

CRS Report for Congress

Egypt: Background and U.S. Relations

Updated December 12, 2007

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Prepared for Members and
Committees of Congress

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Summary

This report provides an overview of Egyptian politics and current issues in U.S.-Egyptian relations. It briefly provides a political history of modern Egypt, an overview of its political institutions, and a discussion of the prospects for democratization in Egypt. This report will be updated regularly.

U.S. policy toward Egypt is aimed at maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the March 1979 Egyptian-Israeli peace treaty. Successive Administrations have long viewed Egypt's leaders as a moderating influence in the Middle East, though in recent years, there have been increasing U.S. calls for Egypt to democratize. Congressional views of U.S.-Egyptian relations vary. Many lawmakers view Egypt as a stabilizing force in the region, but some Members would like the United States to pressure Egypt to implement political reforms, improve its human rights record, and take a more active role in reducing Arab-Israeli tensions.

Egypt and the United States agree on the importance of the Egyptian-Israeli peace treaty and the need to continue current Arab-Israel peace talks. Egypt attended the recent peace conference in Annapolis and responded positively to the meeting. In 2005, Egypt sent 750 Egyptian soldiers to the Egypt-Gaza border in order to prevent weapons smuggling following Israel's withdrawal from the Gaza Strip. Hamas's takeover of the Gaza Strip would seem to pose a challenge for Egypt and its border security efforts.

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 is to reduce Economic Support Funds (ESF) to about \$400 million per year by FY2008 in keeping with a plan to reduce economic aid to both Israel and Egypt. The Administration requested \$415 million in economic grants and \$1.3 billion in military grants for FY2008 for Egypt. The House version of the FY2008 State, Foreign Operations, and Related Programs Appropriations bill (H.R. 2764) would withhold \$200 million in Foreign Military Financing assistance (FMF) for Egypt until the Secretary of State certifies that Egypt has taken concrete steps toward implementing a new judicial authority law that protects the independence of the judiciary; reviewing criminal procedures and train police leadership in modern policing to curb police abuses; and detecting and destroying the smuggling network and smuggling tunnels that lead from Egypt to Gaza. The Senate version of the bill, contains an amendment that could significantly alter the way the United States provides economic aid to Egypt in the future. S.Amdt. 2726, entitled "The United States-Egypt Friendship Endowment," would provide up to \$500 million in ESF to establish an endowment to "further social, economic and political reforms in Egypt." Some analysts believe that the proposed endowment, which reportedly would be matched by the Egyptian government on a dollar-for-dollar basis, would serve as a substitute for the annual appropriations process and shield Egypt from potential conditionality agreements mandated by Congress.

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Egypt: Background and U.S. Relations

Stagnation in U.S.-Egyptian Bilateral Relations

As the thirty year anniversary of the Camp David peace accords approaches, most observers believe that U.S.-Egyptian relations must be revitalized. Although diplomatic ties remain strong on both sides, the current paradigm of the relationship has grown stale, and condemnation of Egypt's poor human rights and democratization record has increased both in the U.S. media and in Congress. From Egypt's standpoint, there has been deep disappointment and anger directed at the U.S. government, as many Egyptian officials believe that their cooperation with U.S. policy in the region has been taken for granted. Egypt argues that it dutifully upholds its peace treaty obligations with Israel, and has pushed other parties in the region toward pursuing peace. While other Arab governments have received additional U.S. support in recent years, Egypt asserts that its annual foreign assistance package has remained flat, and despite its lobbying, plans for a possible U.S.-Egyptian free trade agreement have been put on hold. Egypt has objected to President Bush's Middle East democratization agenda, which, at times, has been thwarted by President Mubarak and his allies. Even Egyptian reformers have expressed their dismay toward the United States and its perceived abandonment of regional reform.

From the U.S. perspective, officials have found it more difficult over time to defend U.S.-Egyptian relations in light of continued reports of regime-sponsored suppression of peaceful opposition figures. While many policymakers continue to express their gratitude for Egyptian military cooperation, intelligence sharing, and contributions to international peacekeeping operations, it would seem that both parties have had difficulty in framing the relationship around any one issue. Egypt continues to push for a more active U.S. role in the Middle East peace process, while the United States continues to push for meaningful government reform, albeit less intensely since the 2006 Hamas electoral victory in Palestinian Authority legislative elections. The core question for the Administration and Congress remains how to preserve the strategic benefits of close military, intelligence, and diplomatic relations with Egypt while promoting political and economic reforms that will ensure the stability and development of Egypt over the long term.

Experts have posited a variety of reasons for the current stagnation. Egyptian critics have called their government a gerontocracy, noting that 80-year-old President Hosni Mubarak continues to be surrounded by some of the same advisors and cabinet officials from the early 1980s. While some Egyptians consider such stability reassuring, others contend that the Egyptian government needs to be infused with a new generation of civilian leaders. Analysts continue to speculate over Mubarak's 44-year-old son Gamal's possible ascension to the Egyptian presidency and what his leadership would mean for U.S.-Egyptian relations. Other observers contend that

Egypt's regional prominence has declined in recent years, and other countries, such as Saudi Arabia, have stepped in to fill this void. Egypt is minimally affected by violence in Iraq, Afghanistan, and Lebanon. The Gaza Strip is one of the few areas in the region where it remains influential.

In FY2008, a ten-year phased reduction in assistance to Israel and Egypt ends, and both countries are seeking to renegotiate the composition of their foreign assistance package with the United States. Many analysts believe that the outcome of these talks may be a harbinger of the future direction of U.S.-Egyptian relations.

In July 2007, as a part of a larger arms package to the region, the United States announced that it would provide Egypt with \$13 billion in military aid over a ten-year period. Since Egypt has already been receiving approximately \$1.3 billion a year in military assistance, the announcement represented no major change in Administration policy toward Egypt. Soon after the announcement, the United States and Israel signed a memorandum of understanding to provide Israel with \$30 billion in military aid from 2009 to 2018, a 25% increase.

Historical Background

Egypt During the Colonial Era

Egypt's relations with the West, including its current friendly relations with the United States, are colored by a long history of foreign intervention in Egyptian politics, which has made Egypt, along with other Arab states, wary of outside influences on their domestic affairs. In the 19th century, Egypt was a semi-autonomous province in the Ottoman Empire, which by then was in decline and being propped up by the British in order to serve as a buffer between it and Czarist Russia. At the time, Egypt was viewed as extremely valuable to the British and French empires and was prized for its agricultural output, large domestic market, and strategic location between the Mediterranean and Red Seas. Most importantly, the British saw Egypt as vital to securing the sea route to its most prized colony, India. Ottoman weakness led its Sultans to grant Europeans certain legal protections and economic advantages in Egypt, which stifled the Egyptian economy by flooding it with European manufactured goods, driving local merchants out of business.¹

Over time, Egypt developed a "cash crop" economy based almost solely on the export of cotton, the price of which constantly fluctuated, leaving the economy vulnerable and dependent on good harvests. Without a strong, diverse economy, Egypt could not generate enough capital to fund its modernization, leading it to become even more financially dependent on the West, as its rulers borrowed huge sums from European banks. Six years after the completion of the Suez Canal in 1869, Egypt was forced to sell all of its shares in the Suez Canal Company, which operated the Canal, in order to make payments on its foreign-owned debt. When Egypt could

¹ Library of Congress, Federal Research Division, *Egypt: A Country Study*, accessible at [<http://lcweb2.loc.gov/frd/cs/egtoc.html>].

no longer pay its debts, the British and French became directly involved in Egyptian politics — a trend that would continue until the mid 20th century.²

Figure 1. Map of Egypt



Source: Map Resources. Adapted by CRS. (K.Yancey 7/1/05).

The Constitutional Monarchy & the British

Britain unilaterally declared Egyptian independence in 1922, and for the next three decades, political power in Egypt was contested among three main actors: the British, the Egyptian monarchy, and the nationalist Wafd party, which was the driving force behind the Egyptian independence movement after World War I. Thousands of British troops remained stationed near the Suez Canal, and British officials served in the Egyptian ministries. Egypt's king could appoint a government and dismiss parliament, but ultimately relied on the British for support. The Wafd party dominated parliamentary elections during Egypt's experiment with parliamentary democracy (1922-1952), though the Wafd gradually began to lose popularity to more radical organizations, such as the Muslim Brotherhood.

² Napoleon invaded Egypt in 1798. The British invaded in 1882 and established a de facto protectorate. They would keep a sizeable military force in Egypt until the 1950s.

Nasser and Egypt During the Cold War

By the early 1950s, anti-British sentiment in Egypt had sparked civil unrest, allowing a cabal of Egyptian Army officers, known as the Free Officers Movement, to oust the king in what is referred to as the July 1952 revolution. The Free Officer Movement ushered in an era of military involvement in Egyptian politics, as all of Egypt's presidents in the post-revolutionary period have been high ranking officers. In the aftermath of the coup, Colonel Gamal Abdul Nasser, the most charismatic of the Free Officers, succeeded in gaining total control over the government. Nasser abolished the monarchy and outlawed the Muslim Brotherhood (1954), which at the time was the only potential rival for power. Nasser would rule Egypt until his death in 1970.

During the Nasser era, Egypt found itself at the center of superpower competition for influence in the Middle East. Wary of taking sides, Nasser managed, for a short period, to steer Egypt clear of either the Soviet or Western "camp" and was instrumental in helping to establish the non-aligned movement. U.S.-Egyptian relations soured when Nasser turned to the Soviets and the Czechs in 1955 for military training and equipment after the West, frustrated by Nasser's repeated rejections and his support of Algerian independence against the French, refused to provide Egypt with defense assistance. A year later, following a U.S.-British decision to retract an offer of economic assistance and help for the construction of the Aswan Dam, Nasser nationalized the Suez Canal Company to use its revenues to finance the dam project. (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 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 countries to withdraw from Egypt in early 1957, which briefly improved U.S.-Egyptian relations.³

After the 1956 Suez War, Nasser's popularity soared, as he came to embody Arab nationalism in the post-colonial era. Nasser did not hesitate to brandish his newfound authority and developed a muscular Egyptian foreign policy that attempted to destabilize pro-Western governments in Jordan, Iraq, and Lebanon, support Palestinian guerrilla action against Israel, create a unified Arab state by merging briefly with Syria (the United Arab Republic 1958-1961), and intervene against the Saudi-backed royalists in the Yemeni civil war.⁴ However, Egypt's defeat at the hands of Israel in the June 1967 War and other setbacks temporarily deflated Nasser's popularity and crushed his ambitions to spread a pan-Arab ideology across the region.

³ M.E. Yapp, *The Near East Since the First World War*, London: Longman, 1991, p. 409.

⁴ During the Yemeni Civil War of 1963 through 1967, Egypt reportedly used mustard bombs in support of South Yemen against Saudi-backed royalist troops in North Yemen. See Federation of American Scientists (FAS) Egypt Special Weapons Guide, available online at [<http://www.fas.org/nuke/guide/egypt/index.html>].

On the domestic front, Nasser turned Egypt into a socialist dictatorship with absolute power in the hands of the President. All banks and commercial firms were nationalized, large landowning estates were broken up into much smaller parcels and held in a state trust, and all political parties were banned. The precursor to the present National Democratic Party (NDP) was formed by Nasser in 1962 and was called the Arab Socialist Union. It served as the Egyptian republic's first mass party and an extension of the ruling elite. Other movements, such as the Muslim Brotherhood, were forced to go underground, as Nasser arrested thousands of Brotherhood activists after a failed Brotherhood assassination attempt against him in 1954.⁵

Egypt-Israeli Peace

After Nasser's death in 1970, Anwar Sadat, one of the original Free Officers, became President of Egypt. At the time, Egypt was humiliated by its defeat in the June 1967 War and the ensuing loss of the Sinai Peninsula to Israel. In addition, military rebuilding expenditures were absorbing nearly 25% of Egypt's gross domestic product. Under these circumstances, Sadat calculated that a military victory was needed to boost his own legitimacy and improve Egypt's position in any future negotiations with Israel. The October 1973 War, which initially took Israel by surprise, was costly for both sides, but succeeded in boosting Sadat's credibility with the Egyptian people, enabling him to embark on a path which would ultimately sever Egypt's ties to the Soviet Union and bring it closer to the West.

In November 1973, Egypt and the United States restored diplomatic relations (which had been cut off in 1967), and in December, the two countries participated in the Geneva peace conference. U.S. Secretary of State Henry Kissinger's 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 Anwar al-Sadat's historic 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 1979.⁶ The United States helped organize the peacekeeping mission along the Egyptian-Israeli border and the Multi-National Force and Observers (MFO), and still maintains a rotating infantry task force as part of it.⁷

⁵ One of the Brotherhood activists arrested was Sayyid Qutb, a writer and former government official whose writings provided a philosophical foundation for Islamic radicalism. Qutb spent years in prison and, after being briefly released in 1964, was rearrested and hanged in 1966. See Daniel Benjamin & Steven Simon, *The Age of Sacred Terror* (New York: Random House, 1966), p. 62.

⁶ A copy of the 1979 Egyptian-Israeli peace treaty is available online from MidEast Web Gateway at [<http://www.mideastweb.org/egyptisraeltreaty.htm>].

⁷ The MFO is an independent (non-UN) peacekeeping mission, created as a result of the 1979 peace treaty. The MFO's expenses are funded in equal parts by Egypt, Israel, and the United States with additional contributions from Germany, Japan, and Switzerland. For more information on the MFO, see [<http://www.mfo.org/Default.asp?bhcp=1>].

Egypt Under Mubarak

Sadat's rule came to an abrupt end in 1981, when he was assassinated during a military parade in Cairo by soldiers who also belonged to the Jamaah Islamiyah (Islamic Group) and Al Jihad, the more radical offshoots of the Muslim Brotherhood. Hosni Mubarak, Sadat's Vice President and former commander of the Egyptian Air Force, immediately ascended to the presidency and has remained in office to the present day. Under Mubarak, Egypt has continued to maintain good relations with the United States, as evident in Egypt's 1991 decision to join the allied coalition against Saddam Hussein in Operation Desert Storm. Following the path laid out by Sadat, Egypt has remained at peace with Israel, although critics have characterized this as a "cold peace." Mubarak has made a number of attempts to serve as a broker for Israeli-Palestinian peace talks, most notably in 1999 and 2000, when Egypt hosted the signing of an Israeli-Palestinian agreement for implementing past commitments and meetings between then Secretary of State Madeleine Albright and former Palestine President Yasir Arafat, respectively. During the Mubarak era, the ongoing conflict between Egyptian Islamists and the Egyptian authorities continued, culminating in a period (1992-1997) of violent confrontations between Islamic militants and Egyptian police.

After the September 11, 2001, terrorist attacks and the ensuing U.S. focus on promoting democracy in the Middle East, the Mubarak regime has come under increasing U.S. pressure to accelerate political reforms and make Egypt more democratic. In an effort to control the reform agenda without relinquishing their grip on power, Mubarak and the ruling National Democratic Party (NDP) have instituted some political reforms, while emphasizing the need for economic growth as a precondition for democratic change.

Regime Structure

Overview

Since the 1952 revolution, Egypt has officially been a republic, and its political system has developed some aspects of a democracy, though most observers continue to describe Egypt as an authoritarian regime dominated by a strong president, who draws his support from the ruling National Democratic Party (NDP) and the military. Under the 1971 Constitution, authority is vested in an elected president who must stand for reelection

Egypt at a Glance

Population:	80 million (est.)
GDP per Capita:	\$1,400
Religions:	90% Sunni Muslim 9% Coptic Christian
Literacy Rate:	83% (59% female)
Unemployment Rate:	15%-20% (est.)

Source: U.S. Central Intelligence Agency World Factbook 2007.

every six years.⁸ 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 has modest legislative powers and must ratify treaties and constitutional amendments. Overall, analysts consider Egypt's legislative branch to be weak; the ruling party constitutes an overwhelming majority.

In the People's Assembly, 444 members are elected and ten are appointed by the President; 176 members of the Shura Council are elected and 88 are appointed.⁹ 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 NDP controls 324 seats in parliament, Muslim Brotherhood-affiliated members hold 88 seats, and the remaining seats are held by a mix of independents and secular opposition parties. NDP members won 84 of the 88 seats contested in the June 2007 Shura Council election. Religious parties, such as the Muslim Brotherhood, are officially banned.

The Role of the Military in Egyptian Society. Although military officers no longer play a direct role in the affairs of the civilian-run government, the military remains the preeminent institution in Egyptian society, and has been called on by successive governments to maintain internal security and regime stability.¹⁰ The military also provides employment and social services for hundreds of thousands of young people in a country with annual double digit unemployment rates. Military experts have often asserted that Egypt's armed forces are bloated and maintain manpower at unnecessary levels for peacetime, while others contend that the large size of the military is justified based on the services it provides to soldiers and their families. Some experts estimate that the military trains 12% of young Egyptian males and that defense industries employ over 100,000 people.¹¹ The military has its own companies that produce consumer products, pharmaceuticals, and manufactured goods. The officer corps also benefit from higher salaries, better housing, and high quality healthcare which help ensure their loyalty to the government. Some members of the opposition have criticized these special benefits and the military's fiscal autonomy, asserting that there is little civilian control over the military's budget.

⁸ In 1980, the Constitution was amended to allow the president to run for an unlimited number of terms, rather than one as was stipulated in the 1971 Constitution. An English language version of the Egyptian Constitution is available at [<http://www.parliament.gov.eg/EPA/en/sections.jsp?typeID=1&levelid=54&parentlevel=6&levelno=2>].

⁹ 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).

¹⁰ In 1986, President Mubarak called on the military to put down riots in Cairo, sparked by the protests of police conscripts who were angry with their low pay and poor working conditions. The military also was deployed in 1977 during riots over a temporary reduction in food subsidies.

¹¹ Imad Harb, "The Egyptian Military in Politics: Disengagement or Accommodation?," *The Middle East Journal*, Washington, spring 2003. vol. 57, Issue 2, p. 269.

The National Democratic Party (NDP).¹² As the ruling party, the NDP dominates the political scene in Egypt, controlling well over 80% of the seats in parliament. The party itself is more of a coalition of business and political elites rather than a coherent and disciplined organization with a unifying ideology. In the 2000 parliamentary election, popular dissatisfaction with the status quo led to the defeat of many NDP incumbents, though the party maintained its supra-majority in parliament after a number of “independents” who had been NDP members rejoined the party. Thereafter, NDP officials embarked on a campaign to improve the party’s public image, holding the first party congress in 10 years in 2002. Since then, the NDP has held conferences in each successive year, touting a number of political reforms under the slogan of “new thinking.” More importantly, the President’s son, Gamal Mubarak, was appointed to the NDP’s higher policy council, and other young figures have become more visible in the party.

Reinforcing Regime Rule

Over the last two years, the Mubarak government has tightened its grip on power and cracked down on domestic opponents (see below). Experts have posited a myriad of theories behind both the increase in domestic opposition and the subsequent government crackdown. Some analysts assert that the government is deliberately flexing its muscles during a delicate period of political transition, as the president may be grooming his son to succeed him. Others have speculated that the regime may be sending a message to the international community, particularly the United States, that it will not be pressured into liberalizing its political system. Still other observers take a more Marxist approach, citing the growing resentment among the poor and middle class of the private sector elite, a demographic group which has disproportionately benefitted in recent years from the state’s economic liberalization policies.

Now entering its third year, the government has used both legal tactics and brute force to suppress opposition activity. Independent analysts have long noted that the Egyptian legal system is a labyrinth of codes and procedures that can be twisted to the state’s benefit when necessary. The following is a sampling of recent government action to reinforce its rule:

- In September 2007, authorities closed the Association for Human Rights and Legal Aid after it helped bring a case against the government over a political activist who died in police custody.
- Also in September, a judge sentenced four newspaper editors, including *Ad Dustour* chief Ibrahim Issa (also spelled Eissa), to prison sentences on charges of defaming President Mubarak and his son Gamal. Issa was already on trial on charges of “disturbing the peace and harming national economic interests” after he published several speculative articles over the health and possible death of President Mubarak. According to *Oxford Analytica*, “The regime is exacting revenge against individuals such as Eissa for their zealous

¹² The NDP’s website is available at [http://www.ndp.org.eg/index_en.htm].

criticism of the government since the war on Iraq. Much of the criticism was seen as breaking previous publishing red-lines. While it would not have been prudent to crack down then given the international pressure and attention, the context has changed and the regime is feeling secure enough to repress.”¹³

- On June 11, 2007, Egypt held a mid-term election for the Shura Council, the upper chamber of parliament with modest legislative powers. The NDP won 84 of 88 seats. As usual, opposition activists charged that the election was marred by irregularities and violations (e.g. ballot stuffing, obstruction of polling centers, and underage voting) committed by the state and NDP. Prior to election day, police and security forces arrested hundreds of Muslim Brotherhood members, including several Shura Council candidates claiming that they violated prohibitions against the use of religious slogans in political campaign material.
- On March 26, 2007, 34 amendments to the Egyptian constitution were approved in a popular referendum widely considered to be managed by pro-government forces. U.S. officials criticized both the content of the amendments and the expediency of their approval while *Amnesty International* called the amendments the “greatest erosion of human rights in 26 years” in Egypt. Amended Article 179 allows the president to have civilians tried in military courts and eliminates protections against arbitrary search and arrest in offenses related to terrorism. Revised Article 88 curtails judicial supervision of general elections and transfers oversight responsibility to an electoral commission. In 2000, the Egyptian Supreme Constitutional Court ruled that elections should have direct judicial oversight. Revised Article 62 changes the electoral system from a candidate-centered system to a mixed system of party lists and individual districts. This revision would further restrict the Muslim Brotherhood since, as an illegal organization, it cannot field a list of party candidates (Brotherhood members run as independents). This amendment also establishes a quota for female lawmakers in parliament.

Political Opposition and Civil Society

Political opposition in Egypt is divided among legal opposition parties approved by the government, the outlawed Muslim Brotherhood, considered the most powerful opposition force, and a small array of movements, such as *Kefaya* (“Enough”), composed of civil society activists, academics, and intellectuals. By law, political parties must be approved by the seven-member Political Parties Committee (PPC). Since 1977, the Committee has approved 18 political parties and rejected almost 50. Most experts regard Egypt’s legal opposition parties as divided with limited popular

¹³ “EGYPT: Press Crackdown Linked to Succession,” *Oxford Analytica*, November 1 2007.

support. In the 2000 parliamentary elections, the principal opposition parties secured just 17 seats, despite widespread popular dissatisfaction with the ruling NDP. In 2005, these parties fared even worse, winning just 12 seats.

The Muslim Brotherhood¹⁴

The Muslim Brotherhood (MB) 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.¹⁵ The Muslim Brotherhood operates as a religious charitable and educational institution, having been banned as a political party in 1954; however, many Muslim Brotherhood members run for parliament as independents. In the 2000 parliamentary elections, 17 independent candidates, who were regarded as Brotherhood sympathizers, were elected. In 2005, Brotherhood-affiliated candidates won 88 seats in parliament. Over the years, the Egyptian government has alternated between tolerating and suppressing the Muslim Brotherhood, sometimes arresting and jailing its members, and other times allowing its members to operate almost without hindrance.

Many foreign observers agree that the organization has renounced the use of violence as a political tactic, while many Egyptian officials continue to perceive the Brotherhood as a threat and are unwilling to legalize the movement.¹⁶ In the United States, the issue of whether or not to recognize the Muslim Brotherhood as a legitimate political actor continues to perplex policymakers, particularly after the September 11, 2001 terrorist attacks. On the one hand, there has been a general reluctance to push for Islamist inclusion in politics, out of concern that, once in power, groups such as the Muslim Brotherhood will pursue policies counter to U.S. interests in the region or will transform states into theocracies like Iran. On the other hand, some experts believe that if Islamists were brought into a functional democratic system, then they would temper their rhetoric in order to appeal to a wider audience.

Most analysts believe that, from an organizational standpoint, the Brotherhood is the only movement capable of mobilizing significant opposition to the government, though opinions vary on how much mass support the Brotherhood commands. As is typical for Islamist groups across the region, the Muslim Brotherhood is strongest among the professional middle class, controlling many of the professional syndicates

¹⁴ For more information, see CRS Report RL33486, *U.S. Democracy Promotion Policy in the Middle East: The Islamist Dilemma*, by Jeremy M. Sharp.

¹⁵ The Muslim Brotherhood is generally considered as the parent organization for Brotherhood branches throughout the Middle East region. Former Brotherhood members also have formed a number of radical and extremist off-shoots, including Hamas. See Gilles Kippel, *Jihad: The Trail of Political Islam* (Cambridge: Harvard University Press, 2002), p. 151.

¹⁶ During the 1940s and early 1950s, the Brotherhood's paramilitary wing waged a guerrilla campaign against British rule and, after independence, against Nasser.

(associations), including those representing engineers, doctors, lawyers and academics.¹⁷

The Brotherhood's "Party Platform." For years critics have charged that the Muslim Brotherhood, like other Islamists groups, has been unable to articulate concrete policies and has relied too heavily on conveying its agenda through vague slogans, such as the party mantra of "Islam is the solution." When the Brotherhood circulated a draft party platform in late 2007, it generated a great deal of attention and condemnation by its opponents. The draft, which was contested by a more moderate faction of the Brotherhood,¹⁸ reportedly called for the establishment of a board of religious scholars with whom the president and the legislature would have to consult before passing laws. According to one critic, "Reminiscent of Iran's Guardian Council, this undemocratically selected body could have the power vested by the state to veto any and all legislation passed by the Egyptian parliament and approved by the president that is not compatible with Islamic sharia law....The Muslim Brotherhood should have looked to Turkey as a model for how to integrate Islam into a secular system."¹⁹ The draft platform also states that neither women nor Christians may stand for president.

Civil Society in Egypt

Although political opposition continues to be stymied, observers note that, over the past two decades, Egypt has developed a vibrant civil society, which some development experts hope will further democratization in the country. The term "civil society" generally refers to the growing number of non-governmental organizations (NGOs), charities, and advocacy groups that openly operate in Egyptian society. Many of these groups pursue so-called "safe issues," such as women's rights, human rights, and social equality, as a way to work toward the much broader goal of democratization. Often times, the Egyptian government has created its own associations in order to boost its reform image at home and abroad, such as the government-sponsored National Council on Human Rights.

In Egypt, NGOs are required to apply for legal status and, according to Association Law 84-2003, NGOs must be registered with the Ministry of Social Affairs. There are an estimated 16,000 registered civic organizations in Egypt. In some cases, it may take years before the ministry rules on an application, and many groups are routinely rejected. If an NGO's application is rejected, it has few legal rights and can be shut down. Its members can be imprisoned. However, even registered NGOs must tread carefully when engaging in sensitive political issues, as some groups have been periodically closed or have had their legal status revoked.

¹⁷ John Walsh, "Egypt's Muslim Brotherhood," *Harvard International Review* (Cambridge: winter 2003), vol. 24, issue 4, p. 32.

¹⁸ Some observers contend that the authorities deliberately arrested the more moderate Brotherhood members in order to make the platform reflective of conservative and hardliners' positions. See, "Egypt Politics: Brothers at Odds," *Economist Intelligence Unit - ViewsWire*, October 15, 2007.

¹⁹ "The Muslim Brotherhood Shows its True Colors," *Christian Science Monitor*, October 12, 2007.

NGO's also must report all foreign donations to the Ministry of Social Affairs. Overall, tolerance for the activities of non-registered groups varies, and many NGOs operate without any legal protection.²⁰

Organized Labor

While reform-minded intellectuals and conservative Islamists have served as the backbone of political opposition in Egypt, a series of successful worker strikes in 2007 have led some analysts to speculate that organized labor could be the most effective opposition movement in Egypt today.²¹ Low wages and rising inflation have led to several strikes at mostly government-owned textile factories. One strike, at a textile factory in the Nile Delta town of Mahalla al Kubra, witnessed a week-long sit-in of an estimated 20,000 workers. Protestors not only demanded a wage hike, but expressed their opposition to the government's economic liberalization strategy, fearing that privatization plans will lead to job cuts. According to Joel Benin, a professor at the American University in Cairo, "It seems like the decision is to pacify the workers and give them what they want and crack down on the intellectuals and not give them anything.... The workers are more of a threat." A recent report by Carnegie Endowment for International Peace speculated that:

recent strikes represented a departure from the tradition of workers holding sit-ins while work continued, because strikes were seen as hurting Egypt's national interest. This perception changed, however, as the reform process advanced. A new feature of the most recent strikes is that they are ending peacefully, whereas in the past they would be broken by police force. Some analysts have interpreted this as a sign of the increased societal tensions around economic reform, while others have seen it as a result of increased international scrutiny.²²

Current Issues in U.S.-Egyptian Relations

The Debate over U.S. Assistance to Egypt

In recent years, Egypt's aid program has drawn increasing scrutiny from some lawmakers concerned over Egypt's poor human rights record. Some lawmakers believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. foreign aid.

²⁰ Human Rights Watch, "Margins of Repression: State Limits on Non-Governmental Organization Activism," July 2005. Available online at [<http://hrw.org/english/docs/2005/07/04/egypt11217.htm>].

²¹ While Egyptian workers belong to a number of trade unions, the Egyptian Trade Union Federation (also referred to as the General Confederation of Trade Unions), is the sole legally recognized labor federation.

²² Sufyan Alissa, "The Political Economy of Reform in Egypt: Understanding the Role of Institutions," *Carnegie Endowment for International Peace*, Carnegie Middle East Center, October 2007.

Others have periodically called for restrictions on U.S. aid to Egypt on the grounds that Egypt's record on religious freedom is substandard.

The Administration and Egyptian government assert that reducing Egypt's military aid would undercut U.S. strategic interests in the area, including support for Middle East peace, U.S. naval access to the Suez Canal, and U.S.-Egyptian intelligence cooperation. U.S. military officials argue that continued U.S. military support to Egypt facilitates strong military-to-military ties. The U.S. Navy, which sends an average of close to a dozen ships through the Suez Canal per month, receives expedited processing for its nuclear warships to pass through the canal, a valued service that can normally take weeks for other foreign navies. In addition, some U.S. lawmakers argue that cutting aid, particularly military assistance, harms the United States since all of Egypt's FMF must be spent on American hardware and associated services and training.

Recent History of Congressional Action on Aid to Egypt . Since the 108th Congress, there have been several attempts in Congress to reduce U.S. assistance to Egypt, including the following.

108th Congress

- An amendment offered on July 15, 2004, to the House 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.

109th Congress

- An amendment offered on June 28, 2005, to the House FY2006 foreign operations bill (H.R. 3057) would have reduced U.S. military aid to Egypt by \$750 million and would have transferred that amount to child survival and health programs managed by USAID. The amendment failed by a recorded vote of 87 to 326.
- H.R. 2601, the FY2006/FY2007 House Foreign Relations Authorization bill, would have reduced U.S. military assistance to Egypt by \$40 million for each of the next three fiscal years, while using the funds to promote economic changes, fight poverty, and improve education in Egypt. There was no comparable provision in the Senate's Foreign Relations Authorization bill (S. 600).
- On May 25, 2006, the House Appropriations Committee in a voice vote rejected an amendment to cut \$200 million in military aid to Egypt during markup of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill. In June 2006, the House narrowly defeated an amendment (198-225) to the bill that would have reallocated \$100 million in economic aid to Egypt and used it instead to fight AIDS worldwide and to assist the Darfur region of Sudan. Many supporters of the amendment were dismayed by the Egyptian government's spring 2006 crackdown on pro-democracy activists in Cairo.

Representative David Obey of Wisconsin sponsored both amendments.

- In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt.

110th Congress

- On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt.

Relations with Israel and The Middle East Peace Process

The 1979 Egyptian-Israeli peace treaty has served as the basis for good relations between Egypt and the United States. Although Israel and Egypt have maintained cool relations since then, both parties have maintained the peace, and the United States has continued to underwrite the “costs” of peace by providing high amounts of annual economic and military aid to both parties. One “cost” for Egypt was the diplomatic isolation it suffered following the peace treaty. In 1979, Egypt was expelled from the Arab League, an organization it had helped found.²³ At the time, the rest of the Arab world had felt betrayed by Egypt for making a separate peace with Israel.

Despite the treaty, the development of close economic, political, and diplomatic relations between Israel and Egypt has been limited since 1979. Although there have been some initiatives, such as energy cooperation agreements,²⁴ overall relations remain cool. In 2007, several incidents increased tensions between the two governments. Egypt uncovered several espionage cases involving its citizens spying for Israel, including the recent arrest of 35-year-old Mohammed Sayed Saber Ali, who is accused of stealing documents from the Atomic Energy Agency on Egypt’s Inshas reactor and providing them to agents of Israel’s Mossad intelligence service in return for \$17,000. Earlier in the year, Egypt asked the International Committee of the Red Cross to investigate claims that Israeli forces executed Egyptian

²³ Egypt was readmitted to the Arab League in 1989 during a period of renewed international interest in Arab-Israeli peace.

²⁴ In June 2005, Egypt and Israel signed a long-delayed \$2.5 billion agreement on sales of Egyptian natural gas to Israel. Under the terms of the agreement, Israeli state-owned utility Israel Electric Corp will purchase gas from Eastern Mediterranean Gas (EMG), a private Israeli-Egyptian firm. On December 11, 2006, Israeli energy company Dorad Energy signed an agreement worth up to \$2.5 billion to buy natural gas from EMG. A pipeline from Egypt to Israel is being built.

prisoners-of-war during the 1967 War. The allegations originated from an Israeli television documentary which claimed that 250 Egyptian prisoners of war were killed in the Sinai peninsula during the War. After the documentary drew widespread condemnation in Egypt, the director of the film stated that the executed prisoners were Palestinians and not Egyptians.

Most experts believe that progress in the Israeli-Palestinian peace process is the key to improved Egyptian-Israeli relations, as well as Israel's wider relationships with the Arab world. President Mubarak has attempted to act as a broker, advisor, messenger, and arbitrator in the hopes of galvanizing both sides to take the necessary risks for peace. Egypt's intelligence chief, Omar Suleiman, has repeatedly met with Hamas and Palestinian Authority figures in order to secure cease-fire arrangements with Israel and the release of Israeli and Palestinian prisoners.

Annapolis Peace Conference. Egypt attended the recent peace conference in Annapolis. It has supported U.S. efforts to restart talks and responded positively to the meeting. According to an editorial aired over Egyptian government radio (Radio Cairo), "The Annapolis meetings remain a watershed that has its repercussions, whether it has achieved its goals or not....peace is not achieved overnight, but the success of the meetings depends on the intention of the USA and its ability to push Israel to abide by its commitments."

In December 2007, after Israel announced its intention to issue a tender for the construction of 307 new homes in Har Homa, an East Jerusalem neighborhood near Bethlehem, Egyptian Foreign Minister Ahmed Aboul Gheit said that he was "astounded" by the report.

Egypt's Role in the Gaza Withdrawal. Israel unilaterally dismantled its settlements and withdrew its troops from the Gaza Strip in August and September 2005. In order to facilitate a smooth transition and take an active role in Israeli-Palestinian peace, Egypt offered to post border guards on the Gaza-Egyptian border, increase its efforts to reorganize and train Palestinian security forces, and halt smuggling of contraband into Gaza. After extensive negotiations with Israeli officials, Egypt deployed 750 border guards to secure "the Philadelphi Route," a strip of land in Egypt immediately adjacent to the Gaza Strip that is notorious for tunnels used for smuggling weapons and narcotics. The memorandum of understanding between Israel and Egypt delineates the type of equipment the Egyptians may use (small arms and jeeps, no heavy armor) and the length of the patrol area (14km on the ground and 3 km into the sea).²⁵

Smuggling Tunnels. For years, residents of the divided Palestinian town of Rafah, along with Arab Bedouins in the Sinai, have engaged in smuggling goods, people, and arms to and from the Gaza Strip. With the withdrawal of Israeli troops from the Gaza-Egyptian border in 2005, the job of curbing Palestinian smuggling activity has fallen on the Egyptian military, and Israeli officials have alternated between praising and criticizing Egypt in its efforts to uncover networks of hidden

²⁵ For a summary of the Israeli-Egyptian border agreement, see [<http://www.washingtoninstitute.org/templateC05.php?CID=2374>].

underground tunnels. Overall, Israeli and Egyptian perceptions of the threats related to Palestinian smuggling differ fundamentally. Israel believes that the digging of tunnels undermines its national security because it facilitates a steady stream of arms flowing into Gaza. Egyptian officials assert that Israeli officials exaggerate the threat posed by the tunnels and view their existence as part of a wider organized criminal enterprise that trades in cigarettes, drugs, and the smuggling of illegal workers, prostitutes, and even Palestinian brides for grooms inside Gaza. It is not uncommon for Palestinian smugglers to bribe security guards at the border, and it also is unclear what the rules of engagement are for Egyptian border police confronting smugglers.

Since the Hamas takeover of the Gaza Strip, Israeli criticism of Egypt's border security has grown more vocal. One Israeli lawmaker, Yuval Steinitz, a member of the opposition Likud party and a former chairman of the Knesset's Foreign Affairs and Defense Committee, has accused Egypt of, among other things, allowing Hamas to obtain 20,000 rifles, 6,000 anti-tank missiles, 100 tons of explosives and several dozen Katyusha rockets and shoulder-held anti-aircraft missiles.²⁶ Israeli intelligence officials have made similar allegations in the past.²⁷

Egyptian officials argue that while they are doing the best they can, their border forces lack the adequate resources and manpower to effectively patrol the Gaza/Sinai border. Egyptian leaders also have accused some Israeli officials of using the smuggling issue to sabotage U.S.-Egyptian relations. Israeli leaders have insisted that rather than send more Egyptian troops to the border, Egypt should make better use of the 750 soldiers already on patrol.²⁸ During a November 2007 meeting, Egyptian Foreign Minister Ahmed Aboul Gheit told his Israeli counterpart Foreign Minister Tzipi Livni that Egypt recently stationed two additional patrol boats off the Sinai coast, but that the current deployment of troops on the Gaza border is inadequate. The Administration has been less vocal on the smuggling issue, though in October 2007, U.S. Secretary of State Condoleezza Rice stated that "We're concerned about

²⁶ "Israel Urges Egypt to Act Against Hamas," *New York Times*, November 9, 2007.

²⁷ In September 2006, Israeli Shin Bet chief Yuval Diskin warned that Palestinians may have smuggled anti-tank weapons over the Egyptian-Gaza border. In follow-up statements, Diskin remarked that "The Egyptians know who the smugglers are and don't deal with them.... They received intelligence on this from us and didn't use it." See, "Increased Attempts to Smuggle Weapons into Gaza Raise Concern," *Ha'aretz*, September 6, 2006.

²⁸ It is possible that an expanded Egyptian presence near the Gaza border would require an amendment to the military annex of the 1979 Camp David Accords which delineates the number and type of Egyptian forces that can be stationed in the Sinai. In October and November 2007, Mark Kimmitt, Assistant Secretary of State for Political-Military Affairs, and Robert Danin, Deputy Assistant Secretary of State for Near Eastern Affairs discussed with Israeli officials the possibility of amending the military annex to allow an increase in the number of troops Egypt is permitted to deploy along the Gaza border. Israel reportedly rejected the idea and charged that "Egypt's problem is not the number of soldiers but the lack of motivation." See Israel Rejects US Proposal To Increase Egyptian Guards Along Philadelphi Road," *Ha'aretz*, November 11, 2007.

the smuggling.... We will continue to have discussions about what more can be done to deal with the matter.”²⁹

U.S. Policy to Promote Democracy in Egypt

Many analysts have questioned the depth of the U.S. commitment to democratization in Egypt, particularly after the 2006 Hamas victory in Palestinian parliamentary elections. In this changed atmosphere, in which Egyptian security cooperation on the Gaza-Egyptian border is valued, some observers have speculated that U.S. policymakers may tone down their rhetoric on reform in Egypt. One expert, Mustapha Kamel el Sayyid, a political science professor at the American University in Cairo, recently remarked that “I think the American government does give Egypt leeway to deal with the domestic opposition so long as Egypt supports the American foreign policy in the region.”³⁰ While the Administration continues to issue statements expressing “disappointment” or “deep concern” over the state of democracy and human rights in Egypt, it has not taken any punitive measures against the regime.

Many in the Egyptian government appear to feel threatened by the current thrust of U.S. policy and resist some U.S.-advocated changes that seek to empower opposition movements. In June 2006, the Egyptian government ordered the International Republican Institute (IRI) and the National Democratic Institute (NDI), two U.S. democracy promotion organizations, to halt all activities in Egypt until they formally registered with the government. Egypt took this action after the government was reportedly angered by the comments of an IRI employee who gave an interview to a local paper in which she remarked that political reform in Egypt had not been achieved in the past 25 years and that the institute would work to speed up political reform in the country.

The Case of Ayman Nour. Ayman Nour (age 41), a former member of the Egyptian parliament and second place finisher in Egypt’s first multi-candidate presidential election in 2005, is currently serving a five-year sentence for forgery in a prison hospital. On May 31, 2007, a Cairo court rejected Ayman Nour’s latest bid to be released from prison on medical grounds. In June 2007, at the conference on Democracy and Security in Prague, Czechoslovakia, President Bush named Ayman Nour as one of several “dissidents who could not join us, because they are being unjustly imprisoned.” Opposition activist Saad Eddin Ibrahim, who attended the conference, reportedly spoke to President Bush prior to his speech. According to Ibrahim, he told the President that “I specified four points. The first is continuing pressure to release Ayman Nour with all means possible to the USA, in addition to the release of all political prisoners or avoiding referring them to martial courts; [secondly,] that the USA should use all the cards at its disposal to end the state of emergency in Egypt; [thirdly,] to exert pressure to guarantee the independence of the judiciary, and lastly, to commit Mubarak to carry out all the promises he made during

²⁹ “ Egypt Challenges Israeli Smuggling Claims,” *Inter Press Service News Agency*, November 1, 2007.

³⁰ “On Human Rights, U.S. Seems to Give Egypt a Pass,” *New York Times*, October 16, 2007.

his election campaign.”³¹ Ibrahim has since had suits filed against him to have his citizenship revoked and has fled the country.

Presidential Succession

Uncertainty over the potential successors to 80-year-old President Hosni Mubarak has clouded U.S.-Egyptian relations over the last few years.³² There has been endless speculation over the possible transition scenarios that could take place should President Mubarak become incapacitated or suddenly resign. Some analysts fear that a less than smooth transition of power could open the door for the Muslim Brotherhood to mobilize its supporters and demand an Islamist government. If such a situation were to occur, many observers wonder whether the military and security establishment would remain in their barracks or re-enter politics to establish order. Others assessments have been less dramatic, as many experts believe that the Egyptian political system is stable and that the chances for popular revolution or military counter-coup are remote.

In 2005, Egypt conducted its first competitive multi-candidate presidential election. Many analysts assume that the next Egyptian president will have to be elected in a popular vote. The next presidential election is scheduled for 2011.

Though President Hosni Mubarak, who has not named a vice president, has vehemently denied that he is grooming his 44-year-old son Gamal to succeed him, the younger Mubarak has had a meteoric rise to the highest levels of the Egyptian government in a short period of time, suggesting to many observers that his accession to the presidency may be imminent. Gamal Mubarak is already deputy secretary general of the NDP party, and was recently appointed to the NDP’s new 50-member Supreme Council which will now choose the party’s presidential candidate.³³

Some analysts believe that Egyptian intelligence chief, Omar Suleiman, who has been a frequent interlocutor between Palestinians and Israelis, also could be a potential successor to Mubarak. Suleiman, who holds the rank of general in the military, would presumably have to join a political party before running for office. According to Michele Dunne, an expert on Egypt at the Carnegie Endowment for International Peace, “Some Egyptian observers believe that the military will intervene and put one of its own into the presidency instead of Gamal, perhaps with support from members of the NDP old guard. As there are no military officers in the Supreme Council, such a course would require setting aside or twisting the elaborate legal and

³¹ “U.S. President Reportedly Briefed on Egyptian Dissidents Before Making Speech,” *Al Masri al Yawm*, Open Source Center Document# GMP20070608950051, June 8, 2007.

³² In 2004, President Mubarak fainted during a speech before parliament generating rumors that his health was rapidly deteriorating.

³³ Each member of the NDP’s Supreme Council will have the right to run for president after one year of membership.

constitutional framework developed in the last two years, which seems unlikely under present circumstances but remains possible.”³⁴

The Economy and U.S.-Egyptian Trade

Overview. As a developing country with the largest population (76.5 million) in the Arab world, Egypt faces a number of economic and environmental challenges, including a lack of arable land, high unemployment, rampant corruption, rapid urbanization, and extreme poverty (30% of the population lives below the poverty line). Egypt’s economy revolves around several sectors: the state; the production of oil and natural gas; the tourism industry; remittances from Egyptians working abroad; revenues from the Suez Canal; agriculture; clothing and textile manufacturing; pharmaceuticals; and foreign aid. Since the early years of Anwar Sadat’s rule, Egypt has been evolving from a centrally controlled, socialist economy to a free market, capitalist society — a gradual process that has created difficult decisions for the government, income inequality, and additional hardships for the poor.³⁵

Economic Reforms. Economic growth in Egypt rests on the government’s ability to stimulate the private sector. The state can no longer guarantee employment for every young Egyptian, particularly the hundreds of thousands of college graduates entering the labor market each year. Since 2003, a handful of businessmen and young economists have attempted to reform the economy in order to attract foreign capital and thereby boost employment. After four years, most observers believe that the reforms, when coupled with high global oil and gas prices, have led to strong economic growth in Egypt. According to a World Bank Doing Business 2008 Report, Egypt’s pace of business reforms and deregulation between 2006 and 2007 ranked first worldwide. In recent years, the state has reinvigorated its privatization program by divesting shares in the state-dominated banking and insurance sectors. Additionally, the government removed import service fees and surcharges and reduced the average weighted rate for tariffs. The government also has streamlined the tax system, canceled many customs duties, and forced smaller banks to merge with the country’s four largest banks.

According to preliminary figures, Egypt experienced a 7.1% growth rate in the first half of 2007, and foreign direct investment has soared, from a mere \$200-\$300 million in 2004 to well over \$6 billion in 2006. However, rising income inequality is still a major concern. Subsidies on basic commodities consume a large chunk of the national budget, and there is enormous political resistance to trimming price controls on bread, sugar, and cooking oil, particularly in the current climate of high inflation (close to 8%).³⁶

³⁴ Michele Dunne, “Egypt’s National Democratic Party: The Search for Legitimacy,” Carnegie Endowment for International Peace, Web Commentary, November 16, 2007.

³⁵ It is estimated that the public sector in Egypt still employs nearly a third of the population. See American Chamber of Commerce in Egypt, Egypt Key Economic Indicators, online at [<http://www.amcham.org.eg/BSAC/EconomicIndicators/ECIndicators.asp>].

³⁶ In 1977, there were mass demonstrations throughout Egypt following the government’s
(continued...)

Trade Overview. The United States is Egypt's largest bilateral trading partner, while Egypt is the United States' 51st largest trading partner. Egypt is one of the largest single markets worldwide for American wheat and is a significant importer of other agricultural commodities, machinery, and equipment. The United States also is the second largest foreign investor in Egypt, primarily in the oil and gas sector. Since the mid-1990s, Egyptian officials have sought to negotiate a Free Trade Agreement (FTA) with the United States, claiming that an Egyptian-American FTA could boost Egypt's economy by as much as 3%. The two parties signed a Trade and Investment Framework Agreement (TIFA) in 1999. The TIFA established a Council on Trade and Investment (TIFA Council) composed of representatives of both governments and chaired by the United States Trade Representative (USTR) and Egypt's Minister of Economy and Foreign Trade. Intellectual property rights (IPR) protection was a contentious issue in pre-FTA negotiations held under the TIFA. The U.S. Trade Representative (USTR) placed Egypt on its 2006 Special 301 Priority Watch List due to Egypt's inadequate IPR enforcement and issuance of market approvals for unauthorized pharmaceutical products.

Table 1. U.S.-Egyptian Trade Statistics 2005-2006

Selected Commodities	2005 \$ Amount Estimated	2006 \$ Amount Estimated
U.S. Exports to Egypt	3.1 billion	4.0 billion
Machinery	561 million	576 million
Cereals	553 million	685 million
Vehicles	229 million	344 million
Aircraft	340 million	404 million
U.S. Imports from Egypt	2.0 billion	2.4 billion
Mineral Fuel, Oil	1.057billion	962 million
Apparel	267 million	356 million
Iron & Steel	102 million	346 million

Source: U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb, accessible at [<http://www.dataweb.usitc.gov>].

Qualified Industrial Zones. In 1996, Congress authorized the creation of Qualified Industrial Zones (QIZ) in order to entitle goods jointly produced by Israel and either Jordan or Egypt to enter the United States duty free.³⁷ In December 2004, Egypt finally reached an agreement with Israel to designate several Qualified

³⁶ (...continued)

decision to cut public subsidies on flour, rice, and cooking oil in order to demonstrate to international lenders, such as the International Monetary Fund, that Egypt was making necessary macroeconomic reforms. Over the course of two days, several hundred were killed and hundreds more arrested, as the Egyptian army was called into the streets to restore order.

³⁷ See CRS Report RS22002, *Qualified Industrial Zones in Jordan: A Model for Promoting Peace and Development in the Middle East?*, by Mary Jane Bolle, Alfred Prados, and Jeremy Sharp.

Industrial Zones (QIZ) in Egypt under the mandate of the U.S.-Israeli Free Trade Agreement. Goods produced in Egyptian QIZs allow Egyptian-made products to be exported to the United States duty-free if the products contain at least 10.5% input from Israel.³⁸ Most products exported from Egyptian QIZs are textiles.

Chinese-Egyptian Trade. Many economists believe that over the next five years, China will overtake the United States as Egypt's largest trading partner. After the United States, China is Egypt's second largest supplier of foreign goods (In 2006, Chinese exports to Egypt accounted for \$1.3 billion). In November 2007, China and Egypt agreed on increasing bilateral trade to reach \$5 billion by 2010 instead of the current \$2 billion. China also pledged to double its current direct investments in Egypt to over \$1 billion over the next five years. In late October 2007, Egypt announced that it had reached agreement with China on setting up an industrial trade zone in the Suez area which could attract up to \$2.5 billion in Chinese investment. The manufacturing park is one of the first Chinese government-backed manufacturing zone in the Middle East and will provide Chinese companies with an export hub for Europe. Although Egyptian law stipulates that foreign companies can only have a maximum of 10% of their payroll allocated to foreign workers, Egypt's Minister of Trade Rachid Mohamed Rachid remarked that "These are going to be Egyptian companies. Fine, they are going to be owned by Chinese companies, but they are going to be Egyptian factories, they are going to have to play by Egyptian rules. We prefer that than having shipments of goods coming from China."³⁹

Human Rights, Religious Freedom, and Women's Rights

As a major recipient of U.S. assistance, Egypt has been of great interest to lawmakers, some of whom believe that portions of U.S. aid should be conditioned on improvements in Egypt's human rights record. According to the U.S. State Department's *2006 Country Reports on Human Rights Practices*, the Egyptian government's respect for human rights "remained poor, and serious abuses continued in many areas." The 2006 report, as in past years, documents several instances of torture allegedly carried out by Egyptian security forces. The prison system, particularly detention facilities used for incarcerating suspected Islamist radicals, has come under increasing international scrutiny for exacerbating militancy in the region due to its tendency to harden some criminals who have been tortured over prolonged periods of time. Several of Al Qaeda's leaders, including second-in-command Ayman al Zawahiri, were former prisoners in Egyptian jails.

International human rights organizations have long documented instances of torture, arbitrary detainment, and discrimination against women, homosexuals, and Coptic Christians in Egypt. In 2007, the international human rights watchdog group *Human Rights Watch* actually commended the government for convicting two police officers on charges of illegally detaining, beating and then raping a 21-year-old

³⁸ In 2007, Israel and Egypt amended their QIZ agreement to reduce the percentage of Israeli components from 11.7 percent to 10.5 percent.

³⁹ "Egypt and China in Investment Deal," *Financial Times*, October 30, 2007.

mini-bus driver while he was in police custody.⁴⁰ However, some observers suggest that the incident was an attempt to placate the international community and would never have come to light had Egyptian bloggers not circulated over the internet a cell phone video of the bus driver's beating.

Some Egyptian and international human rights activists have charged that U.S. human rights policy toward Egypt is hypocritical, asserting that U.S. policymakers have not adequately championed improved human rights in Egypt due to *realpolitik* considerations in the region. In addition, several reports suggest that, since the September 11, 2001, terrorist attacks, the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated and possibly tortured.⁴¹ Some observers have questioned the credibility of U.S. human rights policy toward Egypt, if, on the one hand, the United States condemns Egyptian practices of torture and illegal detainment, and, on the other hand, the United States condones Egyptian government behavior when it suits the interests of U.S. national security.

Religious Freedom. There is no official government policy of discrimination against the 9 million Coptic Christians in Egypt, and the Constitution provides for equal rights without regard to religion. Nevertheless, critics note that there are no Christians serving as governors, police commissioners, city mayors, public university presidents, or deans.⁴² Although Coptic Christians play a prominent role in the private sector, the U.S. State Department's 2007 International Religious Freedom Report notes that only 6 Christians (5 appointed, 1 elected) serve in the 454-seat People's Assembly and only 2 Christians serve in the 32-member cabinet.⁴³ Converts to Christianity in Egypt may face bureaucratic obstacles in registering their new religious status with the state. In addition, there have been reports of periodic discrimination against small minority communities of Baha'is (an estimated 2,000 Baha'is live in Egypt), Shiites, and Jews (200 remain in Egypt). In an effort to promote tolerance, President Mubarak in December 2003 recognized the Coptic Christmas, January 6, as a national holiday.

Despite government efforts to improve Muslim-Christian relations, a number of obstacles remain. For example, the 10 articles of "Humayun," or the Humayun Code, a portion of Ottoman legislation from 1856, still controls the building or repair of churches in Egypt and is a source of great aggravation to Coptic Christians. Under this law, a license is required to erect a church. In addition, there are ten restricting conditions for the construction of churches, including a minimum distance between

⁴⁰ "Egypt: Police Officers Get Three Years for Beating, Raping Detainee," *Human Rights Watch*, November 7, 2007.

⁴¹ Egypt has admitted that between 60 and 70 of its citizens have been seized abroad and flown to Egypt. See, "Inside the Dark World of Rendition," *The Independent* (London), June 8, 2007.

⁴² Egypt's Minister of Finance, Yusef Boutros-Ghali, hails from a prominent Christian family.

⁴³ U.S. State Department, *International Religious Freedom Report 2007*, Released by the Bureau of Democracy, Human Rights, and Labor, September 14, 2007.

churches and between a church and the nearest mosque, as well as the absence of objection on the part of Muslim neighbors. In December 2004, President Mubarak issued a new decree that devolved church repair and reconstruction decisions to the provincial level and stipulated that churches would be permitted to proceed with rebuilding and repair without legal hindrance. However, permits for construction of new churches require a presidential decree.

Women's Rights. Although Egyptian women have played major roles in the country's drive for independence and many women currently serve in prestigious public posts, women face a number of obstacles at the legal, religious, and cultural levels. Female genital mutilation (FGM) remained a serious problem because of widespread cultural acceptance, despite the government's attempts to eliminate the practice. Moreover, personal status laws governing marriage, divorce, custody, and inheritance discriminate against women, particularly when it comes to divorce, as there is much societal resistance to breaking up the family unit. Domestic violence also is a major issue, as some estimate that as many as a third of all married Egyptian women have faced some form of physical abuse.⁴⁴ In recent years, new non-governmental organizations have started to provide services and counseling to women who may be too afraid to go to the authorities.

Sudan and the Conflict in Darfur

One of Egypt's primary foreign policy goals is to secure the headwaters of the Nile, the lifeblood of Egypt and its main source of freshwater. The Blue Nile and White Nile converge in Sudan's capital of Khartoum. Egypt aims to strengthen Sudan's central government, and international condemnations of the Sudanese government's complicity in the killings of Muslim African ethnic groups by the Arab Janjaweed militia in Darfur have placed Egypt in a difficult diplomatic position. On the one hand, Egypt has attempted to symbolically support international efforts to alleviate the humanitarian crisis in Darfur. In April 2007, Egypt announced that it would contribute up to 1,000 troops to a joint U.N.-African Union peacekeeping force in Darfur. In September, Egypt proposed to send a 2,500-strong force to Darfur. On the other hand, Egypt, through the Arab League has refused to call the killings in Darfur a "genocide" and has denounced the U.S. imposition of sanctions on the Sudanese government. According to Egyptian Foreign Minister Ahmed Aboul Gheit, "Sanctions have never solved a problem." H.Con.Res. 7 (passed in the House on April 25, 2007) strongly urges the League of Arab States, among other things, to "declare the systematic torture, rape, and displacement of Darfurians a genocide."

U.S. Foreign Assistance to Egypt

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance, receiving an annual average of close to \$2 billion in economic and military aid. Congress typically earmarks foreign assistance for Egypt in the foreign operations appropriations bill.

⁴⁴ Human Rights Watch, "Divorced from Justice: Women's Unequal Access to Divorce in Egypt," June 2004. Available online at [<http://hrw.org/reports/2004/egypt1204/>].

Economic Aid

Annual bilateral economic assistance to Egypt is provided as both a direct cash transfer to the Egyptian government and as funds for USAID programming in Egypt. In recent years, Congress has sought to specify how Egypt's economic aid would be spent, prioritizing funding for USAID's democracy and education programs. Egypt claims that U.S. assistance programs must be jointly negotiated and cannot be unilaterally dictated by the United States.⁴⁵

U.S. economic assistance to Egypt has been decreasing since 1998, when the United States began reducing economic assistance to Egypt and Israel. In January 1998, Israeli officials negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A 3 to 2 ratio similar to U.S. aid to Israel and Egypt was applied to the reduction in aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt has not received an increase in military assistance. Economic aid has dropped in annual \$40 million increments from \$815 million in FY1998 to \$415 million in ESF for the FY2008 request.⁴⁶

FY2007 Rescission. The cash transfer portion of annual ESF to Egypt is conditioned on Egyptian efforts to implement necessary economic reforms. USAID has withheld the disbursement of several hundred million dollars in ESF to Egypt until certain benchmarks have been met. These benchmarks were outlined in a March 2005 financial sector reform agreement between USAID and the Egyptian government. In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt. Lawmakers did note that "When the Government of Egypt completes additional benchmarks of the financial sector reform agreement of March 2005 and funds are needed by USAID to transfer to Egypt in accordance with the agreement, the Committee will consider accommodating that requirement at the appropriate time." On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinded \$200 million in previously appropriated economic assistance to Egypt.

⁴⁵ Congress seeks to ensure that U.S. foreign assistance for Egypt is being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that "democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities."

⁴⁶ Egypt has periodically received supplemental aid. The FY2003 Emergency Supplemental Appropriations Act (P.L. 108-11) included \$300 million in ESF for Egypt, which was used to cover the costs of up to \$2 billion in loan guarantees issued over three years.

Military Aid

The Administration has requested \$1.3 billion in FMF for Egypt in FY2008 — the same amount Egypt received in FY2007. FMF aid to Egypt is divided into three general components: (1) acquisitions, (2) upgrades to existing equipment, and (3) follow-on support/maintenance contracts. According to a 2006 Government Accountability Office report, over the life of Egypt's FMF program, Egypt has purchased 36 Apache helicopters, 220 F-16 aircraft, 880 M1A1 tanks, and the accompanying training and maintenance to support these systems, among other items.⁴⁷ According to the U.S. and Egyptian defense officials, approximately 30% of annual FMF aid to Egypt is spent on new weapons systems, as Egypt's defense modernization plan is designed to gradually replace most of Egypt's older Soviet weaponry with U.S. equipment. That figure is expected to decline over the long term because of the rising costs associated with follow-on maintenance contracts. Egyptian military officials have repeatedly sought additional FMF funds to offset the escalating costs of follow-on support. They point out that as costs rise, static aid appropriations amount to a reduction in net assistance. Egypt also receives Excess Defense Articles (EDA) worth hundreds of millions of dollars annually from the Pentagon. Egyptian officers also participate in the IMET program (\$1.3 million requested for FY2008) in order to facilitate U.S.-Egyptian military cooperation over the long term.

In addition to large amounts of annual U.S. military assistance, Egypt also benefits from certain aid provisions that are available to only a few other countries. Since 2000, Egypt's FMF funds have been deposited in an interest bearing account in the Federal Reserve Bank of New York and have remained there until they are obligated. By law (P.L. 106-280), Congress must be notified if any of the interest accrued in this account is obligated. Most importantly, Egypt is allowed to set aside FMF funds for current year payments only, rather than set aside the full amount needed to meet the full cost of multi-year purchases. Cash flow financing allows Egypt to negotiate major arms purchases with U.S. defense suppliers.

Recent U.S. Military Sales to Egypt. As stated earlier, Egypt uses its FMF funds to purchase U.S. defense equipment. By law, Congress must be notified of any new purchase agreement.⁴⁸ Israel has protested U.S. sales of certain military technologies to Egypt (along with other Arab countries such as Saudi Arabia); the Egyptians insist that all U.S. weaponry is used for defensive purposes and is intended to upgrade or replace its aging Soviet hardware. The Department of Defense's Defense Security Cooperation Agency (DSCA) is charged with managing U.S. arms

⁴⁷ See [<http://www.gao.gov/new.items/d06437.pdf>].

⁴⁸ Under Section 36(b) of the Arms Export Control Act, Congress must be formally notified 30 calendar-days before the Administration can take the final steps to conclude a government-to-government foreign military sale of major defense equipment valued at \$14 million or more, defense articles or services valued at \$50 million or more, or design and construction services valued at \$200 million or more. Commercially licensed arms sales also must be formally notified to Congress 30 calendar-days before the export license is issued if they involve the sale of major defense equipment valued at \$14 million or more, or defense articles or services valued at \$50 million or more (Section 36(c) AECA). See CRS Report RL31675, *Arms Sales: Congressional Review Process*, by Richard Grimmett.

sales to Egypt. In 2007, DSCA notified Congress of several possible Foreign Military Sales to Egypt including

- M1A1 Abrams tank kits (total value \$889 million)
- 139 RIM-116B Block 1A Rolling Airframe Missiles (total value \$125 million)
- TOW IIA anti-armor guided missiles (total value \$99 million)
- STINGER Block 1 Missiles (total value \$83 million)
- E-2C Airborne Early Warning Command & Control Aircraft (total value \$75 million)

FY2008 Foreign Operations Appropriations

House Version. Although H.R. 2764, the House version of the FY2008 Department of State, Foreign Operations, and Related Programs Appropriations bill, would fully fund the Administration's request for Egypt, it would place several conditions on how U.S. assistance is spent. Among other things, the bill sets aside \$50 million in ESF for USAID-managed democracy programs and another \$50 million in ESF for USAID-managed education projects. Furthermore, appropriators specified that not less than 50% of the funds provided for Egypt for democracy be provided through Egyptian non-governmental organizations. Lawmakers also directed the State Department to fund programs that advance civic participation and human rights in the Coptic Christian Community.

Section 699 of H.R. 2764 would withhold \$200 million in FMF assistance to Egypt from obligation until the U.S. Secretary of State certifies that the Government of Egypt is taking concrete and measurable steps to address judicial reform, police abuse, and smuggling along the Sinai-Gaza border.

In accompanying report language to H.R. 2764 (H.Rept. 110-197), appropriators strongly urged the Egyptian military to undergo a significant modernization program of its armed forces. According to the report, "The Committee notes that United States military representatives from the United States Central Command (USCENTCOM) have been encouraging the Egyptian military to initiate programs designed to transform its military force but these programs have not yet been embraced by the Egyptians. The Committee strongly recommends that the Egyptian military work with the USCENTCOM to develop and implement programs that will lead to a more modern and professional Egyptian military. Furthermore, the Committee directs the Department of State, to include with the FY2009 budget request, a list of the projects included in the request for such transformational efforts."

Senate Version of H.R. 2764. The Senate passed its own version of H.R. 2764 on September 6, 2007. It would fully fund the President's request and, unlike

the House bill, contained no withholding of military assistance.⁴⁹ However, one amendment, which was successfully passed during floor consideration, could significantly alter the way the United States provides economic aid to Egypt in the future. Amendment number 2726, entitled, “The United States-Egypt Friendship Endowment,” would provide up to \$500 million in ESF to establish an endowment to “further social, economic and political reforms in Egypt.”⁵⁰ Some analysts believe that the proposed endowment, which reportedly would be matched by the Egyptian government on a dollar-for-dollar basis, would serve as a substitute for the annual appropriations process and shield Egypt from potential conditionality agreements mandated by Congress. Since the amendment was passed in the Senate, there have been no additional details on the endowment, and many questions remain. For example, which U.S. agency would manage the endowment or would it be a non-governmental entity? Would the Egyptian and U.S. governments share grant-making authority? How would Congress conduct oversight over the endowment? Finally, what would happen to USAID’s three decade-old presence in Egypt?

Table 2. 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	571.6	1,292.3	1.4	1,865.3
2005	530.7	1,289.6	1.2	1,821.5
2006	490.0	1,287.0	1.2	1,778.2
2007	450.0	1,300.0	1.3	1,751.3
Total	29,909.2	35,322.4	38.6	65,270.2

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

⁴⁹ The Senate bill does contain an amendment (#2786) urging, among other things, the Government of Egypt to “make concrete and measurable progress on restoring the rule of law, including improving the independence of the judiciary and improving criminal procedures and due process rights and halting the cross-border flow of arms to Gaza.”

⁵⁰ Full text available on LIS online at
[<http://www.congress.gov/cgi-lis/query/R?r110:FLD001:S11199>]

Table 3. U.S. Foreign Assistance to Egypt, 1946-1997

(millions of dollars)

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
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	—	—	—	—	—	0.4	—	—	—	0.8
1953	12.9	—	—	—	—	—	12.9	—	—	—	—
1954	4	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2	—	—	33.9	8.9
1960	65.9	—	—	—	—	15.4	5.7	—	—	36.6	8.2
1961	73.5	—	—	—	—	—	2.3	—	—	48.6	22.6
1962	200.5	—	—	—	—	20	2.2	20	—	114	44.3
1963	146.7	—	—	—	—	36.3	2.3	10	—	78.5	19.6
1964	95.5	—	—	—	—	—	1.4	—	—	85.2	8.9
1965	97.6	—	—	—	—	—	2.3	—	—	84.9	10.4
1966	27.6	—	—	—	—	—	1.5	—	—	16.4	9.7
1967	12.6	—	—	—	—	—	0.8	—	—	—	11.8
1972	1.5	—	—	—	—	1.5	—	—	—	—	—
1973	0.8	—	—	—	—	—	—	—	—	—	0.8
1974	21.3	—	—	—	—	—	—	—	8.5	9.5	3.3

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Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1975	370.1	—	—	—	—	—	—	194.3	58.5	104.5	12.8
1976	464.3	—	—	—	—	—	5.4	150	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2588.5	1500	—	0.4	—	—	—	250	585	230.7	22.4
1980	1167.3	—	—	0.8	—	—	—	280	585	285.3	16.1
1981	1681.2	550	—	0.8	—	—	—	70	759	272.5	28.9
1982	1967.3	700	200	2.4	—	—	—	—	771	262	31.9
1983	2332	900	425	1.9	—	—	—	—	750	238.3	16.8
1984	2470.8	900	465	1.7	—	—	—	—	852.9	237.5	13.7
1985	2468.7	—	1175	1.7	—	—	—	—	1065.1	213.8	13.2
1986	2539.1	—	1244.1	1.7	—	—	—	—	1069.2	217.5	6.6
1987	2317	—	1300	1.8	—	—	—	—	819.7	191.7	3.9
1988	2174.9	—	1300	1.5	—	—	—	—	717.8	153	2.6
1989	2269.6	—	1300	1.5	—	—	1.5	—	815	150.5	1.2
1990	2397.4	—	1294.4	1.6	—	—	—	—	898.4	203	—
1991	2300.2	—	1300	1.9	—	—	—	—	780.8	165	52.5
1992	2235.1	—	1300	1.8	—	—	—	—	892.9	40.4	—
1993	2052.9	—	1300	1.8	—	—	—	—	747.0	—	4.1
1994	1868.6	—	1300	0.8	—	—	—	—	561.6	35	6.2
1995	2414.5	—	1300	1	—	—	0.2	—	1113.3	—	—
1996	2116.6	—	1300	1	—	—	—	—	815	—	0.6
1997P	2116	—	1300	1	—	—	—	—	815	—	—
Total	45669.4	4550	17803.5	27.3.0	11.2	80.7	82.8	2620.7	15923.8	4,114.3	455.1

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Notes: 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