

# CRS 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 aimed at maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the March 1979 Egyptian-Israeli peace treaty. Experience gained from Egyptian-U.S. joint military exercises proved valuable in easing coordination during the February 1991 Desert Storm operation to reverse Iraqi aggression against Kuwait. Egypt is seen by U.S. policy makers as a leader and moderating influence among many Arab, African, Islamic, and Third World states.

Among the current issues in U.S.-Egyptian relations are a shared concern about international terrorism. Egypt can claim some experience with the subject, having defeated domestic Islamic terrorists intent on overthrowing the Egyptian government. 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 need to introduce democratic reforms in Egypt, although critics argue that Egypt is not moving quickly enough toward full democracy or in improving the human rights situation. 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 \$575 million in economic grants and \$1.3 billion in military grants for FY2004 for Egypt.

### Egypt in Brief

Area = 385,229 sq. miles (equal to Wisc., Mich., Ohio, Ind., Ill., Ky, and Tenn. combined)  
 Population = 74.7 million (2003 est.)  
 Pop. Growth rate = 1.88% per yr. (2003)  
 Religion = 94% Muslim, 6% Christian  
 Labor Force = 17.4 million (1996)  
 Unemployment = 12% (2001)  
 Literacy Rate = 57.7% (2003)  
 GDP = \$92 billion (2000)  
 GDP per cap. = \$1420 (2000)  
 GDP Growth Rate = 4% (2000)  
 Inflation = 4.3% (2002)  
 Exports = \$7 billion (2000)  
 Imports = \$15.2 billion (2000)  
 Gov't. Revenues = \$17.4 billion (1995 est.)  
 Gov't. Expend. = \$18.8 billion (1995 est.)  
 Foreign Debt = \$30.5 billion (2000)

## **MOST RECENT DEVELOPMENTS**

On January 10, 2005, Israel warned Egypt again to stop allowing Egyptian commercial aircraft to overfly Israeli air space near the Red Sea port of Eilat. Israeli officials said they would shoot down an aircraft if it appeared to threaten Israel.

Several leaders of small political parties launched a campaign to implement political reforms, such as cutting the presidential term from six years to five and limiting a president to two terms, ending the state of emergency in place since 1981, and allowing multiple candidates in the presidential elections scheduled for fall 2005. President Mubarak told Reuters on January 9 that he welcomed multiple candidates in the election.

## **BACKGROUND AND ANALYSIS**

### **Egypt-U.S. Relations**

#### **Historical Background**

The United States endorsed the 1952 Revolutionary Command Council military coup led by Gamal Abd al-Nasir 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, Egypt, Yugoslavia, and India led the third world nations at the Bandung Conference in establishing the non-aligned movement independent of 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 its 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 Arab-Israeli war following Egyptian charges that the United States had provided direct assistance to Israel. Anwar al-Sadat became President of Egypt upon the death of al-Nasir in September 1970, and it was al-Sadat who 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 countries 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 eight-year hiatus.

The United States endorsed Egyptian President Anwar al-Sadat's dramatic and courageous trip to Jerusalem in November 1977, and President Jimmy Carter assisted 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, the Multi-National Force and Observers (MFO), and maintains a rotating infantry battalion in the force. President al-Sadat was assassinated in October 1981 and was replaced by Hosni Mubarak.

## **U.S. Interests in Egypt**

A primary U.S. interest in continued good relations with Egypt is to capitalize on Egypt's historic leadership role in the Arab world. Often, other Arab states look to Egypt to initiate action or set an example on regional problems. For example, 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 current example, the United States appreciates Egypt's active opposition to terrorism and welcomes Egyptian influence in convincing other Arab states to cooperate in the war on terrorism.

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 peace proposals among the Syrian, Lebanese, U.S., Israeli, Jordanian, and Palestinian negotiators and has counseled leaders of Libya, Sudan, and Iraq.

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 Egypt's active participation in the 1991 liberation of Kuwait and in Egypt's military cooperation with U.S. forces in the 2003 invasion of Iraq. 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 ("Operation Desert Storm"). The most recent Bright Star exercise took place in October and November 2001.

## **The United States, Egypt, and Israel**

Beginning after World War II, the United States opposed all aspects of Egypt's belligerency toward Israel, including military posturing, 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 25 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.

## Role of Congress in Egyptian-U.S. Relations

Congress typically earmarks foreign assistance for Egypt in the foreign aid appropriation bills. (See **Table 1**, and section on Current Issues in Egyptian-U.S. Relations below) The annual earmark includes a statement that Egypt should undertake economic reforms in addition to reforms taken in previous years. The proviso appears in the foreign operations appropriations act for FY2004, P.L. 108-199.

During June 2004 hearings, some Members of Congress questioned Egypt's need for U.S. military assistance, the speed with which Egypt was implementing economic and political reforms, and the absence of Egyptian support for the U.S. presence in Iraq. During the July debate on the foreign operations appropriations bill, H.R. 4818, House Members voted down an amendment that would have converted U.S. military assistance to Egypt to economic assistance.

## Issues in Egyptian-U.S. Relations

### Iraq

Egypt advised against the March 2003 U.S. intervention in Iraq and continues to question an extended U.S. occupation. In July 2003, the Egyptian President's office issued a statement praising the formation of the interim governing council in Iraq and repeated the hope that Iraq would draft a new constitution, hold elections, and quickly install a permanent Iraqi government.<sup>1</sup> Egypt informed the United States that it would not participate in any international security arrangements unless such peacekeeping operations were under United Nations auspices.<sup>2</sup> In the past, Egypt did cooperate with U.S.-led international peacekeeping efforts, such as the Kuwaiti liberation, Somalia, Afghanistan, and the Balkans. Egypt allows U.S. overflights and Suez Canal passages in support of the U.S. military efforts in Iraq.

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<sup>1</sup> "Egypt Welcomes Iraqi Council as 'Step in the Right Direction,'" *Financial Times*, July 14, 2002.

<sup>2</sup> "Egypt said to Reject Iraq Role Without UN Mandate at Talks With US," *BBC Monitoring Newsfile*, July 12, 2003.

## 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 1978 Camp David meetings and the March 1979 Egyptian-Israeli peace treaty. Egypt benefitted from the peace treaty by redirecting resources from defense to development, but Egypt suffered by being ostracized by other Arab states for six years.

President Mubarak has acted 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 415 Palestinian deportees in Lebanon in December 1992, encouraged other Arab nations to continue the talks, and endorsed the Declaration of Principles signed by the PLO and Israel in Washington on September 13, 1993. Egypt hosted the September 4, 1999 Sharm al-Shaykh signing of an Israeli-Palestinian agreement for implementing past commitments, and 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 then Secretary of State Madeleine Albright and Palestine President Arafat at Sharm al-Shaykh on October 4, 2000, 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, the uprising against Israeli occupation 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 re-occupation of Palestinian areas. On June 3, 2003, Mubarak hosted a meeting of U.S. and Arab leaders in preparation for the June 4 meeting in Jordan of President Bush, Israeli Prime Minister Sharon, and Palestinian Prime Minister Abbas. Press reports suggested that Egypt offered to host a series of meetings between Israeli Prime Minister Sharon and Palestinian Prime Minister Qurai in late November.

**Relations with Israel.** Many in Israel, and some in the U.S. Congress, interpreted the letter attached to the 1979 Egypt-Israel peace treaty as an Egyptian commitment to negotiate on behalf of the Palestinians, or at least advise Palestinian negotiators to reach a Palestinian-Israeli peace treaty. But, it was never Egypt's intention or place to negotiate on behalf of the Palestinians, regardless of what the Israelis may have believed or wished. Those Israelis and Members of Congress who claimed that Egypt reneged on a commitment cited the Egyptian "failure" is part of the Egyptian "cold peace" with Israel. Israel also complains that Egypt has not established the close economic, political, and diplomatic relations that Israel envisioned would emerge from the peace treaty. Despite the recent Egyptian-Israeli cooperation on the peace process, relations were strained in early 1995 when Egypt pushed for an Israeli signature on the Nuclear Non-Proliferation Treaty, and remained strained following August 1995 disclosures that Israeli soldiers killed Egyptian prisoners of war and civilians during the 1956 and 1967 wars. Relations improved when President Mubarak attended the funeral of Israeli Prime Minister Rabin in November 1995. Relations declined further 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, reportedly to

request the return of the Egyptian ambassador and to seek Egyptian assistance in moderating Arab League reactions to Israeli policies. Egyptian-Israeli relations remain proper, but distant.

## Human Rights

According to 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 partially government-owned and tend to follow the government line, although even some government-owned newspapers will voice anti-government opinions. Journalists oppose the 1995 law that places a greater burden on the press in libel cases, although the two-year jail sentence for libel was repealed in March 2004. 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 were held in military courts where the government prevailed and opportunity for appeal was 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.

In June 2003, the Peoples’ Assembly approved a bill creating a National Council for Human Rights. The Council, formed in January 2004, consists of 25 members, headed by former U.N. Secretary-General Butrus Butrus Ghali, all appointed by President Mubarak. The Council is to survey and document human rights conditions in Egypt and to coordinate human rights activities among other Egyptian human rights organizations.

**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 2002 and the International Religious Freedom Report for 2002 point out that there is no official government policy of discrimination against the 4.5 million Coptic Christians in Egypt but that some Egyptian people do discriminate against the Copts. From 1992 through 1997, Islamic terrorists attacked Coptic churches, Coptic-owned businesses, and Coptic villagers in southern Egypt because the Islamists believed the Christians were a conduit for foreign influence. In December 2003, President Mubarak recognized the Coptic Christmas, January 6, as an Egyptian national holiday.



## 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 five-year terms, and Shura Council members for six-year terms (one-half the Council members are elected every three 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.

Some observers fret over President Mubarak's failure to name a vice president and fear that there would not be an orderly transition if something should incapacitate the President. Under Egyptian law, the Speaker of the Peoples' Assembly becomes the interim president until the Peoples' Assembly can nominate a new President and the name can be submitted to the people in a referendum. A vice president plays no direct role in the transition.

**Political Reforms.** Led by political reformers at the 2002 National Democratic Party convention, Egypt began implementing some political reforms, such as ending the state security courts, some military decrees issued under the emergency laws, and hard labor sentences. The 2003 and 2004 NDP conventions considered more reforms, such as ending the emergency laws entirely, calling for direct election of the President, introducing proportional representation, allowing more political parties to operate by changing the political party committee that approves the formation of new parties, and others. But political reform is becoming a contest between an "old guard" linked to tradition and deliberate change and young reformers who want rapid, far reaching change.

## 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 the size of 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, making it 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 2000 was estimated at 12%, but some economists estimate the figure may be higher. Egypt needs to find as many as 600,000 jobs each year to employ the country's high schools and college graduates. Estimates of per capita income range from \$1420 up to \$3,900. 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.

Since 1991, Egypt has eliminated subsidies on essential consumer goods, such as sugar, cooking oil, and 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 (but creeping back up to 4.3% in 2000). The IMF and the IBRD have convinced Egypt's creditors 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.)

At the National Democratic Party convention in September 2004, the Ministers of Finance, Investment, and Industry and Trade recommended reforms to be considered by the party and the Government, including revised tax codes, tariff and custom reform, new banking laws, more rapid privatization, government financial transparency, adopting modern business practices, and others.

## Previous Issues

**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 because they viewed blaming the co-pilot as an insult to Egypt and EgyptAir.

**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.<sup>3</sup> The Muslim Brotherhood exists as a religious charitable and educational institution, having been banned as a political party in 1954. But, offshoots of the Brotherhood, the Jemaah Islamiyah (Islamic Group) and Egyptian Islamic Jihad, were more militant and used violence in an attempt to overthrow the government. Both were implicated in the 1981 assassination of President Anwar al-Sadat, and in the attacks beginning in 1992 against foreign, and therefore in their view anti-Islamic, influences, Coptic Christians, tourists and tourist sites, and the police. Between October 1992 and November 1997, the confrontation between the police and the Islamic militants killed 1,200, 90 of whom were foreign tourists. The Islamic militant forces called a cease-fire in 1997 and since have been relatively quiet. President Mubarak and other Egyptian officials claimed that the Islamic reformers were financed, trained, and directed by Iranian and Sudanese religious militants and returning Egyptian volunteers from the Soviet-Afghan war.

Some have expressed concern that the Egyptian police did not conform to international human rights standards in pursuing and bringing to justice Islamists suspected of terror attacks. Ayman al-Zawahiri, leader of the Jihad group, Muhammad Atif, and other Egyptians who escaped from Egypt to avoid arrest 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 Jemaah movement, was arrested six 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 his name being on a list of undesirables. On June 24, 1993, the FBI arrested eight men in New York suspected of plotting to assassinate several prominent people and 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. The United States rejected an Egyptian request for Abd al-Rahman's extradition on July 3, 1993, and he went on trial with nine other men on January 9, 1995. The trial ended on October 1, 1995, with guilty verdicts for all, including a life sentence for Abd al-Rahman. 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 Shaikh may have become a martyr and rallying symbol for the militant Islamists at an Egyptian show trial.

## 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

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<sup>3</sup> The Muslim Brotherhood has spawned militant Islamic groups in other countries, such as Hamas and Palestine Islamic Jihad in Palestine, or the anti-government Islamic groups in Syria and Jordan.

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 believe U.S. aid to Egypt ensures U.S. 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 March 2001, Members of Congress reportedly considered legislation to cut military assistance to Egypt because Egypt recalled its ambassador to Israel. An amendment offered on July 15, 2004, to the FY2005 foreign operations bill (H.R. 4818) would have reduced U.S. military aid to Egypt by \$570 million and increased economic aid by the same amount, but the amendment failed by a vote of 131 to 287.

**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 Egypt did not receive an increase in military assistance. Economic aid has dropped in annual \$40 million increments from \$815 million in FY1998 to \$535 million requested for FY2005.

In early January 2002, the United States agreed to release \$655 million in FY2002 ESF and \$304 million in funds in the foreign aid "pipeline" to help Egypt overcome economic problems exacerbated by the fall in tourism after September 11, 2001. 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.

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 fees and subsidy costs. The aid to Egypt was included in P.L. 108-11 of April 16, 2003, the FY2003 supplemental appropriations.

**U.S. Military Assistance.** The United States has provided \$12.992 billion in military grants, and \$10.2 million in International Military Education and Training funds over the past 10 years, an average of just over \$1.3 billion per year.

On September 14, 1990, then President George H.W. 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.

## **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, and 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. Under the 1999 agreement mentioned above, Egypt will assemble an additional 200 M1 Abrams tanks.

**"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. 70,000 troops from 10 nations participated in the October 7 through 31, 2001, Bright Star exercises. On August 11, 2003, the United States announced that it was canceling the October 2003 Bright Star exercise because U.S. armed forces were over committed in Afghanistan, Iraq, and other areas. The next Bright Star is scheduled for autumn 2005.

Egypt and the United States conducted their first joint naval exercise in August 1986 and followed with other naval exercises in subsequent years. 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.

**"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 through 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 suffered 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 served 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 1970s 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. Egypt denied rumors that the United States used Egyptian air fields during the April 1980 attempted hostage rescue in Iran. 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. Since the mid-1980s, there has been less talk of a U.S. base in Egypt. Under a reported but unconfirmed understanding, Egypt will allow U.S. access to military facilities after mutual discussion and agreement in time of crisis.

**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
2003	911.0	1,300.0	1.2	2,212.2
2004 est.	571.6	1,292.3	1.0	1,864.9
Total	28,438.5	31,445.8	34.5	59,918.8

**Notes for Table 1:**

FY2004 totals reflect the .59% across-the-board reduction.

The Administration has requested \$1.3 billion in FMF, and \$535 million in ESF for FY2005.

**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	4.0	—	—	—	—
1955	66.3	—	—	—	—
1956	33.3	—	—	—	—
1957	1.0	—	—	—	—
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	2,588.5	1,500.0	—	0.4	—
1980	1,167.3	—	—	0.8	—
1981	1,681.2	550.0	—	0.8	—
1982	1,967.3	700.0	200.0	2.4	—
1983	2,332.0	900.0	425.0	1.9	—
1984	2,470.8	900.0	465.0	1.7	—
1985	2,468.7	—	1175.0	1.7	—
1986	2,539.1	—	12,44.1	1.7	—
1987	2,317.0	—	1,300.0	1.8	—
1988	2,174.9	—	1,300.0	1.5	—
1989	2,269.6	—	1,300.0	1.5	—
1990	2,397.4	—	12,94.4	1.6	—
1991	2,300.2	—	1,300.0	1.9	—
1992	2,235.1	—	1,300.0	1.8	—
1993	2,052.9	—	1,300.0	1.8	—
1994	1,868.6	—	1,300.0	0.8	—
1995	2,414.5	—	1,300.0	1.0	—
1996	2,116.6	—	1,300.0	1.0	—
1997P	2,116.0	—	1,300.0	1.0	—
Total	45,669.4	4,550.0	17,803.5	27.3.0	11.2



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	—	2.0	—	—	33.9	8.9
1960	15.4	5.7	—	—	36.6	8.2
1961	—	2.3	—	—	48.6	22.6
1962	20.0	2.2	20.0	—	114	44.3
1963	36.3	2.3	10.0	—	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	150.0	102.8	201.7	4.4
TQ	—	—	429.0	107.8	14.6	1.1
1977	—	—	600.0	99.2	196.8	11.7
1978	—	—	617.4	133.3	179.7	12.5
1979	—	—	250.0	585.0	230.7	22.4
1980	—	—	280.0	585.0	285.3	16.1
1981	—	—	70.0	759.0	272.5	28.9
1982	—	—	—	771.0	262.0	31.9
1983	—	—	—	750.0	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	153.0	2.6
1989	—	1.5	—	815.0	150.5	1.2
1990	—	—	—	898.4	203.0	—
1991	—	—	—	780.8	165.0	52.5
1992	—	—	—	892.9	40.4	—
1993	—	—	—	747.0	—	4.1
1994	—	—	—	561.6	35.0	6.2
1995	—	0.2	—	1113.3	—	—
1996	—	—	—	815.0	—	0.6
1997P	—	—	—	815.0	—	—
Total	80.7	82.8	2,620.7	15923.8	4,114.3	455.1