

CRS Report for Congress

U.S. Foreign Aid to Lebanon: Issues for Congress

March 21, 2007

Jeremy M. Sharp
Middle East Policy Analyst
Foreign Affairs, Defense, and Trade Division



Prepared for Members and
Committees of Congress

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 21 MAR 2007		2. REPORT TYPE N/A		3. DATES COVERED -	
4. TITLE AND SUBTITLE U.S. Foreign Aid to Lebanon: Issues for Congress				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Library of Congress 101 Independence Avenue, SE Washington, D.C. 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release, distribution unlimited					
13. SUPPLEMENTARY NOTES The original document contains color images.					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT SAR	18. NUMBER OF PAGES 11	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

U.S. Foreign Aid to Lebanon: Issues for Congress

Summary

In Lebanon today, there is a battle for political primacy between the anti-Syrian, pro-Western government of Prime Minister Fouad Siniora and the opposition, led by the Hezbollah and former General Michel Aoun. Each camp has its external patrons; the United States, France, and Saudi Arabia support Siniora, while Syria and Iran back the opposition. The 2006 Israel-Hezbollah war and Hezbollah's subsequent campaign to obstruct the government through street protests and general strikes have placed enormous strains on the Siniora-led government. In order to prevent Lebanon's fragile sectarian political system from imploding and to strengthen pro-Western and anti-Syrian elements, the United States has pledged to significantly increase its assistance to Lebanon. For FY2007, the Administration is requesting an estimated \$770 million in supplemental aid from Congress. This report analyzes this request, highlighting potential issues of concern for Members. This report will be updated as events warrant. For more information on Lebanon, see CRS Report RL33509, *Lebanon*, by Alfred Prados.

H.R. 1591, the House Appropriation Committee's FY2007 Emergency Supplemental Appropriations bill, would fully fund the Administration's request for aid to Lebanon; however, it would require the Administration to certify to Congress that before assistance is disbursed, the Lebanese government and Administration have fulfilled certain conditions placed on the assistance.

Contents

Overview of U.S. Policy Toward Lebanon	1
Strengthening the Lebanese Armed Forces (LAF)	2
U.S. Military Assistance to Lebanon	3
U.S. Reconstruction and Economic Assistance	4
Issues for Congress	5
Lebanese Political Will	5
Israeli-Lebanese Skirmishes	6
Potential Misuse of U.S. Aid?	7
Congressional Action	7

List of Tables

Recent U.S. Assistance to Lebanon	2
---	---

U.S. Foreign Aid to Lebanon: Issues for Congress

Overview of U.S. Policy Toward Lebanon

As a result of conflicts in Iraq, Lebanon, and the Palestinian territories, the current state of the Middle East has been frequently described in terms of a growing Sunni-Shiite rivalry in which Sunni Arab and Western governments aim to contain Iran's pan-Shiite foreign policy. When applied to Lebanon, this narrative is becoming an increasing reality. Many U.S. policy makers fear that without significant outside support, the March 14 Movement (an anti-Syrian coalition of some Sunni, Druze, and Christian Lebanese that came together after the February 2005 assassination of former Prime Minister Rafik Hariri) will not be able to withstand Syrian and Iranian meddling through their Shiite proxy, Hezbollah. Since 2005, the Administration has pursued a policy of strengthening the pro-Western elements of the Lebanese government. Critics charge that the United States may be fueling civil strife in Lebanon by taking sides in Lebanon's complex political mosaic. Others assert that U.S. policy exaggerates Iranian influence over Hezbollah, claiming that Hezbollah has evolved over time into a more independent political actor in Lebanon.

In order to support the Lebanese government, the United States has pledged to devote more financial resources to reconstruction and military assistance. The summer 2006 war between Hezbollah and Israel heightened the need for additional economic aid, as the Lebanese government and its international and Arab partners vied with Iran and Hezbollah to win the "hearts and minds" of many Lebanese citizens who lost homes and businesses as a result of the conflict. Iran channeled millions of dollars in cash assistance through Hezbollah to southern Lebanon, while the international community raised several billion dollars at an emergency donor conference in Stockholm, Sweden. Nevertheless, Lebanon remains in need of aid from abroad. From a military standpoint, the war also highlighted the urgent need for a more robust Lebanese military to adequately patrol Lebanon's porous borders with Syria and to prevent Hezbollah's re-armament.

As part of an overall FY2007 supplemental funding request, the Bush Administration seeks an estimated \$770 million in foreign aid for Lebanon, a country that has received an estimated \$35 million to \$40 million per year in U.S. assistance since the late 1990s.

Recent U.S. Assistance to Lebanon

Account	FY2005	FY2006	FY2007 Estimate	FY2007 Supplemental Request	FY2008 Request
Economic Support Fund (ESF)	35.2	15.07	35.5	300.0	42.1
Foreign Military Financing (FMF)	—	3.7	4.8	220.0	9.6
Section 1206 Authority ^a	—	10.63	—	—	—
Peacekeeping (CIPA)	—	—	26.3	184.0	—
Other ^b	.7	152.54	2.94	65.5	8.0
Total	35.9	181.94^c	69.54^d	769.5	59.7

Source: U.S. State Department.

- a. Section 1206 Authority is a Department of Defense account designed to provide equipment, supplies, or training to foreign national military forces engaged in counter-terrorist operations. According to the Pentagon, FY2006 funds will be used to help the Lebanese Armed Forces bolster the government of Lebanon's ability to exert control over its territory and reduce the operational space of militias such as Hezbollah.
- b. Includes funds from aid accounts such as International Narcotics Control and Law Enforcement (INCLE) and Non-proliferation, Anti-terrorism, De-mining, and Related programs (NADR). These accounts provide funding for the clearance of unexploded ordnance (from Israeli cluster munitions) and de-mining program in southern Lebanon. H.R. 1591 provides \$5.5 million from this account to support a "terrorist interdiction program in Lebanon."
- c. In FY2006, Congress appropriated approximately \$43.3 million for Lebanon, but the Administration re-programmed funds from other accounts to provide \$181 million in emergency aid following the 2006 summer war.
- d. Country allocations based on the FY2007 Continuing Resolution (P.L. 110-5) have not yet been made.

Strengthening the Lebanese Armed Forces (LAF)

The Bush Administration, which has sought to pull Lebanon away from Syria's orbit, has pledged to strengthen the LAF as a military counterweight to Hezbollah, Syria's and Iran's primary interlocutor in Lebanon. U.S. efforts to boost Lebanese sovereignty and independence have evolved over time, beginning with increased U.S. pressure on Syria in the months prior to the U.S. invasion of Iraq in March 2003. U.S. efforts gained traction after the assassination of former Lebanese Prime Minister Rafik Hariri and the subsequent withdrawal of Syrian troops from Lebanon in 2005. The impetus for new U.S. military assistance to Lebanon reached its apex after the 2006 Israel-Hezbollah war that again exposed the LAF's overall impotence and its inability to secure Lebanon's borders to prevent destabilizing Hezbollah operations against Israel. The deployment of 12,000 U.N. peacekeepers to southern Lebanon under the auspices of U.N.-brokered cease-fire resolution (UNSCR)1701 reinforced the need for a more robust LAF. International peacekeepers take their lead from the

government and require the LAF's permission before acting against suspected weapons smuggling and border violations. According to U.S. Secretary of State Condoleezza Rice, "Ultimately ... one of the most important things that you can do is to strengthen the Lebanese armed forces not — I think probably not to replace the United Nations forces for some time, but to be more capable themselves of defending the country and providing a stable platform."¹

The LAF remains capable of internal security only; it is too understaffed and under-equipped to serve as a deterrent against the armed forces of its neighbors, Syria and Israel. The LAF's active force is 65,000 to 70,000 personnel. According to Anthony Cordesman, a military expert at the Center for Strategic and International Studies (CSIS), "Lebanese forces are lightly armed, poorly organized for maneuver warfare, and lack both a meaningful air force and modern land-based air defense assets."²

Aside from manpower and equipment shortages, the LAF has historically suffered from factionalism. During Lebanon's 15-year civil war, sectarian politics fractured the LAF along sectarian lines. In the 1990s, it was eventually reformed and restructured by General Emile Lahoud, the current pro-Syrian President of Lebanon. In 1997, Christian and Muslim brigades were integrated, and military units were regularly rotated between regions to shield soldiers from political influences. Lahoud also instituted national conscription, although that policy ended in early 2007.

U.S. Military Assistance to Lebanon

The Bush Administration's recent request for increased U.S. military assistance to Lebanon marks the third time in the last 25 years that the United States has sought to expand military cooperation with Lebanese forces. In the early 1980s, the United States provided between \$145 and \$190 million in grants and loans to the LAF, primarily for training and equipment. In the early 1990s, with the end of civil war, the United States again provided military aid, primarily in the form of non-lethal equipment (such as armored personnel carriers and transport helicopters) through the U.S. Army's sale of Excess Defense Articles (EDA).

For the first time since 1984, the Administration requested Foreign Military Financing (FMF) grants to Lebanon in the FY2006 foreign affairs budget. Originally, it sought approximately \$1.0 million in FMF for FY2006 and \$4.8 million for FY2007 to help modernize the small and poorly equipped LAF following Syria's withdrawal of its 15,000-man occupation force in 2005. However, the summer 2006 Israel-Hezbollah war spurred Western donors to increase their assistance to the LAF. Drawing from multiple budget accounts, the Administration ultimately reprogrammed an estimated \$42 million to provide spare parts, technical training,

¹ "U.S. Readies Security Aid Package To Help Lebanon Counter Hezbollah," *Washington Post*, Dec. 22, 2006.

² Anthony H. Cordesman, "Lebanese Security and the Hezbollah," (working draft), Center for Strategic and International Studies (CSIS), July 14, 2006.

and new equipment to the LAF, including 25 5-ton trucks and 285 Humvees to enhance the LAF's border patrol operations.³

The Administration's FY2007 emergency supplemental request includes \$220 million in FMF for Lebanon, a significant increase from previous levels. U.S. military assistance may be used for expanded personnel training by private U.S. contractors or the provision of spare parts and ammunition for Lebanese forces. According to the U.S. State Department, U.S. security assistance would "promote Lebanese control over southern Lebanon and Palestinian refugee camps to prevent them from being used as bases to attack Israel. The U.S. government's active military-to-military programs enhance the professionalism of the Lebanese Armed Forces, reinforcing the concept of Lebanese civilian control. To foster peace and security, the United States intends to build upon welcome and unprecedented Lebanese calls to control the influx of weapons."⁴ The Administration also has requested \$60 million in NADR funds primarily to train and equip Lebanon's Internal Security Forces (ISF).⁵

U.S. Reconstruction and Economic Assistance

The battle for political primacy in Lebanon waged by Prime Minister Fouad Siniora's March 14 government coalition and its U.S., European, and Saudi supporters against Hezbollah, Michel Aoun, and their foreign patrons in Syria and Iran is being fought on a number of different fronts, including in the economic arena. The summer 2006 war and the opposition's campaign to obstruct the government have placed enormous financial strains on the Lebanese economy, and Prime Minister Siniora has called on the international community to provide financial backing to his fragile government.

The United States has committed several hundred million dollars to Lebanon's rebuilding efforts. President Bush announced on August 21, 2006, that the United States would provide an immediate \$230 million to Lebanon (an additional \$175 million on top of an earlier pledge of \$55 million) during a conference in Stockholm designed to raise funds for Lebanese reconstruction. At a January 2007 donors' conference in France, dubbed "Paris III," Secretary of State Rice pledged an additional \$250 million in cash transfers directly to the Lebanese government. This

³ According to the U.S. State Department, the \$42 million in FY2006 military assistance to Lebanon was re-programmed from several accounts, including \$10 million from Department of Defense Section 1206 funds, \$2.7 million from FMF, \$28 million from the Peacekeeping Operations (PKO) account, and \$1.2 million from ESF and INCLE.

⁴ See, FY2008 International Affairs (Function 150) Congressional Budget Justification, U.S. Department of State, Feb. 16, 2007.

⁵ According to H.R. 1591, the House Appropriations Committee's FY2007 Emergency Supplemental Appropriations bill, the \$60 million in NADR funds is to be used for "non-lethal assistance" for Lebanon, of which \$36,500,000 is for training of the Internal Security Forces; \$19,500,000 is for equipment including individual supplies for 9,000 new recruits, 300 unarmored SUVs, computers, and radio gear; and \$4,000,000 is to refurbish 35 police stations, 4 police academies and a command and control center.

U.S. economic aid would reportedly be requested in the FY2007 supplemental request under ESF assistance and may be tied to certain benchmarks that the Siniora government would be required to meet. To assuage donors' fears that foreign assistance would be mismanaged, Prime Minister Siniora has developed an economic reform plan designed to lower Lebanon's crippling \$41 billion public debt (which costs nearly \$3 billion a year in interest payments or nearly 40% of the national budget), decrease public subsidies, privatize the electricity and telecommunications sectors, and increase the Value Added Tax (VAT) from 10% to 12%. The opposition has countered with a populist campaign to thwart these reforms, accusing Siniora of adopting Western-backed liberalization schemes that hurt Lebanese workers. One opposition slogan found in Beirut reads "'No to the government of VAT' and 'No to the government of seafront properties.'"⁶

Issues for Congress⁷

Lebanese Political Will

Some analysts believe that despite U.S. efforts to increase military aid to the LAF, Lebanese politicians lack the political will, or cohesion, to take on Hezbollah and its allies. In a recent interview with *Time* Magazine, Prime Minister Siniora blamed Israel's occupation of the disputed Shib'a Farms area for justifying Hezbollah's continued armament — an excuse that many observers believe masks the internal weakness and fear of anti-Syrian forces inside Lebanon. According to Siniora,

For the state to be in full control, we have to take away the reasons or the excuses that are being put forward for the continuation of [Hezbollah's] weapons.... The withdrawal of the arms of Hezbollah is something that has to be done through negotiation and not through force. These are our countrymen. These people at one time were fighting for the liberation of the occupied territory. They fought bravely defending Lebanon last July and August. I bow my head for their sacrifices. We have to arrange for the liberation [of Shib'a Farms].⁸

⁶ "People's Revolt in Lebanon," *The Nation*, Jan. 8, 2007.

⁷ Section 1224 of P.L. 107-228, the FY2003 Foreign Relations Authorization Act stated that \$10 million of the funds available for Lebanon in FY2003 and subsequent years could not be obligated until the President certified to Congress that Lebanese Armed Forces had deployed to the internationally recognized Lebanon-Israel border and that Lebanon was asserting its authority over the border area. The amendment was added to compel Lebanon to exercise control over the border area, following Israel's withdrawal from southern Lebanon in 2000. Lebanon refused to move to the border until Israel evacuated the disputed Shib'a Farms area. The \$10 million was held in an escrow account pending negotiations among the United States, Israel, Lebanon, and Members of Congress. The funds were eventually released in March 2004 after the Administration certified to Members of Congress that appropriate action had been taken.

⁸ "Lebanon's Siniora: 'We Don't Want to Be a Battlefield,'" *Time*, Mar. 1, 2007.

Without clear direction from the central government, the Lebanese military has pursued a policy of deliberate ambiguity, claiming that it officially remains neutral while taking periodic action to curb Hezbollah's re-armament. According to Lebanese Defense Minister Elias Murr, the military must stay neutral and restrained, and the army cannot "open fire on its citizens."⁹ After the summer 2006 war in Lebanon, the LAF deployed 16,000 troops to southern Lebanon to accompany 12,000 U.N. peacekeepers. It also deployed another 8,000 troops along the Lebanese-Syrian border to combat arms smuggling. In February 2007, Lebanese customs police confiscated a truck carrying mortars and rockets (60 Grad rockets and another 240 Katyusha rockets) destined for Hezbollah's militia. Defense Minister Elias Murr refused to return the arms to Hezbollah, saying they would be handed over to the Lebanese Army.¹⁰ Israeli officials continue to insist that Lebanese forces are not cracking down on Hezbollah and that Syrian and that Iranian efforts to re-stock Hezbollah's arsenal are succeeding.

Israeli-Lebanese Skirmishes

Some observers caution that the potential for conflict between the Lebanese and Israeli militaries, both of which receive substantial U.S. assistance, remains high given the tense atmosphere resulting from the 2006 war. Since the U.N.-brokered cease-fire in August 2006, Israeli and Lebanese forces have periodically exchanged fire. Lebanon accuses the Israeli military of violating its air space, while Israel accuses the LAF of turning a blind eye to weapons smuggling. On February 7, 2007, Lebanese troops fired at an IDF bulldozer attempting to dismantle explosives after it crossed a border fence. The IDF fired back.¹¹ A UNIFIL spokesman stated that the exchange was initiated by the Lebanese Army and that UNIFIL was assessing whether Israeli troops had crossed the Blue Line. Technically, Lebanon and Israel are still in a state of war. The Lebanese government claims that the LAF's deployment to the south is to protect Lebanon from an Israeli invasion, not to disarm Hezbollah. According to Lebanese Army Commander Michel Sulayman, "The army went to the south to protect Lebanon from Israeli attacks.... Lebanon fell first in the south and I will not allow it to fall again."¹²

⁹ The Lebanese Army's ability to maintain internal order was severely strained during a January 2007 confrontation between pro-government supporters and opponents allied with Hezbollah and General Aoun. The opposition had called for a general strike, which soon became violent after brawling Sunni and Shiite students at Beirut University sparked a wider confrontation in downtown Beirut. Army commanders ordered soldiers not to disrupt the protests despite the resulting four deaths and several hundred wounded in street clashes.

¹⁰ Hezbollah leader Shaykh Hassan Nasrallah responded to the weapons seizure saying that "We will not forgive anyone who confiscates a bullet." But he added that "[t]he Resistance will always stand by the Lebanese army, with our weapons, men and blood ... to defend Lebanon." "Hezbollah Will Not Forgive Lebanon Arms Seizure," *Agence France-Presse*, Feb. 16, 2007.

¹¹ "Ashkenazi: IDF May Have to Stop Hezbollah Rearming. Lebanese Army Fires on IAF Planes," *Jerusalem Post*, Feb. 22, 2007.

¹² "Lebanese Army Commander Defends Performance of Military," *Al-Nahar* (Arabic), Feb. 20, 2007, translated by the BBC Monitoring Middle East.

Potential Misuse of U.S. Aid?

One perennial concern for lawmakers regarding U.S. economic aid to Lebanon is the risk of assistance inadvertently falling into the hands of Hezbollah, a U.S. State Department-designated Foreign Terrorist Organization (FTO). USAID, which operates programs in southern Lebanon (a Hezbollah stronghold) claims that it screens its Lebanese partner organizations and subcontractors to ensure that aid is used properly and effectively. Other lawmakers may be concerned over the ability of the Lebanese government to follow through on its reform commitments. Since the end of the Lebanese civil war in 1990, the government has relied on external support and generous credit terms from the international community to fund reconstruction. Congress may examine tying new U.S. assistance to Lebanon to specific implementation of economic reforms, versus tying it to promises by Lebanese officials.

Congressional Action

H.R. 1591, the House Appropriations Committee's FY2007 Emergency Supplemental Appropriations bill, would fully fund the Administration's request for aid to Lebanon; however, it would require the Administration to certify to Congress that before assistance is disbursed, the Lebanese government and Administration have fulfilled certain conditions placed on the assistance. Section 1802 of H.R. 1591 outlines the following requirements tied to the disbursement of FY2007 supplemental assistance to Lebanon:

- "No funds provided in this Act for cash transfer assistance to Lebanon be made available for obligation until the Secretary of State reports to the Committees on Appropriations on the Memorandum of Agreement between the United States and the Government of Lebanon on Lebanon's economic reform plan and the benchmarks upon which cash transfer assistance will be conditioned. The Committee further directs the Secretary to report on the procedures in place to ensure that no funds are provided to any individuals or organizations that have any known links to terrorist organizations including Hezbollah, and mechanisms to monitor the use of the appropriated funds."
- "No military assistance or international narcotics control and law enforcement assistance be made available for obligation until the Secretary of State reports to the Committees on Appropriations on the vetting procedures in place to determine eligibility to participate in U.S. training and assistance programs funded under these accounts."
- "The Committee is concerned that the government of Lebanon has not fully implemented Section 14 of U.N. Security Council Resolution 1701 and is concerned about reports of continuing arms shipments from Syria into Lebanon. Therefore, the Committee

requests a report from the Secretary of State no later than 45 days after enactment of this Act detailing what steps the Government of Lebanon and UNIFIL have taken to implement the actions outlined in the resolution.”

H.R. 1591 also specifies that no less than \$10 million in FY2007 ESF funds be made available for scholarships and direct support of American educational institutions in Lebanon.