countries.

3. Fully comprehending the measures taken by the Gulf
states in Egypt and Tunisia involves placing those mea
sures within the context of the vital interests of the Gulf
states themselves – that is, within the context of their
general foreign policy concerns and their Middle East
ern policies in particular. Most of the Gulf states were
influential economic and political players in the region
long before 2011. Their pre-2011 investments were not
only meant to diversify their respective economies
but also to influence the regional process of globalization
economically and politically. The overall lack of
awareness among Western political actors of the Gulf
states’ long-term engagement in the region compounds
the risk of misunderstanding and misinterpreting their
post-2011 actions. The policies Gulf states have pursued
in Egypt and Tunisia since 2011 have been driven by a
desire to keep their respective countries – and the Arab
neighborhood as a whole – stable, or at least “under
control.” Their agenda is thus longer-term than some of
their political actions since 2011 might lead Western
politicians and analysts to believe. Only with a thor
ough understanding of these underlying domestic and
foreign policy assumptions can the policies of Gulf
states in the Mediterranean region become calculable.

4. German and other Western policy makers have only
limited influence on the Gulf states in general and on
how they support Arab countries in particular. This is
to a large extent due to the comparatively limited financial
assistance provided by Western states. For another,
Western states’ political leverage on the Gulf states has
been diminishing over the past 15 years, as Gulf states
forge new economic as well as also political partners
geared increasingly toward Asian countries.
Western states are thus not in a position to apply pres
sure on the Gulf kings to change the nature and extent of
their engagement with Egypt and/or Tunisia.

5. Better cooperation and coordination with the Gulf
states is crucial for responding to the escalating con
flicts in the region. Decreasing faith in the willingness
of Western partners to stand up for the region’s security
and stability has led the Gulf states to augment their
own military means and reach out to new providers of
security. This increases the likelihood of violence by
proxy or even proxy wars in the region. Increased mili
tarization is also fueled by the 5+1 nuclear deal with
Iran; the Gulf states are likely to demand similar rights
to develop nuclear capacity for themselves in order to
keep pace with Iran. Forums for political dialogue like
the Deauville Partnership are thus important spaces for
rebuilding trust, enlarging networks of communication,
and deepening mutual understanding.

3. Policy Recommendations
Several steps are necessary for Germany and its Western
partners to leverage their economic and political influ
ence in the region more effectively and constructively in
the future. Given their stated long-term goals of promo
ting democratization and inclusive socioeconomic change,
this report’s policy recommendations and proposals need
to be embedded in long-term strategies. However, strat
gies must seriously consider the interests of the Gulf
states as influential political and economic players in the
MENA region.

3.1 Recommendations for German and EU Policies
toward the Gulf States
German and other European policy makers must
acquire a more robust understanding both of the vital
interests guiding Gulf states’ foreign policy and of the
role the Gulf states play for the vital interests of Germany
and its partners in order to develop long-term strategies
of cooperation with the Gulf states. At present, Germany
and the European Union as a whole lack a coherent for
eign policy strategy toward the Gulf states. Unlike France
and the UK – as former colonial powers that assertively
pursue their interests via bilateral strategies – Germany
has been more reactive than proactive in its policy toward
the region. This atomization of European approaches to
the Gulf states and to the wider Arab region is incommen
surate with the region’s strategic importance for Europe,
given its geographic proximity and its energy resources.

German and other European policy makers must take
much greater account of the Gulf states in considering
European security strategies. This is all the more im
portant in light of the strategic vacuum left by the US – a
vacuum that other players are keen to fill. The upcoming
reassessment of the European security strategy developed
in 2003 is an opportunity to formulate an updated politi
cal approach to the region.

German and other European policy makers must give
special attention to increasing the cooperation in mari
time security. Europe’s foreign and security policy must
include strategies for the Gulf. This is due to the impor
tance of the security of naval passages through the region
for Europe’s energy security but also because maritime
security cooperation is a key instrument for containing
transnational terrorist activities, human trafficking,
and smuggling. However, security cooperation with the Gulf
states and other Arab states poses a challenge; the Ger
man constitutional prohibition against exporting arms
into areas of conflict must be given much more consid
eration, since several states have used military means to
challenge protesters in recent years. Balancing these
conflicting vital interests needs a lengthy, well-informed,
and transparent political debate that must seriously en
gage the opinions of different camps.

German and other European policy makers need
to identify new ways to engage with the Gulf states politi
cally. The Gulf states expect to be treated as equals as
heirs their increased international standing and influ
ence. They also wish to be complimented and praised for
their purchases of weapons, both in stating off the economic
interests of countries like Egypt (which would have had severe con
sequences for neighboring Europe) but also for their eco
nomic support for Western economies during the global
financial crises in 2008 and the years that followed.

German and other European policy makers need to
identify sectors of mutual interest and areas of synergy.
Renewable energy, energy efficiency, energy consump
tion as well as international climate policies are issues of
high domestic interest for the Gulf states. Also primary,
secondary, tertiary education, and vocational training
loom large on the domestic political agenda. The Gulf
states consider Germany to have expertise in all of these
sectors, so policy makers should actively seek dialogue on these issues, both in bilateral and multilateral settings, for example those provided by the UN. Also supporting more economic diversification of the Gulf states should be in the interest of Germany and other European states in order to ensure that suppliers of energy become economically and consequently politically less dependent on dividends from oil and gas exports. Although Germany’s current energy mix does include a large amount of energy provided by Gulf states, the stability of its energy mix and exports is affected by how other European neighbors develop their energy imports. For in some cases these may quite heavily on energy from the Gulf region.

German and European policy makers should deepen their understanding of political and economic developments in Arab Gulf countries and of the social and economic structures on which they are based. Meaningful political dialogue means identifying relevant stakeholders. This in turn requires a better understanding of the social and cultural mechanisms that build political and social cohesion and balance interests in the Gulf countries. This knowledge is mainly acquired through personal contacts and interaction of interlocutors, use of the insights gained through the variety of possible encounters, however, cooperation and coordination between German institutions and ministries needs to be improved.

One must engage German businesses and cultural institutions in order to widen political, economic, and social dialogue with stakeholders from the Gulf states. As German businesses enjoy an excellent reputation, their networks can open new windows for dialogue that could be tapped into by policy makers. Supporting such institutions as the German Chambers of Trade and Commerce would help intensify their cooperation and extend the dialogue with Gulf Arab counterparts – e.g. the bilateral Saudi-Egyptian Chamber of Commerce – both in the Gulf states and in countries like Egypt and Tunisia. Given the absence of German political foundations in the Gulf countries, it is thus all the more important to include political and social stakeholders as well as researchers from Gulf countries in the activities of these foundations that take place in neighboring Arab countries. Identifying issues of shared interest and mutual benefit is a necessary prerequisite to kindling the interest of Gulf participants in such activities. Also cultural institutions such as the Goethe Institutes and the cultural departments of the German embassies and consulates can serve as nodes of exchange and dialogue, as can the Robert Bosch Cultural Managers in Egypt and Saudi Arabia. In order to make use of the insights gained through these various possibilities, however, cooperation and coordination between German institutions and ministries needs to be improved.

2.2 Policy Recommendations for German-Gulf Cooperation in Support of Egypt and Tunisia

Continue to make use of the Deauville Partnership as a forum for multilateral dialogue involving key actors from Western, Gulf, and North African states and international organizations. The partnership continues to provide important space for relevant stakeholders to discuss strategies and instruments for Arab countries that have been undergoing political change since 2011, particularly in the absence of other multilateral forums. They should nurture and improve these spaces instead of abandoning them. Western stakeholders in particular should strive to increase trust and inclusivity if they wish to influence the future engagement of the Gulf states more effectively. They should pay more attention to approaches that go beyond stabilizing the existing system economically in order to stabilize the beneficiary country temporarily by offering more socioeconomic inclusion. Discussions on how to integrate the informal sector should figure more prominently.

Develop suitable incentives for greater inclusion of the Gulf states into governance dialogue within the Deauville Partnership. There seems to be wide consensus that the finance pillar of the Deauville Partnership is more successful in winning the attention of Gulf states than the governance pillar. This can be attributed to various factors, among them priorities in sequencing measures, diverging political goals for the region, and stronger capacities among Gulf institutions in matters of state. European and other Western states should thus develop forums and settings that make dialogue on matters of governance more attractive to Gulf stakeholders. Given the ongoing exclusion of the Muslim Brotherhood from Egyptian politics, such dialogue will be even more important in the future. In order to engage Islamists, both the EU and the Gulf states require contact and channels of communication. These could be provided by Qatar, which enjoys good standing with the Muslim Brotherhood and organizations close to it. Oman could also be a suitable and potentially less controversial interlocutor.

Clarity German and European interests in North Africa and show a willingness to act upon those interests politically by mustering adequate financial means. As has been noted, the EU as a whole lacks a coherent foreign policy strategy toward the region. Because the deteriorating security situation in Libya also negatively affects the domestic stability of both Egypt and Tunisia, it is imperative to consider Libya when discussing security cooperation with both countries. Given the respective involvements of Qatar and the UAE in Libya’s political affairs, these countries’ interests need to be considered, especially since they seek to influence the Egyptian and Tunisian governments to act in a way that enhances Qatar and Emirati operations in Libya.

Identify shared interests regarding MENA countries in order to deepen cooperation with the Gulf states. Approaches need to be better aligned and strategies and instruments developed to suit the individual Arab countries that have been undergoing political change since 2011. Although German-Gulf interests differ in many aspects, mutual interests do exist. For example, both sides are vitally interested in keeping the Arab region economically and socially stable. Both in Egypt and Tunisia, there is also a shared interest in fighting political violence, extremism, and terrorism despite different understandings of what is defined as such. There seems to be agreement on the necessity of economically strengthening those states affected by the Arab uprisings in order to offer their populations a perspective for a better future by decreasing unemployment, especially for youth. Good and transparent governance and sustainable economies that are less based on income from rent are thus important pillars for a stable political order in the Middle East in the future. Germany and its European partners should thus engage with the Gulf states the question of how to make economic growth in these countries more socially inclusive and sustainable. Dialogue on these matters can also form part of discussions between Germany and the Gulf states on economic diversification within the Gulf states themselves.

Seek out technical expertise and know-how from the Gulf states themselves when planning trilateral development projects in the fields of economic diversification and technical and administrative capacities over the past decades and do not like to be seen purely as providers of finance. This should be kept in mind when cooperation projects are under discussion – especially since the Gulf states can rightfully point out that they have already provided more financial support for countries like Egypt than European and other states. Based on interviews conducted for this project, such trilateral cooperation seems to be possible in the renewable energy sector, the industrial sector, as well as in SME support and microfinance projects. Gulf, Egyptian, and Tunisian interlocutors showed interest in cooperating with Germany in vocational training and in the development of a system based on the German “dual system.” In the absence of a burden-sharing agreement between the Gulf states and Germany, a framework for cooperation would be best if the German Socialeinsätze, such a dual system would hardly be successful in Arab states at the moment. German interlocutors should highlight these systemic difficulties to manage and, if necessary, limit expectations.

Increase coordination and communication among Gulf and Western development organizations in Egypt and Tunisia. At present, since most development organizations from the Gulf states do not have local representatives in beneficiary countries, no constant coordination and dialogue takes place among Western and Gulf donors and implementing organizations. Little information on Gulf-funded projects therefore exists among German and European implementing organizations, which in turn hinders identification of potential fields for cooperation and synergy effects. As there seems to be limited willingness among the relevant Egyptian and Tunisian ministries to increase dialogue and coordination between Gulf and Western donors, Germany and
its partners should seek to convince stakeholders in Egypt and Tunisia of the benefits of closer coordination and cooperation among the various providers of assistance. It is also important to include representatives from Gulf development organizations and Gulf states’ subordinate ministries in this process.

Reach out more actively to the Gulf states on the matter of Tunisia: Individual European states as well as the EU as a whole should take the first step of reaching out to the Gulf states with regard to Tunisia. This is because of the dominance of European investors in Tunisia and the fact that instruments of the European Neighborhood Policy are widely regarded as suitable for meeting Tunisia’s challenges. Together with the Tunisian government, mutual dialogue on political, economic, and social issues should be strengthened in order to identify potential for cooperation and areas of synergy.

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