

Issue Brief for Congress

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Egypt-United States Relations

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Egypt-United States Relations

SUMMARY

U.S.-Egyptian relations are tied to maintaining regional stability, improving bilateral relations focused on Egyptian economic development and military cooperation, developing Egypt's democracy, sustaining the March 1979 Egyptian-Israeli peace treaty, and continuing U.S. foreign assistance to Egypt. Experience gained from Egyptian-U.S. joint military exercises proved valuable in easing coordination during the February 1991 Desert Storm operation reversing Iraqi aggression against Kuwait. Egypt is a leader and moderating influence among many Arab, African, Islamic, and Third World states.

Among the current issues in U.S.-Egyptian relations are the shared concerns over the terrorist attacks against Egyptian police, religious, government, and tourist facilities, and what those attacks may signal for Egypt's domestic stability. The two nations may disagree over Egypt's interpretation of applying human rights practices to Islamic terrorists. The two countries disagree over the speed and depth, but not the need for some of Egypt's economic reforms. Egypt and the United States agree on the importance of the Egyptian-Israeli peace treaty, the need to continue current Arab-Israel peace talks, and the need for regional stability. The two nations agree on Egypt's determination to introduce democratic reforms to Egypt.

The United States has provided Egypt with an annual average of over \$2 billion in economic and military foreign assistance since 1979. The United States will reduce Economic Support Funds (ESF) to about \$400 million per year by 2008 in keeping with a plan to reduce aid to Israel. The Administration requested \$655 million in economic grants and \$1.3 billion in military grants for FY2002 for Egypt.

Egypt

<p>Area = 385,229 sq. miles (equal to Wisc., Mich., Ohio, Ind., Ill., Ky, and Tenn.) Population = 64.8 million (1997 est.) Pop. Growth rate = 1.89% pr. yr. (1997) Religion = 94% Muslim, 6% Christian Labor Force = 17.4 million (1996) Unemployment = 8.3% (1998) Literacy Rate = 51.4% GDP = \$82 billion (1998) GDP per cap. = \$1440 (1998) GDP Growth Rate = 5.7% (1998) Inflation = 3.6% (1998) Exports = \$4.6 billion (1995) Imports = \$13.8 billion (1995) Gov't. Revenues = \$17.4 billion (1995 est.) Gov't. Expend. = \$18.8 billion (1995 est.) Foreign Debt = \$28 billion (1998)</p>
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MOST RECENT DEVELOPMENTS

The President's March 25, 2003 request to Congress for supplemental appropriations included \$300 million in Economic Support Funds (ESF) and \$2 billion in loan guarantees for Egypt. The President also announced that \$379.6 million in Commodity Import Program funds and other programs in the pipeline would be converted to cash grant. The loan guarantees are to be issued over three years, and Egypt will pay the subsidy costs.

On March 18, 2003, the Court of Cassation acquitted Saad al-Din Ibrahim in his second re-trial on charges of defaming Egypt and accepting an illegal contribution from a foreign source for his political think tank. Ibrahim, who holds dual Egyptian and U.S. citizenship, had been in jail for three years during the first two trials in which he was found guilty and sentenced to seven years.

BACKGROUND AND ANALYSIS

Egypt-U.S. Relations

Historical Background

The United States endorsed the 1952 Revolutionary Command Council military coup that overthrew King Faruk and the monarchy. The military reformers appeared to have Egypt's best interests at heart, and, although not pro-Western, at least were not pro-Soviet. But, U.S.-Egyptian relations soured when the Colonels turned to the Soviets and the Czechs in 1955 for military training and equipment after the West refused defense assistance. That same year, 1955, Egypt, Yugoslavia, and India led the third world nations at the Bandung Conference in establishing a movement independent from the Eastern and Western blocs, an act that further alienated Egypt and the United States.

In July 1956, following a U.S.-British decision to retract an offer of economic assistance and help for the Aswan Dam, Egypt nationalized the Suez Canal Company to use the revenues to finance the dam. (Egypt owned the Suez Canal, but the British-French company operated the Canal, and collected the revenues from which it paid a small rent to Egypt.) In late October 1956, Israel, France, and Britain invaded Egypt, Israel to stop Palestinian guerrillas from using Egypt as a base for operations against Israel, and France and Britain to occupy the Canal. President Eisenhower persuaded the three invaders to withdraw from Egypt in early 1957, which improved U.S.-Egyptian relations briefly. (According to persistent but unconfirmed reports, Eisenhower's persuasion included threats to cut U.S. aid to Israel and to withdraw support for the British and French currencies.)

Many in the West believed Egypt fomented the 1958 anti-Western unrest in Jordan and Lebanon and coup in Iraq that led to the U.S. intervention in Lebanon and the British intervention in Jordan, and relations between Egypt and the United States remained strained. Egypt broke formal diplomatic relations during the June 1967 war following Egyptian charges that the United States provided direct assistance to Israel. Egypt expelled Soviet

advisors in July 1972, an act that some in the United States considered a harbinger of better Egyptian-U.S. relations. Egypt attacked Israeli forces occupying the Sinai Peninsula and Syria attacked the Golan Heights in October 1973. In November 1973, Egypt and the United States restored diplomatic relations, and in December, the two nations participated in the Geneva peace conference. U.S. Secretary of State Henry Kissinger's so-called shuttle diplomacy led to Egyptian-Israeli and Syrian-Israeli disengagement agreements in 1974 and a second set of Egyptian-Israeli disengagements in 1975. The United States resumed economic aid to Egypt in 1975 after an 8-year hiatus.

The United States endorsed Egyptian President Anwar al-Sadat's dramatic and courageous trip to Jerusalem in November 1977, and provided good offices to assist in the Israeli-Egyptian peace negotiations at Camp David in September 1978 and the Egyptian-Israeli peace treaty of March 1979. The United States organized the peacekeeping regime along the Egyptian-Israeli border, and maintains a rotating infantry battalion in the force.

U.S. Interests in Egypt

A primary U.S. interest in continued good relations with Egypt is to capitalize on Egypt's leadership role in the Arab world. Often, other Arab states look to Egypt to initiate action or set an example on regional problems. In the past, other Arab states followed the Egyptian lead in turning to the Soviet Union for weapons, in nationalizing foreign interests, in land reform programs, in introducing democratic institutions, and in many other areas. In a February 1998 example, Egypt counseled Iraq to compromise on weapons inspections rather than risk U.S. military attacks.

Another U.S. interest in good relations with Egypt is to sustain Egypt's moderate voice in Arab councils, and in some cases to rely upon Egypt to persuade less moderate Arab states of the wisdom of compromise. President Mubarak serves as a conduit carrying the various proposals among the Syrian, Lebanese, U.S., Israeli, Jordanian, and Palestinian negotiators.

A third U.S. interest is to maintain the Egyptian-Israeli peace treaty.

A fourth reason for maintaining good U.S.-Egyptian relations is defense cooperation in opposing threats or aggression against regional friends, as was demonstrated in the 1991 liberation of Kuwait. Cooperation between U.S. and Egyptian armed forces in joint military exercises over the previous decade (the "Bright Star" exercises) prepared the way for the 1990-1991 defense of the Arabian Peninsula. The most recent Bright Star exercise took place in October and November 2001.

U.S. Policy Toward Egypt

Beginning after World War II, the United States opposed all aspects of Egypt's belligerency toward Israel, including military posturing, military expansion, arms purchases, the economic boycott, use of Soviet military advisors, attempts to exclude Israel from international fora, providing haven for guerrilla attacks against Israel, refusal to negotiate, and other gestures or positions considered unfriendly. As a result of Egypt's cooperation with the 1974-1975 disengagement agreements, President al-Sadat's 1977 trip to Jerusalem, the 1978 Camp David agreements, and the 1979 Egyptian-Israeli peace treaty, Egypt's policy toward Israel changed from belligerency to cooperation, and U.S. policy toward Egypt

changed as well. At first, U.S. friendly gestures toward Egypt appeared to be intended as guarantees for Israeli security and the Egyptian-Israeli peace treaty, but in the 14 years since the peace treaty signing, U.S.-Egyptian relations have evolved, moving beyond the limited connection to Israel and toward an independent bilateral friendship. The United States provides foreign assistance, cooperates in economic development, shares military equipment and technology, participates in joint military exercises, and includes Egypt among its advisors and confidants on Middle Eastern affairs.

Although the United States fostered independence among nations, the United States did not approve of Egypt or other newly independent states fomenting or aiding armed rebellion among remaining European colonies in Africa and the Middle East, as, for example, Egypt's support for the 1954-1962 Algerian rebellion against France. The U.S.-Egyptian policy difference over colonial independence has faded as Middle Eastern and African nations became independent until today it is no longer an item of contention.

Egypt, with Yugoslavia and India, chaired the 1955 Bandung Conference that led to the formation of the Non-Aligned Movement. At the time and for many years afterward, most U.S. Administrations saw countries either as pro-Eastern Communist Bloc or a pro-Western Free Bloc, without room or reason for a third choice, the Non-Aligned Movement. Many in the United States presumed that nations choosing to associate with the Non-Aligned Movement, among them Egypt, actually were sympathetic to the Soviet-dominated Eastern Bloc. U.S. attitudes changed during the 1970's, becoming more tolerant of nations that preferred not to be aligned either with the Soviet or with the Western blocs. With the 1990s demise of the Soviet system and the disappearance of the Eastern Bloc, such "cold war" alignments are no longer an issue, but Egypt's association with the Non-Aligned Movement and friendship with the Soviet Bloc caused much U.S.- Egyptian friction until the early 1970s.

Role of Congress in Egyptian-U.S. Relations

In the past, Congress earmarked foreign assistance for Egypt in the foreign aid authorization and/or appropriation bills. (See **Table 1**, and section on Current Issues in Egyptian-U.S. Relations below) The annual earmark included a statement that Egypt should undertake economic reforms in addition to reforms taken in previous years. In the 107th Congress, Members have criticized Egypt for withdrawing its ambassador from Israel in November 2000 to protest Israel's treatment of the Palestinians and advocated withholding U.S. foreign military assistance from Egypt (see *Jerusalem Post*, March 21, 2001, and *Washington Post* "op ed", July 2, 2001).

Current Issues in Egyptian-U.S. Relations

EgyptAir Flight 990

On October 31, 1999, EgyptAir flight 990 en route from New York to Cairo crashed shortly after takeoff, killing 271 passengers and crew. Investigators reported that there was no evidence of mechanical failures or explosions on the plane but that a co-pilot was heard repeating a prayer prior to sending the plane into a steep dive that resulted in the crash. The

implication of the investigators report was that the co-pilot purposely had committed suicide and killed the passengers and crew. The National Transportation Safety Board (NTSB) issued its final report on March 21, 2002, concluding that the co-pilot purposely crashed the plane but did not offer an explanation for the co-pilot's actions. Egyptian officials rejected the NTSB report.

Arab-Israel Peace Process

In 1977, President Anwar al-Sadat announced that he would go to Jerusalem to discuss peace with the Israelis. Israeli Prime Minister Menachem Begin extended an invitation, al-Sadat accepted, and the visit led to the Egyptian-Israeli peace treaty of March 1979. Egypt benefitted from the peace treaty by being able to redirect resources from defense to development, but Egypt suffered by being ostracized by other Arab states in March 1979. There were other problems with implementing the peace treaty: Israel wanted Egypt to negotiate on behalf of the Palestinians, which the Egyptians would not do; Israel complains that Egypt failed to fulfill its part of the peace treaty by not engaging in more bilateral Egyptian-Israeli enterprises (the "cold peace" issue).

President Mubarak acts as a broker, advisor, messenger, and arbitrator for the continuing peace talks. Mubarak offered Cairo as a venue for the talks, offered compromise positions on returning the 415 deportees in Lebanon in December 1992, encouraged the other Arabs to continue the talks, and endorsed the Declaration of Principles signed by the PLO and Israel in Washington on September 13, 1993. President Mubarak has hosted numerous meetings between Israeli and Palestinian leaders in the continuing peace talks. In late 1996-early 1997, some Israelis criticized Egypt and President Mubarak for not encouraging the Palestinians to agree to terms over the Israeli withdrawal from Hebron.

After the Palestinians and Israelis signed an agreement on January 15, 1997, the Israeli criticism of Egypt subsided. Most recently, Egypt hosted the September 4, 1999 Sharm al-Shaykh signing of an Israeli-Palestinian agreement for implementing past commitments, and Egyptian President Mubarak was in contact with the Palestinian and Israeli negotiators at the Camp David summit in late July 2000. President Mubarak hosted the meetings between Secretary Albright and President Arafat at Sharm al-Shaykh on October 4 and also hosted the Arab League meetings that began on October 21. In November 2000, Egypt recalled its ambassador to Tel Aviv to protest Israeli actions against the Palestinian demonstrators in the intifadah that began in late September. On April 3, 2002, President Mubarak cut all contacts with Israel except those dealing with the Palestine issue; the President was protesting Israel's treatment of the Palestinians and the Israeli invasion of Palestinian areas.

Militant Islamic Movement in Egypt

The Muslim Brotherhood was founded in Egypt in 1928 to turn Egypt away from secularism and toward an Islamic government based on Sharia (religious) law and Muslim principles. Governments of Egypt at times have restricted the Muslim Brotherhood and at other times have allowed it relative freedom to operate, its current condition. The Muslim Brotherhood exists as a religious charitable and educational institution having been banned as a political party in 1954. The Brotherhood has fielded local candidates under the Socialist Labor Party banner but boycotted the 1990 People's Assembly and Shura Council elections.

Offshoots of the Brotherhood, the Jamaah al-Islamiyyah (Islamic Group) and Egyptian Islamic Jihad, are more militant and use violence in an attempt to overthrow the government. Both were implicated in the 1981 assassination of President Anwar al-Sadat, and in the recent attacks against the police and tourists. Since October 1992, the confrontation between the police and the Islamic militants has resulted in almost 1,200 killed (90 of whom were foreign tourists). The Jamaah al-Islamiyyah and other Islamic revivalist forces claim they want to rid Egypt of foreign, and therefore in their view anti-Islamic, influences, and attack Coptic Christians (Copts comprise about 10% of the total population), tourists and tourist sites, and the police protecting the tourists as a way to drive the foreigners from Egypt.

In the past, President Mubarak and other Egyptian officials have stated that the Islamic reformers were financed, trained, and directed by Iranian and Sudanese religious militants and returning Egyptian volunteers from the Afghan war. Some have expressed concern that the Egyptian police may not conform to international human rights standards in pursuing and bringing to justice Islamists suspected of terror attacks (see Human Rights below). Ayman al-Zawahiri, leader of the Jihad group, Muhammad Atif, and other Egyptians have been associated with Osama bin Laden. The press reported that Muhammad Atif was killed during a mid-November 2001 U.S. Bombing attack in Afghanistan.

Shaikh Umar Abd al-Rahman

Shaikh (an honorific title for a learned religious or tribal leader) Umar Abd al-Rahman, a cleric and Islamic scholar associated with the Jamaah movement, was arrested 6 times in Egypt on various charges, and served prison time although he was acquitted of involvement in the al-Sadat assassination. In 1989, Abd al-Rahman went to Sudan, where, one year later, he acquired a U.S. visitors visa despite having his name on a list of undesirables. On June 24, 1993, the FBI arrested 8 men in New York suspected of plotting to assassinate several prominent people and planning to bomb several targets in New York. Reportedly, the accused were associated with Shaikh Abd al-Rahman and his New Jersey mosque. Abd al-Rahman and 14 others were indicted for conspiracy in the assassination and bombing schemes on August 25, 1993. Egypt requested Abd al-Rahman's extradition on July 3, 1993. The trial of 10 men in custody began on January 9, 1995, and ended on October 1, 1995, with guilty verdicts for all. Some observers speculated that the United States served Egypt's best interests by refusing extradition and trying Shaikh Abd al-Rahman in U.S. courts because the Shayih may have become a martyr and rallying symbol for the militant Islamists at an Egyptian show trial.

Human Rights

According to the State Department human rights reports, there is "convincing evidence" that the Egyptian police use torture to extract confessions, and detain suspects without charge or trial. Freedom of assembly has been constricted because the government fears violence associated with some public demonstrations. Many newspapers are government-owned and tend to follow the government line, although even some government-owned newspapers will voice anti-government opinions. Journalists oppose a 1995 law that places a greater burden on the press in libel cases, which in their view restricts the press even more. According to the State Department reports, some judges are becoming more independent and are deciding cases against the government, but cases against the Islamic militants are held in military courts where the government prevails and opportunity for appeal is nil. There appears to be

little restriction on freedom of religion, speech, movement, occupation, or trade union association. Egypt has executed more than 60 of the 90 Islamists sentenced to death since 1992.

Saad al-Din Ibrahim. One human rights case that has drawn international attention involves Saad al-Din Ibrahim, a sociology professor at American University of Cairo and a critic of the Egyptian government's human rights and democracy record. Ibrahim, who also holds U.S. citizenship, was arrested for defaming Egypt by describing discrimination against Copts and for not reporting a foreign donation from the European Union for a voter education project. Egyptian officials closed Ibrahim's Ibn Khaldun Center for Development Studies and arrested some 20 of its staff. Ibrahim was convicted and sentenced to seven years on May 21, 2001, but the conviction was overturned on appeal in February 2002. A second trial completed on July 29, 2002, produced the same result – conviction and a seven-year sentence. On December 3, 2002, the Court of Cassation overturned the second verdict and announced that the Court of Cassation would conduct a new trial. On March 18, 2003, the Court of Cassation acquitted Ibrahim of the charges.

Coptic Christians. The Department of State Human Rights report for 1998 pointed out that there is no official government policy of discrimination against the 6 million Coptic Christians in Egypt but that some Egyptian people do discriminate against the Copts. Two Copts serve in the present cabinet, and six Copts served in the previous People's Assembly, all appointed by the President because none of the 56 who ran for the Assembly were elected. Islamic terrorists have attacked Coptic churches, Coptic-owned businesses, and Coptic villagers in southern Egypt.

In August 1998, two Copts were murdered in the village of al-Kushih in Sohag Province. Some observers claimed that the police focused on finding a Christian killer because they feared that a religious confrontation might result if it were discovered that a Muslim killed the two Christians. According to some press accounts, the Egyptian police arrested or detained between 1,000 and 1,200 Copts and tortured or beat many of them looking for the murderers. The government claimed that only 25 to 40 people were detained and that the police involved in the few instances of torture were jailed. The State Department reported that "hundreds" were arrested and "dozens" subjected to torture. In early January 2000, an incident between a Christian shopkeeper and a Muslim customer in Kushih triggered several days of rioting in which 23 people were killed.

Democracy

In keeping with a goal of the 1952 revolution, Egypt has been moving away from the totalitarian regimes of the monarchy and the early years of the Revolutionary Command Council toward democracy, although some would argue that the progress toward democracy has been slow. Under Egypt's parliamentary system, the President appoints the cabinet, who in turn draft and submit legislation to the legislature, the People's Assembly (lower house) and the Shura Council (upper house). The People's Assembly debates legislation proposed by Government Ministries and calls for amendments to government-sponsored bills but rarely initiates its own bills. The Shura Council is an advisory body, offering reports and recommendations on important subjects, but the Shura Council does not introduce, consider, or vote on legislation.

In the People's Assembly, 444 members are elected and ten are appointed; 176 members of the Shura Council are elected and 88 are appointed. One half of the elected members of the People's Assembly and the Shura Council must be farmers and laborers (Art. 87 and Art. 196 of the Constitution). People's Assembly members are elected for 5-year terms, and Shura Council members for 6-year terms (one-half the Council members are elected every 3 years). The National Democratic Party (NDP) won 388 seats in the October-November 2000 People's Assembly elections, independents won 37 seats, (17 of whom were Muslim Brotherhood supporters), the Wafd Party won 7, Tagammu won 6, the Nasserites won 3, and al-Ahrar won one seat. NDP members won 74 of the 88 seats contested in the May/June 2001 Shura Council election, with independents winning the other 14 seats. Religious parties, such as the Muslim Brotherhood, are banned.

Economic Issues

Egypt comprises 387,000 square miles (about the size of Wisconsin, Michigan, Illinois, Indiana, Ohio, Kentucky, and Tennessee combined), but of that total only 3% is arable (or 11,600 sq. mi., a little less than Maryland). There are 65 million people, growing at a rate of 1.89% per year. Cairo is estimated to contain between 12 and 20 million people, one of the most populous cities on Earth. Forty-two percent of the people are engaged in agriculture, but Egypt cannot feed itself and must import two-thirds of its food. The official unemployment rate for 1995 was estimated at 9.4%, but some economists estimate the figure may be closer to 15%. The per capita income is about \$700 per year. There are 1 million Egyptians working in Europe and another 1 million in the Persian Gulf, according to Egyptian officials.

Economic Reforms. The transition from a centrally controlled socialist economy to a free market economy has created difficult decisions for the Egyptian government, and hardships for the Egyptian people. Egypt signed agreements with the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) in 1991 stipulating that Egypt implement a series of economic reforms in order to qualify for a structural adjustment loan and for debt reductions. Among the IMF/IBRD reforms are eliminating subsidies and liberalizing prices on consumer goods, eliminating export/import non-tariff barriers, privatizing Egyptian government-owned industries, reducing budget deficits, deregulating some industries, implementing fiscal and monetary reforms, and developing human resources.

Egypt eliminated subsidies on essential consumer goods, such as sugar, cooking oil, or dairy products — only the subsidy on bread remains — and allowed other prices to rise to world market levels. Egypt reduced the budget deficit, reduced many non-tariff barriers, and deregulated some industries (cement and fertilizer, for example). Since 1994, Egypt has sold 119 government-owned companies of the 314 targeted for privatization. The Egyptian government has contracted public credit and expanded private credit, floated the Pound, increased taxes, and witnessed a decrease in inflation from 22.5% in 1988 to 3.67% in 1998. The IMF and the IBRD convinced Egypt's debtors to reduce Egypt's \$30 billion external debt by 15%, and have targeted another 15% reduction. The reforms have placed Egypt firmly on the road to a free market economy. (See CRS Report RL30686, *Egypt's Economy: U.S. Interests and Market Reforms*, by Jeannie Sowers, September 18, 2000.)

Egypt's Regional Relations

In addition to playing the host and mediator roles in the Middle East peace process, in recent years Egyptians have served as the Secretary-General of the United Nations, the Secretary-General of the Arab League, the Chairman of the Organization of African Unity (since replaced by the African Union), and the Chairman of the International Parliamentary Union.

Islam

In the past, President Mubarak and other Egyptian officials claimed that the Islamists attacking Egyptian tourist and police facilities were financed, trained, and directed from Iran and Sudan, and that many of the terrorists are Egyptian veterans of the Afghan war, where they were in contact with Iranians. Many Egyptian officials maintain that the Islamic threat to Egypt is minimal, and that only a few militant terrorists are attacking tourist and police facilities, but other Egyptians maintain that the Islamists are the core of a wider public dissatisfaction that will lead to the overthrow of the current Egyptian government. Others in the region recognize that Egypt's Muslim Brotherhood is the parent of Muslim Brotherhood groups in Jordan, Syria, and other countries, and could lead a regional movement to replace current regimes with Islamic ones.

Gulf Cooperation Council

Following Desert Storm, Egypt and Syria joined the 6 members of the Gulf Cooperation Council, Saudi Arabia, Bahrain, Qatar, Kuwait, Oman, and the United Arab Emirates, in the Damascus Declaration signed on March 6, 1991, stating that the 8 countries would cooperate militarily to defend the Persian Gulf region. Egypt pledged an infantry division to the "6+2" group, but the talks stalled, Egypt withdrew its military contingent from the Gulf, as did Syria, and the force was never formed.

Arab League

Egypt, because of its central position, large population, and national and intellectual voice, had been the modern leader of the Arab world until March 1979, when the Arab League voted to expel Egypt because it had signed the peace treaty with Israel. Egypt remained isolated from the Arabs, except for Sudan and Oman, because of the Israeli treaty, until Egypt opposed the June 1982 Israeli invasion of Lebanon. Iraq, the PLO, and Jordan reopened contacts with Egypt, and Jordan restored diplomatic relations with Egypt in September 1984. In May 1989, Arab League members voted to restore Egypt to membership, and in August 1990, returned the Arab League headquarters from Tunis to Cairo. Egypt's return to the Arab League, the end of Soviet patronage for several Arab states, Egypt's role as a facilitator for the peace talks, and Egypt's traditional central position have restored Egypt as the Arab leader.

Israel

Israel complains that Egypt is engaged in a "cold peace" and has not established the close economic, political, and diplomatic relations that Israel envisioned would emerge from

the peace treaty. Despite close Egyptian-Israeli cooperation on the peace process, relations soured in early 1995 when Egypt pushed for an Israeli signature on the Nuclear Non-Proliferation Treaty. Egyptian-Israel relations remained strained following August 1995 disclosures that Israeli soldiers killed Egyptian prisoners of war and civilians during the 1956 and 1967 wars but improved when President Mubarak attended the funeral of Israeli Prime Minister Rabin in November 1995. Relations declined after Prime Minister Netanyahu's election in May 1996, because Egyptians believed Netanyahu slowed the peace process, but relations improved after the May 17, 1999 election of Ehud Barak as Prime Minister of Israel. Egypt withdrew its ambassador to Tel Aviv in November 2000 to protest Israeli actions against the Palestinians. Prime Minister Ariel Sharon sent two envoys to Cairo shortly after his February 6, 2001 election, ostensibly to request the return of the Egyptian ambassador and to seek Egyptian assistance at moderating Arab League reactions to Israeli policies. Egyptian-Israeli relations remain proper, but distant.

U.S. Foreign Assistance to Egypt

Some Members of Congress hold that U.S. relations with and assistance for Egypt guarantees continued Egyptian adherence to the 1979 Egypt-Israel peace treaty, thereby helping to secure Israel. Other Members of Congress believe that U.S. assistance for and good relations with Egypt extend U.S. influence in Egypt and among Egypt's moderate Arab, Islamic, and African friends, which contributes to regional stability. And, some Members of Congress view U.S. aid to Egypt as a key to continued access to the region's oil reserves, trade opportunities, or military bases. For these and other reasons, a majority of the Members of Congress approve aid to Egypt. Members opposed to U.S. aid to Egypt often base their opposition on their belief that Egypt has failed to establish the close economic, political, and cultural relations with Israel expected after the 1979 peace treaty, or because they believe that the U.S. is financing the wrong kinds of projects. In June 1997, a subcommittee of the Senate appropriations committee dropped the earmark for Egypt because, in the subcommittee's judgement, Egypt was hindering the peace process and Egypt was improving its relations with Libya, thereby encouraging the Libyan quest for chemical weapons and the Libyan programs to assist terrorists. The Senate agreed later to restore the earmark.

In June 1997, the United States proposed and Egypt accepted a plan to divert \$50 million of Egypt's economic aid and \$50 million of Israel's economic aid to a special Middle East Peace and Stability Fund, which in turn would provide the \$100 million in economic assistance for Jordan. Egypt also agreed to divert another \$50 million for FY1998. The funds for Egypt's contribution were deducted from previously obligated funds, the "pipeline."

The Zionist Organization of America circulated a report in late March 2001 calling for the United States to stop all assistance to Egypt because Egypt maintained relations with Libya, Iraq, Iran, and other "enemy" states, Egypt "persecutes" Coptic Christians, Egypt sheltered Palestinian "terrorists," Egypt is preparing for war, and for other reasons. According to March 2001 press reports, Members of Congress considered legislation to cut military assistance to Egypt because Egypt recalled its ambassador to Israel to protest Israeli treatment of the Palestinians.

U.S. Economic Assistance. From 1993 through 1998, Egypt received from the United States \$815 million in Economic Support Funds (ESF) annually, \$200 million of which was designated for the Commodity Import Program, and an equal amount was direct transfer not associated with any specific program. In the past, Egypt also received food aid, but the food aid has been reduced in recent years. In January 1998, Israeli officials negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A similar formula for reducing economic aid was applied to Egypt but no increase in military assistance. Economic aid dropped from \$815 million in FY1998 to \$775 million in FY1999 and to \$727 million for FY2000, to \$695 million for FY2001, and to \$655 million for FY2002; \$615 million is requested for FY2003. In early January 2002, the United States agreed to an early release of economic assistance funds to help Egypt overcome economic problems exacerbated by the fall in tourism after September 11, 2001, and to release \$655 million in FY2002 ESF and \$304 million in pipeline funds.

The House Appropriations Committee considered but rejected an amendment to the FY2002 supplemental appropriations bill (H.R. 4775) to provide \$134 million in economic assistance for Egypt. The proposed funds for Egypt would have maintained the three-to-two ratio of aid to Israel and Egypt; Israel was slated to receive \$200 million in ESF in the supplemental bill.

U.S. Military Assistance. The United States has provided \$4.6 billion in military loans, \$12.6 billion in military grants, and over \$20 million in International Military Education and Training funds over the past 15 years, an average of \$1.1 billion per year. Because of cash flow financing, all but \$700 million of \$3.9 billion in U.S. Foreign Military Financing (FMF) aid anticipated over the next 3 years is already committed to payments on previous year sales.

On September 14, 1990, former President Bush asked Congress to transfer Egypt's \$6.7 billion military debt from the Federal Financing Bank of the Treasury Department to the Department of Defense, and to cancel the debt. President Bush was rewarding Egypt for cooperating with the Desert Shield operations against the Iraqi invasion of Kuwait and was relieving Egypt of part of its debt repayment burden. Section 592 of P.L. 101-513, signed into law on November 5, 1990, provided for canceling Egypt's military debt to the United States.

On March 11, 1999, Defense Secretary Cohen announced a \$3.2 billion arms sale to Egypt that includes 24 F-16 aircraft, 200 M-1 tanks, and a Patriot missile battery. Congress added \$25 million in military assistance for Egypt as part of the Wye Agreement between Israel and the Palestinians (H.R. 3194) although the Administration had not requested additional funds for Egypt. Under the proposal announced in March 1999, Egypt would assemble another 200 M1 tanks.

Military Cooperation

U.S.-Egyptian Military Industrial Cooperation. In addition to the FMF purchases and excess defense articles, Egypt co-produces the U.S. M1A1 "Abrams" tank under a 1988 Memorandum of Understanding. Beginning in mid-1992, Egypt started assembling M1A1 tank components imported from the United States. Egypt manufactured about 40% and imported 60% of the components for the 555 tanks produced. Egypt also repairs and

overhauls U.S. M60-A3 and M60-A1 tanks, trucks, jeeps, armored personnel carriers, and is involved in a rehabilitation program to re-fit some older Soviet T-62 tanks. The Egyptians propose contracting for depot level maintenance and repairs for U.S. and NATO armored forces and some cargo aircraft.

“Bright Star” and other Joint Military Operations. The United States and Egypt conducted the first “Bright Star” joint military exercise in August 1983, and continue to hold periodic “Bright Star” exercises for infantry, airborne, artillery, and armored forces. The 1983 Bright Star was more than a training exercise: President Mubarak asked the United States to send Airborne Warning and Control System aircraft (AWACS) to monitor Libya’s activity toward Sudan in February 1983. President Reagan sent AWACS planes and crews to monitor Libyan flights and the AWACS remained to take part in the first Bright Star. AWACS returned to Egypt in March-April 1984 to monitor Libyan flights toward Sudan after an incident in which a Libyan plane allegedly bombed Khartoum. The Bright Star held in October-November 1997, included military contingents from the United Arab Emirates, the United Kingdom, France, Kuwait, and Italy. A total of 63,000 troops from 11 nations participated in the Bright Star exercise held in October-November 1999, and 70,000 troops from 10 nations participated in the October 7 through 31, 2001, Bright Star exercises.

Egypt and the United States conducted their first joint naval exercise in August 1986. Earlier, in August 1984, the U.S. Navy cooperated with the Egyptians in clearing Libyan mines from the Suez Canal, the Gulf of Suez, and the Red Sea. And in 1974, the U.S. Navy and private U.S. companies had assisted in clearing the Suez Canal of sunken ships, military ordnance, and other obstacles from the 1967 and 1973 wars. Egyptian and U.S. Navies conducted a joint naval exercise in June 1995, September 1995, and May-June 1996.

“Desert Storm”. In the week prior to the August 2, 1990 Iraqi invasion of Kuwait, Egyptian President Husni Mubarak traveled to Iraq, Kuwait, and Saudi Arabia in an attempt to negotiate a peaceful end to the crisis. After the invasion, Mubarak advised President Bush to withhold sending armed forces to allow Egypt more time to work out a peaceful resolution. On August 7 when the United States announced that it was deploying troops to Saudi Arabia, Mubarak denied a U.S. request to allow U.S. forces use of Egyptian military bases on their way to the Arabian Peninsula so that he would have time to negotiate (he later granted the request). Mubarak and other Egyptian officials continued their peacemaking efforts in the Arab League, the Islamic Conference Organization (ICO), and on personal contacts and visits with Arab leaders. On August 10, Egypt voted for an Arab League resolution to send armed forces to defend Saudi Arabia against a possible Iraqi invasion. The first contingent of Egyptian troops, a commando unit and a paratrooper unit, joined U.S. forces along the Saudi- Kuwaiti border the next day, on August 11. Egypt stated that its forces would assist in liberating Kuwait but would not attack or occupy Iraq. In February 1991, an Egyptian reinforced infantry division of some 30,000 troops took part in Desert Storm, advancing into western Kuwait in a corridor between U.S. Marines to the east and U.S. Army forces to the west in Iraq. Egypt lost 9 killed in action and 74 wounded in action in Desert Storm.

Egyptian and U.S. military officers state that cooperation in Bright Star exercises facilitated the U.S.-Egyptian cooperation and military compatibility in Desert Storm, and Egyptian officers claim that Bright Star and Desert Storm serve as precedents for future U.S.-Egyptian cooperative ventures. Egyptian troops currently serve as peacekeeping forces

in Somalia and Yugoslavia, and an Egyptian contingent has been designated to serve with the Gulf Cooperation Council armed forces.

Bases. United States interest in a military base in Egypt followed the renewed interest in the late 1970's in a "Rapid Deployment Force" (now Central Command) and the need for overseas staging, support, and material storage areas. According to press reports, the United States has shown an interest in an air facility, such as Cairo West or the air base near Nag Hamadi, or an air and sea base, such as the small Egyptian base at Ras Banas on the Red Sea. In 1981, Egypt agreed to allow the United States use of Ras Banas if an Arab state were threatened, but the negotiations to upgrade the facility collapsed in 1984 because of disagreements over managing the facility and the U.S. Congress' insistence on a formal agreement. Under a reported but unconfirmed understanding, Egypt will allow U.S. access to military facilities after mutual discussion and agreement in time of crisis. Egypt denied rumors that the United States used Egyptian air fields during the April 1980 attempted hostage rescue in Iran.

Table 1. Recent U.S. Aid to Egypt
(Millions of Dollars)

Year	Economic	Military	IMET	Total
1948-1997	23,288.6	22,353.5	27.3	45,669.4
1998	815.0	1,300.0	1.0	2,116.0
1999	775.0	1,300.0	1.0	2,076.0
2000	727.3	1,300.0	1.0	2,028.3
2001	695.0	1,300.0	1.0	1,996.0
2002	655.0	1,300.0	1.0	1,956.0
Total	26,955.9	28,853.5	32.3	55,841.7

Notes for Table 2 (following pages):

Totals may not add due to rounding

No U.S. aid programs for years 1947, 1949, 1950, 1968, 1969, 1970, and 1971

P.L. 480 II Grant for 1993 includes \$2.1 million in Sec. 416 food donations

TQ	=	Transition Quarter; change from June to September fiscal year
*	=	less than \$100,000
I.M.E.T.	=	International Military Education and Training
UNRWA	=	United Nations Relief and Works Agency
Surplus	=	Surplus Property
Tech Asst	=	Technical Assistance
Narc.	=	International Narcotics Control
D. A.	=	Development Assistance
ESF	=	Economic Support Funds
P.L. 480 I	=	Public Law 480 (Food for Peace), Title I Loan
P.L. 480 II	=	Public Law 480 (Food for Peace), Title II Grant
P	=	Preliminary

Table 2. U.S. Foreign Assistance to Egypt, 1946-1997
(millions of current dollars)

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant
1946	9.6	–	–	–	9.3 Surplus 0.3 UNWRA
1948	1.4	–	–	–	1.4 Surplus
1951	0.1	–	–	–	0.1 Tech Asst
1952	1.2	–	–	–	–
1953	12.9	–	–	–	–
1954	4	–	–	–	–
1955	66.3	–	–	–	–
1956	33.3	–	–	–	–
1957	1	–	–	–	–
1958	0.6	–	–	–	–
1959	44.8	–	–	–	–
1960	65.9	–	–	–	–
1961	73.5	–	–	–	–
1962	200.5	–	–	–	–
1963	146.7	–	–	–	–
1964	95.5	–	–	–	–
1965	97.6	–	–	–	–
1966	27.6	–	–	–	–
1967	12.6	–	–	–	–
1972	1.5	–	–	–	–
1973	0.8	–	–	–	–
1974	21.3	–	–	–	–
1975	370.1	–	–	–	–
1976	464.3	–	–	–	–
TQ	552.5	–	–	–	–
1977	907.8	–	–	–	–
1978	943.2	–	–	0.2	0.1 Narc.
1979	2588.5	1500	–	0.4	–
1980	1167.3	–	–	0.8	–
1981	1681.2	550	–	0.8	–
1982	1967.3	700	200	2.4	–
1983	2332	900	425	1.9	–
1984	2470.8	900	465	1.7	–
1985	2468.7	–	1175	1.7	–
1986	2539.1	–	1244.1	1.7	–
1987	2317	–	1300	1.8	–
1988	2174.9	–	1300	1.5	–
1989	2269.6	–	1300	1.5	–
1990	2397.4	–	1294.4	1.6	–
1991	2300.2	–	1300	1.9	–
1992	2,235.1	–	1,300	1.8	–
1993	2,052.9	–	1,300	1.8	–
1994	1868.6	–	1,300	0.8	–
1995	2414.5	–	1300	1	–
1996	2116.6	–	1300	1	–
1997P	2116	–	1300	1	–
Total	45669.4	4550	17803.5	27.3	11.2

Table 2. (Cont'd) U.S. Foreign Assistance to Egypt, 1946-1997
(millions of current dollars)

Year	D.A.Loan	D.A.Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1946	–	–	–	–	–	–
1948	–	–	–	–	–	–
1951	–	–	–	–	–	–
1952	–	0.4	–	–	–	0.8
1953	–	12.9	–	–	–	–
1954	–	3.3	–	–	–	0.7
1955	7.5	35.3	–	–	–	23.5
1956	–	2.6	–	–	13.2	17.5
1957	–	0.7	–	–	–	0.3
1958	–	0	–	–	–	0.6
1959	–	2	–	–	33.9	8.9
1960	15.4	5.7	–	–	36.6	8.2
1961	–	2.3	–	–	48.6	22.6
1962	20	2.2	20	–	114	44.3
1963	36.3	2.3	10	–	78.5	19.6
1964	–	1.4	–	–	85.2	8.9
1965	–	2.3	–	–	84.9	10.4
1966	–	1.5	–	–	16.4	9.7
1967	–	0.8	–	–	–	11.8
1972	1.5	–	–	–	–	–
1973	–	–	–	–	–	0.8
1974	–	–	–	8.5	9.5	3.3
1975	–	–	194.3	58.5	104.5	12.8
1976	–	5.4	150	102.8	201.7	4.4
TQ	–	–	429	107.8	14.6	1.1
1977	–	–	600	99.2	196.8	11.7
1978	–	–	617.4	133.3	179.7	12.5
1979	–	–	250	585	230.7	22.4
1980	–	–	280	585	285.3	16.1
1981	–	–	70	759	272.5	28.9
1982	–	–	–	771	262	31.9
1983	–	–	–	750	238.3	16.8
1984	–	–	–	852.9	237.5	13.7
1985	–	–	–	1065.1	213.8	13.2
1986	–	–	–	1069.2	217.5	6.6
1987	–	–	–	819.7	191.7	3.9
1988	–	–	–	717.8	153	2.6
1989	–	1.5	–	815	150.5	1.2
1990	–	–	–	898.4	203	–
1991	–	–	–	780.8	165	52.5
1992	–	–	–	892.9	40.4	–
1993	–	–	–	747.0	–	4.1
1994	–	–	–	561.6	35	6.2
1995	–	0.2	–	1113.3	–	–
1996	–	–	–	815	–	0.6
1997P	–	–	–	815	–	–
Total	80.7	82.8	2,620.7	15923.8	4,114.3	455.1