On November 11, Egypt's Minister of Finances Amr El-Garhy reported that the Arab Republic of Egypt (ARE) is to obtain a loan worth $12 billion from the International Monetary Fund.

Egypt, which is facing a severe economic crisis, desperately needs this money. 40% of over 80 million citizens of the country are on the poverty line, while 51.2% of the youth are unemployed. In November 2016, this unfortunate situation further deteriorated.

Due to financial problems, the budget deficit, and the tough terms set by the IMF for granting loans, Egypt's President Abdel el-Sisi had to liberalize the Egyptian pound (the currency rate dropped to 18 pounds per dollar from the previous 12 pounds) and increase prices for petrol, diesel fuel, and fuel oil sharply at differing rates. It is quite a risky step to make on the eve of the cold season, especially when the country imports a lot of energy sources and food products. This measure is desperate and driven by several circumstances.

Let us start with the fact that the economic situation deteriorated because of the terror unleashed by the Muslim Brotherhood after the overthrow of their leader M. Morsi in summer 2013, which led to a sharp reduction in revenues from the tourist industry and an outflow of investment - the most important sources of the country's wealth. But this is not the sole reason. The sharp deterioration of the situation was partially caused by the suspension of the deliveries of 700 thousand tons of diesel fuel, petrol, and fuel oil to Egypt by Saudi Arabia under preferential terms (a loan at 2% per annum with a 3 years grace period) since late September.

As it is well known, these agreements, as well as Saudi Arabia's promise to provide Egypt with large-scale aid worth 24 billion dollars in order to support the Egyptian pound rate, were reached during King Salman's visit to Cairo in April. At that time, this visit was called a historic. Riyadh, which is also experiencing economic difficulties due to an almost three-fold drop in oil prices since the end of 2014, agreed to undertake these expenses for a variety of reasons.

The major reason is that the Saudi monarchy considers Egypt the main counteraction tool to Iranian influence in all its forms. The overthrow of the Muslim Brotherhood regime was supported by Riyadh due to fears that M. Morsi would develop relations with Tehran, which is considered Riyadh's main geopolitical, economic, ideological, and military enemy.

By paying a huge sum of money to Cairo, the Saudi monarchy wanted to secure certain things in return. First of all, the Tiran and Sanafir Islands, which have a strategic position in the Red Sea close to the Gulf of Aqaba. Control over them means control over all ships entering and departing from the ports of Israel and Jordan, as well as over the flow of oil tankers (including those from Iran) passing through the Suez Canal.

Another important objective was to encourage Egypt to side with Saudi Arabia in Yemen, where Riyadh has been
conducting a tough and no-win military campaign since March 2015. The Egyptian Air Forces have in fact joined this campaign but they have only managed to secure an air-exclusion zone in Yemen so far.

Ultimately, by using Cairo’s economic problems, the Saudis intended to subordinate Egypt to its own end and force it to abandon its claims to leadership in the Arab world and pass its role to Riyadh.

The past six months have demonstrated that the Saudis are dissatisfied with the behaviour of the Egyptian leadership, which has taken money but has not met the expectations. As it turned out, the Egyptians are not going to transfer these islands in the Red Sea to its “legal owner”. While the official media state that Tiran and Sanafir have always belonged to Saudi Arabia and they were leased to Egypt in 1950, lawyers and public leaders in Egypt have other versions: the Maritime Border Accord signed between Egypt and the Ottoman Empire in 1906 acknowledges Egypt’s sovereignty over these islands.

As a result, the case of transferring the islands is dragging on in the courts. Egypt's Administrative Court under the ARE State Council upheld the previous court decision that invalidated the agreement signed in April regarding the transfer of the islands to Saudi Arabia, and the appeal of the government was dismissed. However, the State Affairs Committee disputed these decisions, and the Court of Urgent Matters suspended the judgement of the Administrative Court in September. Even if the government manages to change the situation within the legal framework, public opinion within Egypt strongly opposes the transfer of the islands and A. el-Sisi has to take this fact into account.

In addition, Egypt has not changed its position in respect of the Yemeni crisis and, apparently, has not increased its contribution to the Yemeni military campaign. Meanwhile, Saudi Arabia does not want its soldiers to fight on the territory of Yemen.

Cairo is not following the weird twists of Saudi diplomacy in Libya as well. Since June 2016, Chief of the Libyan Armed Forces, General, and now Marshal, Khalifa Haftar has ceased to please Riyadh while Cairo is actively using him to create a buffer zone between its border and members of the Muslim Brotherhood, ISIS, al-Qaeda, and other terrorist groups from all over the world who have occupied Western Libya (historical Tripolitania).

However, the straw that broke the camel's back for the Saudi royal family was Egypt's voting for the draft Russian resolution on Syria in the UN Security Council in October (Cairo is a non-permanent member) and the demonstrative rapprochement of Cairo with Moscow: it led joint military training with the Russian party that were “not authorised” by Riyadh, made the decision to acquire Russian KA-52 helicopters for the Mistral helicopter carriers originally built for Russia but later obtained by the Egyptians using Saudi funds (as rumour has it in the two capitals). Moreover, Cairo refused to condemn the actions of the Russian Aerospace Forces in Aleppo as demanded by Saudi Arabia.

However, the sanctions against Egypt introduced by the Saudis have had a directly contrary effect on Cairo. The pound rate may have dropped and the economic situation may have deteriorated but Egypt has not abandoned its independent foreign policies. Rather on the contrary. Marshal Khalifa Haftar has solved a part of the fuel problems as he has been in control of the major oil fields in Libya since summer. The rest of the problems can be resolved by deliveries from other states, including Riyadh’s enemy Iran or even Azerbaijan (a Memorandum of Understanding has been signed with Azerbaijan's SOCAR Company). It is no coincidence that on November 6, rumours appeared about an upcoming visit of Egypt's Petroleum Minister Tarek El Molla to Iran. They have not been confirmed yet, but there is no smoke without fire...the Egyptian leadership is definitely indicating that an alternative to rapprochement with the KSA exists...

The breach between the two countries has not yet opened, the search for common ground and compromise is in progress, which is evidenced by the active mediating role played by the UAE that provides strong support to the Egyptian leadership. But it is already clear that D. Trump victory in the elections will give el-Sisi confidence in his goal of restoring the historical role of the Arab world’s leader, and Riyadh should have no illusions about this.

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