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Egypt: Background and U.S. Relations

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Egypt: Background and U.S. Relations

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. U.S.-Egyptian relations are complex and multi-faceted, and this report addresses the following current topics: the Arab-Israeli peace process, Iraq, terrorism, democratization and reform, human rights, trade, and military cooperation. This report will be updated regularly. For more information on Egypt, see CRS Report RS22274, *Egypt: 2005 Presidential and Parliamentary Elections*.

U.S. policy on 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 as a leader and moderating influence in the Middle East, though in recent years, there have been increasing calls for Egypt to democratize.

Congressional views of U.S.-Egyptian relations vary. Some lawmakers view Egypt as stabilizing the region and helping to extend U.S. influence in the most populous Arab country. Others 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.

Among the current issues in U.S.-Egyptian relations are a shared concern about international terrorism. Egypt can claim some experience with the subject, having defeated domestic Islamist terrorists intent on overthrowing the government. As the war on terror continues, the United States relies on Egypt for intelligence cooperation. Egypt provided valuable support during Operation Enduring Freedom in Afghanistan. On the issue of Iraqi reconstruction, Egypt is helping to train Iraqi security forces and has offered to increase its efforts. Egypt and the United States agree on the importance of the Egyptian-Israeli peace treaty and the need to continue current Arab-Israeli peace talks. In support of this process, Egypt has been training Palestinian police and has sent 750 Egyptian soldiers to the Egypt-Gaza border in order to prevent weapons smuggling following Israel's recent withdrawal from Gaza.

The United States and Egypt disagree over the speed and depth of, but not the need for, some of Egypt's economic reforms. The two governments differ on Egypt's need to introduce democratic reforms, and many U.S. officials argue that Egypt is not moving quickly enough toward full democracy or in improving the human rights situation. Others caution that movement toward democracy carries a risk of establishment of an Islamist government.

The United States has provided Egypt with an annual average of over \$2 billion in economic and military foreign assistance since 1979. The United States will reduce Economic Support Funds (ESF) to about \$400 million per year by 2008 in keeping with a plan to reduce aid to both Israel and Egypt. The Administration requested \$455 million in economic grants and \$1.3 billion in military grants for FY2007 for Egypt.

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Egypt: Background and U.S. Relations

Most Recent Developments

On February 1, 2006, Egyptian intelligence chief Omar Suleiman demanded that Hamas should “one, stop the violence. Two, it should become doctrine with them to be committed to all the agreements signed with Israel. Three, they have to recognize Israel ... If Hamas won’t commit to these conditions, Mahmoud Abbas is not obliged to ask them to form a government.”

On January 17, 2006, the *New York Times* reported that the United States had put on hold its intention to announce free trade talks with Egypt. The decision to table such an announcement was reportedly done in protest to the recent sentencing of secular opposition leader Ayman Nour to five years in prison for his alleged fraud in registering his political party. Nour, who placed second in Egypt’s 2005 presidential election, is appealing the decision and remains in prison. In October 2005, Rob Portman, the United States trade representative, told Congress that the Administration was considering negotiating trade agreements with Egypt and three other Middle Eastern countries.

On December 30, 2005, Egyptian riot police used deadly force to disperse a squatter’s camp of Sudanese migrants who had refused to move from outside the office of the United Nations High Commissioner for Refugees until they were relocated. Twenty-seven people, including women and small children, were killed in the ensuing violence. After widespread international condemnation of the refugee’s treatment, Egypt pledged not to deport most of the refugees back to Sudan.

On December 24, 2005, an Egyptian court sentenced 41-year old Ayman Nour to five years in prison after convicting him of forging party registration documents. President Bush has called for Nour’s release and his Administration has stated that Nour’s conviction “calls into question Egypt’s commitment to democracy, freedom and the rule of law.”

On December 6, 2005, U.S. State Department Deputy Spokesman Adam Ereli remarked that “We’ve also seen a number of developments over the past couple weeks during the parliamentary elections that raise serious concerns about the path of political reform in Egypt. Those developments include the arrest of opposition candidates and their supporters. They include clashes between Egyptian security personnel and voters, physical abuse of domestic monitors and journalists, as well as the barring of domestic monitors and in some cases even voters from polling places. Clearly, these actions send the wrong signal about Egypt’s commitment to democracy and freedom, and we see them as inconsistent with the Government of Egypt’s professed commitment to increased political openness and dialogue within Egyptian society.”

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 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

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.

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

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.

Figure 1. Map of Egypt

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

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.

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

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>].

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.

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, the Multi-National Force and Observers (MFO), and still maintains a rotating infantry task force as part of it.⁷

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.

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>].

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. In 2005, Mubarak proposed to alter the constitution to allow for multi-candidate presidential elections. The proposal was approved by parliament and then confirmed without opposition in a nationwide referendum.

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 executive, 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 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 is an advisory body, offering reports and recommendations on important subjects, but the Shura Council does not introduce, consider, or vote on legislation. Overall, analysts consider Egypt's legislative branch to be weak; the ruling party constitutes an overwhelming majority.

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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. One half of the elected members of the People's Assembly and the Shura Council must be farmers and laborers (Art. 87 and Art. 196 of the Constitution). People's

Egypt at a Glance

Population:	77 million (est.)
GDP per Capita:	\$1,100 - \$1,400
Religions:	90% Sunni Muslim 10% Coptic Christian
Literacy Rate:	57% (47% female)
Unemployment Rate:	15-20% (est.)
External Debt: (as % of GDP)	\$33 billion 37.8%

Source: U.S. Central Intelligence Agency World Factbook 2005.

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 Constitution is available at [<http://www.parliament.gov.eg/EPA/en/sections.jsp?typeID=1&levelid=54&parentlevel=6&levelno=2>].

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). Currently, the ruling National Democratic Party (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 74 of the 88 seats contested in the May/June 2001 Shura Council election, with independents winning the other 14 seats. Religious parties, such as the Muslim Brotherhood, are officially banned.

Presidential Succession. Under Egyptian law, if the President should become incapacitated, the Speaker of the People's Assembly becomes the interim President until the People's Assembly can nominate a new President and the name can be submitted to the people in a referendum. A Vice President plays no special role in the transition, but in practice, recent Egyptian Presidents were succeeded by their Vice Presidents. The health of 76-year old President Hosni Mubarak, who has not named a Vice President, has been questioned. Some analysts believe that Egyptian intelligence chief, Omar Suleiman, who has recently been an interlocutor between Palestinians and Israelis, could be a potential successor to Mubarak. Others consider Amr Moussa, the Secretary General of the Arab League, immensely popular with the Egyptian people and a potential rival to President Mubarak. Over the past several years, Mubarak's forty-one year old son, Gamal, increasingly has become involved at the highest levels of the NDP, though President Mubarak has denied rumors that he is grooming his son to succeed him.⁹

The Role of the Military in Egyptian Society. Although military officers no longer play a direct role in the affairs of the civilian-run Egyptian government, the military is the preeminent institution in Egyptian society, and has been called on by successive governments to maintain internal security and regime stability.¹⁰ From an economic standpoint, 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. In response, Egyptian officials and some scholars assert that the large size of Egypt's military is justified based on the services it provides to soldiers and their families. Some estimate that the military trains 12% of young Egyptian males and that Egypt's defense industries employ over 100,000 people.¹¹ The Egyptian military has its own companies, which produce consumer products, pharmaceuticals, and manufactured goods. The Egyptian 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

⁹ "Mubarak: Comments on Son's Succession inaccurate," *Daily Star* (Beirut), May 16, 2005.

¹⁰ In 1986, President Mubarak called on the military to put down riots in Cairo, sparked by the protests of Central Security 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, Iss. 2; pg.269.

fiscal autonomy, asserting that there is little civilian control over the military's budget.

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. 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 ten 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 reformers have become more visible in the party. Many analysts speculate that the NDP is undergoing a generational struggle between an "old guard" linked to tradition and deliberate change and young reformers who want rapid, far-reaching change. Others believe that even if a "new guard" were to gain control of the party, they would make no dramatic departures from previous NDP policies.

The Judiciary. Although Articles 64 and 65 of the Constitution guarantee the independence of the judiciary, the state continues to hold sway over most judges and courts.¹³ However, many analysts consider this branch of government to hold the most potential for exercising greater "checks and balances" on the regime.

Opposition Parties & Movements

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 new 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. The current make-up of the PPC consists of the Shura Council chairman, three former senior judges, and the ministers of interior, parliamentary affairs and justice. In September 2004, NDP officials announced plans to amend the 1977 political parties law by adding three non-partisan public figures to the committee, though its members would still be chosen by the President.

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

¹³ According to Egyptian law #47 (1972), the Egyptian Justice Ministry controls the pay and promotion scales for judges, thereby making many judges hesitant to rule against the government out of concern for their own careers and livelihoods.

Legal Opposition Parties

Most experts regard Egypt's legal opposition parties as divided with limited popular 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. Most recognized opposition parties publish their own newspapers, which frequently criticize the government and often expose human rights abuses. Most parties receive government subsidies and, in some cases, subsidies from foreign interests.

The Al Ghad Party (Tomorrow) & Ayman Nour. Ayman Nour, 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. His case is pending appeal before Egypt's Court of Cassation. Nour's imprisonment is considered a stumbling block in U.S.-Egyptian bilateral relations, though opinions differ on how much of an impact his imprisonment will have over the long term. Until his appeal is resolved, most analysts believe that improvements in the relationship, such as announcing the United States' intention to negotiate a U.S.-Egyptian free trade agreement, will be put on hold. In addition, Nour's imprisonment could bolster efforts to alter Egypt's foreign assistance package. In 2002, the Administration and Congress rejected \$134 million in new economic assistance for Egypt to protest the imprisonment of Saad Eddin Ibrahim. In many ways, Nour's case is a trial balloon for the Administration's larger efforts to promote democracy in the region, and many observers are curious as to how far the Bush Administration will push Egypt on the Nour issue. Experts note that political reform is just one of a number of U.S. policy goals with Egypt and that other priorities, including security cooperation, intelligence-sharing, and promoting peace in the region, could influence U.S.-Egyptian relations.

The Muslim Brotherhood

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.¹⁴ 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.

¹⁴ 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.

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. In the West, 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 Western interests in the region or will transform states into theocracies. On the other hand, some experts believe that if these groups are not brought into the political mainstream, they will eventually resort to violence out of frustration.

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 (associations), including those representing engineers, doctors, lawyers and academics.¹⁵

The Egyptian Movement for Change — *Kefaya* (Enough)

In December 2004, a group of political activists, most of whom are secular in orientation and hail from Egyptian universities, formed the Egyptian Movement for Change, or what has been referred to in Arabic as *Kefaya* (enough), their primary slogan which refers to their opposition to a further term for President Mubarak. Since its formation, the movement has held a number of small demonstrations, and some of the group's members have been detained. In May 2005, female *Kefaya* activists accused Egyptian police officers of sexually assaulting female protesters, which led to widespread condemnation of the government by both secular and Islamic opposition forces. *Kefaya*, which encompasses a mix of opposition groups, boycotted the 2005 presidential election.

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 (NGO), 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.

¹⁵ John Walsh, "Egypt's Muslim Brotherhood," *Harvard International Review*, Cambridge: Winter 2003, vol. 24, iss.4; p.32.

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. 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.¹⁶

Saad al-Din Ibrahim. In 2000, authorities closed the internationally-recognized Egyptian NGO known as the Ibn Khaldun Center for Development Studies and arrested its director, Saad al-Din Ibrahim, a sociology professor at American University of Cairo. Ibrahim, who also holds U.S. citizenship, was arrested for defaming Egypt by describing discrimination against Coptic Christians and for not reporting a foreign donation from the European Union for a voter education project. The international community condemned Ibrahim's detention and conviction, and the United States withheld extra foreign assistance in protest.¹⁷ On March 18, 2003, an Egyptian court acquitted Ibrahim, and he was released. Analysts note that Ibrahim is not a popular figure in Egyptian politics but is respected at home and abroad for his work to promote reform. During the September 2005 presidential election, Ibrahim helped organize election monitors to observe the voting process and report violations.

Current Issues in U.S.-Egyptian Relations

Hammas

With the recent electoral victory of Hamas, Egypt, Israel, and the United States all have a shared interest in attempting to moderate and isolate a Hamas-led Palestinian government and prevent it from further exacerbating conflict in the region. Though Egypt has often tried to steer a neutral course in dealing with the Palestinians, most observers believe that Hamas's rise to prominence poses a number of challenges for Egyptian diplomacy in the region, since the Egyptian government has traditionally been at odds with its own domestic Islamist groups. On February 1,

¹⁶ Human Rights Watch, "Margins of Repression: State Limits on Nongovernmental Organization Activism," July 2005. Available online at [<http://hrw.org/english/docs/2005/07/04/egypt11217.htm>].

¹⁷ In August 2002, the Bush Administration rejected an Egyptian request for economic assistance as part of the FY2002 Supplemental Act (P.L. 107-206) in order to protest the arrest and conviction of Ibrahim. The House Appropriations Committee had already considered and rejected an amendment to the FY2002 supplemental appropriations bill (H.R. 4775) to provide \$134 million in economic assistance for Egypt. The proposed funds for Egypt would have maintained the three-to-two ratio of aid to Israel and Egypt; Israel was slated to receive \$200 million in ESF in the supplemental bill.

2006, Egyptian intelligence chief Omar Suleiman demanded that Hamas should “one, stop the violence. Two, it should become doctrine with them to be committed to all the agreements signed with Israel. Three, they have to recognize Israel ... If Hamas won’t commit to these conditions, Mahmoud Abbas is not obliged to ask them to form a government.”

Arab-Israeli Peace

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.¹⁸ 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 in recent years, such as President Mubarak’s attendance at the funeral for former Israeli Prime Minister Rabin and recent energy cooperation agreements,¹⁹ overall relations remain cool. In 1995, relations were strained when Egypt advocated Israeli signature of the Nuclear Non-Proliferation Treaty. Tensions arose again when Egypt withdrew its ambassador to Tel Aviv in November 2000 to protest Israeli actions against the Palestinians at the start of the latest *intifada*. Prime Minister Ariel Sharon sent two envoys to Cairo shortly after his February 6, 2001 election, reportedly to request the return of the Egyptian ambassador and to seek Egyptian assistance in moderating Arab League reactions to Israeli policies. Egypt announced that it would return its ambassador to Tel Aviv at the February 8, 2005 Palestinian-Israeli summit meeting at Sharm al-Shaykh.

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. In light of the continued stalemate on the peace process, 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. In addition, Egypt’s intelligence chief, Omar Suleiman, has met with Hamas and Palestinian Authority figures in order to secure ceasefire arrangements with Israel. Since the resumption of negotiations in the early 1990s, Egypt has taken the following major actions to support the peace process, among other steps:

¹⁸ Egypt was readmitted to the Arab League in 1989 during a period of renewed international interest in Arab-Israeli peace.

¹⁹ 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. A pipeline from Egypt to Israel is being built.

- Endorsed the Declaration of Principles signed by the PLO and Israel in Washington on September 13, 1993;
- Hosted the September 4, 1999 Sharm al-Shaykh signing of an Israeli-Palestinian agreement for implementing past commitments;
- Hosted the meetings between then Secretary of State Madeleine Albright and Palestine President Arafat at Sharm al-Shaykh on October 4, 2000, and also hosted the Arab League meetings that began on October 21; and
- Hosted the February 8, 2005 meeting between Israeli Prime Minister Sharon and Palestinian President Abbas at Sharm al-Shaykh.

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).²⁰ Most importantly, Egypt is said to have promised not to provide weapons to Palestinian forces in order to allay Israeli concerns that such weapons may be used in terrorist attacks.

After the last Israeli soldiers withdrew, Egyptian border guards began allowing some Gazans to cross the border into Egypt despite Israeli calls for the temporary closing of the border. Reports indicate that there was an initial surge in Palestinians crossing and that Egyptian officials may have been reluctant to enforce a strict closure of the border for fear of sparking a violent confrontation. On October 26, 2005, Israel accepted an Egyptian proposal to reopen the Rafah border crossing between Egypt and the Gaza Strip. Under the terms of the arrangement, the Rafah terminal will be operated under joint Palestinian-Egyptian management, with European inspectors monitoring all entrants. The Rafah terminal will be used for the movement of people only; merchandise will be moved through a new terminal built in Kerem Shalom, Israel on the Israeli-Egyptian-Palestinian border.

Egyptian officials share the opinion of other governments in the region that the unilateral Israeli withdrawal from Gaza should be the first step toward a general withdrawal of all Israeli forces from Palestinian territory. The Egyptians and others point out that Israeli withdrawal is called for in U.N. resolutions, particularly 242, and the recent “Road Map” approach to peace, and that many Israelis also favor

²⁰ For a summary of the Israeli-Egyptian border agreement, see [<http://www.washingtoninstitute.org/templateC05.php?CID=2374>].

withdrawal. Egyptian leaders believe that the United States should be less inclined to accept and support Israeli positions and more inclined to support what they view as an even handed approach that will ensure Palestinian rights. Egyptians also point out that the Road Map calls for Israel to stop building and expanding settlements in the occupied territories, and argue that the United States should be more forceful in compelling Israel to meet those commitments.

Depiction of Israel and Jews in the Egyptian Media. Egypt, like other Arab states, has received much criticism for allowing state-owned media outlets to publish unsubstantiated conspiratorial theories regarding Israel and the Jewish people, which likely contribute to detrimental or negative views of Israel by the Egyptian people. Although some Egyptian intellectuals have called for an end to anti-Israeli incitement, Egyptian publications continue to publish stories that perpetuate allegations of Jewish involvement in blood libels, deny the existence of the Holocaust, and portray anti-Semitic publications, such as the Protocols of the Elders of Zion, as truth.²¹ U.S. officials and Members of Congress have urged the Egyptian government to speak out against anti-Semitism in media and society. Egyptian officials claim that they do not control the “free press.”

Iraq

Egyptian Position on the 2003 Iraq War. The Egyptian public’s opposition to the Iraq war precluded the government from publicly supporting the United States. Egypt advised against the March 2003 U.S. intervention in Iraq and continues to question an extended presence of U.S. forces there. In response to U.S. efforts to secure Arab participation in stabilizing Iraq, Egypt informed the United States that it would not participate in any international security arrangements involving force deployments in Iraq unless they were under United Nations auspices.²² In the past, Egypt did cooperate with U.S.-led international military and peacekeeping operations, such as the 1991 Kuwaiti liberation, Operation Restore Hope in Somalia, Afghanistan,²³ and the Balkans. Egypt has allowed U.S. overflights and waived the 30-day prior notification to pass nuclear-armed U.S. warships through the Suez canal. At a June 2005 conference on Iraq reconstruction, Iraqi Foreign Minister Hoshyar Zebari announced that Egypt and Jordan were the first Arab countries sending ambassadors to Iraq. In July 2005, Egypt’s top diplomat in Iraq was kidnapped by terrorists and executed several days later.

Training Iraqi Security Forces. Egypt has been active in helping to train Iraq’s new security forces, and some U.S. lawmakers have demanded that the

²¹ For a report on instances of anti-Semitism in Egypt, see the Anti-Defamation League’s website at [http://www.adl.org/main_Arab_World/default.htm].

²² “Friction Over Egypt’s Role in Regional Issues Strains Relations With U.S.,” *Washington Post*, May 25, 2003.

²³ In helping to rebuild Afghanistan, Egypt built a field hospital at Bagram Air Base. It has declined to send peacekeeping forces there.

Administration further utilize Egypt's offer of assistance.²⁴ In late 2004, an Iraqi infantry company was invited to Egypt to participate in a joint training program with the Egyptian army. According to the Egyptian government, 134 soldiers from Iraq's 5th Infantry Division trained alongside Egypt's 3rd Infantry Division at the Mubarak Military City in northern Egypt. No plans for future joint Iraqi-Egyptian training exercises have been announced, although Egyptian officials have expressed their willingness to expand their training program for Iraqi military officers.²⁵

Terrorism

Egyptian security forces have long been engaged in their own war on terror against several radical Islamic groups, that have called for the violent overthrow of Egypt's secular government and its replacement with an Islamic state. Two radical offshoots of the aforementioned Muslim Brotherhood, the Jamaah Islamiya (Islamic Group) and Al Jihad,²⁶ have been responsible for several attacks on high-ranking Egyptian officials, including Al Jihad's 1981 assassination of President Anwar Sadat and Jamaah Islamiya's 1990 killing of the speaker of the Egyptian People's Assembly. Both groups also have attacked tourist sites popular with Western visitors, bombed Coptic Christian churches, and attacked Egyptian banks and other centers of commerce. The Islamic Group also has a nonviolent arm which recruits and builds support openly in poor neighborhoods in Cairo, Alexandria, and throughout southern Egypt, and runs social service programs. Al Jihad has operated only clandestinely, focusing almost exclusively on assassinations.

1992 - 1997 Terror Campaign. Jamaah Islamiya began a terror campaign in 1992 that in six years resulted in 1,300 deaths (90 of whom were foreign tourists) and several thousand injuries. The group also assassinated several Egyptian officials. The government responded with an all-out campaign that included what some viewed as harsh measures that abused human rights. Egyptian authorities used arrest, search, and seizure without warrant, detention without trial, conviction without appeal, and, according to some, physical torture in their drive to stop the Jamaah terrorists. Some Egyptians defend the use of such measures as necessary to eliminate terrorists and stop terrorism from threatening an even larger segment of the Egyptian populace. President Mubarak and other Egyptian officials claimed that the extremists were financed, trained, and directed by Iranian and Sudanese religious militants and returning Egyptian volunteers from the Soviet-Afghan war.

²⁴ "Mubarak insists Palestinian, Iraqi Solutions Linked," *Washington Times*, April 14, 2004.

²⁵ See CRS Report RL32105, *Post-War Iraq: Foreign Contributions to Training, Peacekeeping, and Reconstruction*, by Jeremy M. Sharp and Christopher M. Blanchard.

²⁶ Over a period of three decades following the 1952 revolution, there were a number of defections from the Muslim Brotherhood, which had chosen to work within the Egyptian political system after being crushed by former President Nasser. In the early 1970's, radicals broke away from the Brotherhood and formed Jamaah Islamiya (Islamic Group) and Al Jihad.

Jamaah leaders inside Egypt announced in 1997 and again in 1998 that they were ending the armed attacks.²⁷ In the interim, six men claiming to be Jamaah members attacked tourists at the Hatshepsut tomb near Luxor in southern Egypt in November 1997, killing 58 foreign tourists and four Egyptians before committing suicide. Previously, Jamaah members involved in terror attacks tried to escape and did not commit suicide, which led to some speculation that the Luxor attack was the desperate act of a few members rather than an action of the whole group. There have been no major incidents involving Jamaah since the Luxor attack and in June 2000, Jamaah leaders inside Egypt repeated their claim that they had abandoned violence and terrorism. Some observers suggest that harsh and persistent police pressure has greatly reduced if not eliminated the Jamaah threat to Egypt.

Recent Terrorist Activity in Egypt. Over the past two years, there has been a resumption of terrorist activity in Egypt, in what some suggest could be a revival of earlier, more violent periods.

- In October 2004, bombs exploded at two major resorts that cater to Israelis and other Western tourists in the Sinai peninsula, 34 people were killed and over 120 were wounded in the attack.
- On April 7, 2005, an explosion in the Khan al-Khalili market area of Cairo killed three, including one U.S. citizen. A group called the al-Ezz Islamic Brigade claimed responsibility for the attack.
- On April 30, 2005, a man exploded a suicide bomb near the Egyptian museum while being pursued by police, wounding seven; and two women, the fiancé and sister of the suicide bomber, fired at a tourist bus before committing suicide. No one was injured in the bus attack. Two groups claimed responsibility for the attacks, but neither claim was confirmed.
- On July 23, 2005, two car bombs and a set of explosives concealed in a backpack exploded at various tourist destinations in the Egyptian resort town of Sharm al-Shaykh. As many as 88 people, including one American, were killed in the blasts. Investigations into the attacks have focused on the possible link to a local terrorist cell who may have committed the October 2004 bombings.

Egypt has suffered through a new wave of attacks emanating from previously unknown groups in the Sinai Peninsula. One group calling itself the Abdullah Azzam Brigades, named after a mentor of Al Qaeda leader Osama bin Laden, claimed responsibility for the October 2004 bombs attacks in Taba and the July 2005 attack in the Egyptian resort town of Sharm al-Shaykh. After each attack, Egyptian

²⁷ Experts note that Jamaah and Al Jihad members who fled Egypt never renounced the use of violence against the Egyptian government, as both groups ultimately merged with Al Qaeda. Ayman Al-Zawahiri, the leader of Al Jihad, has long been known as Al Qaeda's "second-in-command" to Osama bin Laden. See "Jihad Militant Leader Calls for Change to Nonviolence," *Dow Jones Newswires*, February 6, 2000.

authorities identified some of the perpetrators as members of local Bedouin tribes.²⁸ Egyptian security forces have launched several operations in the Sinai and have arrested hundreds of Bedouin suspects, leading some to speculate that police heavy-handedness may be further exacerbating tensions between Bedouin and the state.

On September 29, 2005, Egyptian police killed two men from Al Arish who were involved in the explosions at Sharm al-Shaykh in July 2005. One of the men, Khalid Mus'ad Salim (age 33), was identified as the mastermind of the terrorist cell that committed the bombings. Salim had been a dentist in Al Arish before fleeing to a mountainous region in the Sinai peninsula.

The extent of outside involvement in the recent wave of terrorism in Egypt is still uncertain. Israeli officials have suggested that Al Qaeda or another international group operating in the Sinai may have supported the Bedouin operatives. However, other observers discount the possibility of outside involvement and believe that the Bedouin, who have historically kept their distance from the state, have grown frustrated with poor living conditions in the Sinai and sought revenge for the mass detentions that followed the October 2004 bombings.

Political and Economic Reform in Egypt

Overview. Although there have been no fundamental political changes in Egypt for decades, recent developments and ongoing trends have led to increasing pressure on the government to reform and have called into question the durability of one-party rule in Egypt. Many analysts attribute this opening to the continued speculation over the health of 76-year old President Hosni Mubarak, recent parliamentary and presidential elections, popular dissatisfaction with the Mubarak regime, the government crackdown on militant Islamist groups over the past decade, and recent local and international calls for democratization in the Middle East. Some observers caution that the Egyptian ruling elite, which has embarked on its own program of economic reform, has a more limited vision for political liberalization than members of the opposition and many in the international community.

For a complete overview of the recent presidential and parliamentary elections and their implications for U.S. policy toward Egypt and U.S. efforts to promote democracy in the region, see CRS Report RS22274, *Egypt: 2005 Presidential and Parliamentary Elections*, by Jeremy M. Sharp.

U.S. Policy to Promote Reform in Egypt . Although the United States has long advocated the promotion of human rights and political freedom in Egypt, most experts agree that, prior to the terrorist attacks of September 11, 2001, economic

²⁸ On August 1, 2005, Egyptian police killed Mohamed Saleh Flayfil, a Bedouin and suspect in the Sharm al-Shaykh bombings, during a shootout in his mountain hide-out 17 miles east of the Cairo-Suez highway. Police had been searching for Flayfil, 30, who also was wanted for bomb attacks last year at the Taba resorts in the Sinai. His brother, Suleiman Flayfil, was one of the Taba attackers who reportedly died in one of the explosions when he detonated his charges prematurely. The brothers were reportedly part of an extremist cell based in the Sinai town of El Arish.

reform superseded political reform in the West's relations with Egypt. However, with the recent push for democracy in the Middle East seen as a counterweight to Islamic militancy and intellectual and social stagnation, U.S. policy regarding Egypt has been reinvigorated, as policymakers seek to balance U.S. security interests with U.S. democracy promotion policies.

Through annual foreign operations and State Department appropriations legislation, Congress provides funding for reform in Egypt through the following programs: the United States Agency for International Development's (USAID) Egypt Office;²⁹ the Middle East Partnership Initiative (MEPI), a State Department program designed to encourage reform in Arab countries by strengthening Arab civil society, encouraging micro-enterprise, expanding political participation, and promoting women's rights;³⁰ the State Department's Human Rights and Democracy Fund (HRDF), an account that funds human rights promotion in Muslim-majority countries; and the National Endowment for Democracy's (NED) Muslim Democracy Program.

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. Nevertheless, observers agree that President Bush's statements in support of democratic reform have prompted Egypt to pay more attention to the issue and, in some cases, take new steps toward reform. On June 20, 2005, in a speech delivered at the American University in Cairo, Secretary of State Condoleezza Rice remarked:

Now, here in Cairo, President Mubarak's decision to amend the country's constitution and hold multiparty elections is encouraging. President Mubarak has unlocked the door for change. Now, the Egyptian Government must put its faith in its own people. We are all concerned for the future of Egypt's reforms when peaceful supporters of democracy — men and women — are not free from violence. The day must come when the rule of law replaces emergency decrees — and when the independent judiciary replaces arbitrary justice. The Egyptian Government must fulfill the promise it has made to its people — and to the entire world — by giving its citizens the freedom to choose. Egypt's elections, including the Parliamentary elections, must meet objective standards that define every free election. Opposition groups must be free to assemble, and to participate, and to speak to the media. Voting should occur without violence or intimidation. And international election monitors and observers must have unrestricted access to do their jobs.³¹

²⁹ For a list of USAID's democracy and good governance programs in Egypt, see the USAID website at [<http://www.usaid-eg.org/>].

³⁰ It was recently reported that, for the first time, MEPI has issued several small grants to political activists and human rights organizations in Egypt. See "Tentative Steps: Democracy Drive By America Meets Reality in Egypt," *Wall Street Journal*, April 11, 2005.

³¹ "Remarks at the American University in Cairo, Secretary of State Condoleezza Rice, June 20, 2005. The full text of the speech is available at [<http://www.state.gov/secretary/rm/2005/48328.htm>].

Congress also seeks to ensure that U.S. foreign assistance for Egypt is being appropriately used to promote reform. In conference report 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.”³²

Economic Reform. As a developing country with the largest population (and the second largest economy) 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 over 2 million 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 Egyptian government, income inequality, and hardships for the Egyptian people.³³

In order to increase foreign investment and qualify for development loans from international lending institutions, Egypt has had to demonstrate that it is making tangible progress in liberalizing its economy. In recent years, the government has reduced public subsidies for basic foodstuffs, privatized many state-owned corporations, and removed trade barriers.³⁴ Although analysts remain cautious as to what effect reforms may have on the economy, the government has recently streamlined the tax system, canceled many customs duties, and forced smaller banks to merge with the country’s four largest banks.

Corruption. Egypt, like other developing nations, has struggled to overcome high levels of corruption, which many analysts consider the biggest obstacle to achieving economic growth. Corruption in Egypt is found in all sectors of the government as, in recent years, a number of high level officials (including several former ministers) has been indicted for fraud and influence peddling. Moreover, Egypt’s bloated, cumbersome bureaucracy is infamous for making bribery a common practice, as poorly-paid government workers seek additional money and citizens seek

³² Conference report (H.Rept. 108-792) to accompany H.R. 4818, November 20, 2004.

³³ 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>].

³⁴ In 1977, there were mass demonstrations throughout Egypt following the government’s 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.

ways to circumvent the maze of public regulations and overlapping agencies. Some analysts believe that the corruption issue enhances the popularity of the Muslim Brotherhood, which frequently invokes Islam to rally against the moral corruption in society. The Egyptian press also has been active in exposing corruption scandals.

U.S.-Egyptian Trade

Trade Overview. The United States is Egypt's largest bilateral trading partner, while Egypt is the United States' 55th largest trading partner.³⁵ According to the Department of Commerce's 2004 Country Commercial Guide for Egypt, Egypt is the largest single market worldwide for American wheat and is a significant importer of other agricultural commodities, machinery, and equipment.³⁶ The United States also is the second largest foreign investor in Egypt, primarily in the oil and gas sector.

Table 1. U.S.-Egyptian Trade Statistics 2004

Selected Commodities	\$ Amount (Estimated)
U.S. Exports to Egypt	(\$3.1 billion total in 2004)
Cereals	\$808 million
Machinery	\$514 million
Aircraft	\$350 million
Vehicles	\$229 million
U.S. Imports from Egypt	(\$1.3 billion total in 2004)
Apparel	\$422 million
Mineral Fuel, Oil	\$262 million
Iron & Steel	\$254 million

Source: Trade Stat Express, U.S. Department of Commerce

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. 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

³⁵ The European Union is Egypt's largest multilateral trading partner.

³⁶ U.S. Department of Commerce, *Egypt Country Commercial Guide FY2004*, October 2003.

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.

Qualified 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 11.7% input from Israel. On November 1, 2005, the USTR designated a new Qualified Industrial Zone (QIZ) in the central Nile delta region, bringing the total number of QIZs in Egypt to four.

Human Rights, Religious Freedom, and Women's Rights

Egypt consistently ranks poorly in its human rights record, as the U.S. State Department and international human rights organizations have long documented instances of torture, arbitrary detainment, and discrimination against women, homosexuals, and Coptic Christians. According to Human Rights Watch, Egyptian security forces and police routinely torture and mistreat detainees, particularly during interrogations. The government has long restricted freedom of assembly, though recent opposition protests have been permitted and, in some cases, police were absent from public demonstrations. The government also restricts free speech, as many newspapers are partially government-owned and tend to follow the government line.³⁸ However, Arab satellite televisions, like Al Jazeera and others, have challenged Egyptian state-owned media by broadcasting, among other programs, opposition demonstrations and interviews with Muslim Brotherhood members.

The 1981 Emergency Laws. After Islamic militants assassinated former President Anwar Sadat in 1981, officials reinstated a set of laws granting the state and security forces sweeping powers in order to curb the outbreak of further violence. Over time, these laws, which were extended for three years in February 2003, have come under heavy scrutiny from reformers and human rights advocates for their arbitrary application to non-security cases. According to the 2004 State Department Report on Human Rights Practices in Egypt, the Emergency Laws:

- authorize incommunicado detention for prolonged periods,
- restrict or deny access to counsel for detainees in state security facilities,
- permit the state to refer any criminal case to the Emergency Courts, in which the accused does not receive most of the constitutional protections of the civilian judicial system,
- suspend the constitutional provisions regarding the right to privacy.

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.³⁹ 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

³⁸ Some Egyptian government-owned newspapers will voice anti-government opinions.

³⁹ Egypt's Minister of Finance, Yusef Boutros-Ghali, hails from a prominent Christian family.

Baha'is, 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.

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. For example, according to the U.S. State Department's 2004 Human Rights Report on Egypt, female genital mutilation (FGM) remained a serious problem due to widespread cultural acceptance, despite the government's attempts to eliminate the practice.⁴⁰ 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.⁴¹ 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.

Military Cooperation

"Bright Star" and other Joint Military Operations. The United States and Egypt conducted the first "Bright Star" joint military exercise in August 1983, and continue to hold periodic "Bright Star" exercises for infantry, airborne, artillery, and armored forces. The 1983 Bright Star was more than a training exercise: President Mubarak asked the United States to send Airborne Warning and Control System aircraft (AWACS) to monitor Libya's activity toward Sudan in February 1983. President Reagan sent AWACS planes and crews to monitor Libyan flights and the AWACS remained to take part in the first Bright Star. AWACS returned to Egypt in March-April 1984 to monitor Libyan flights toward Sudan after an incident in which a Libyan plane allegedly bombed Khartoum. On August 11, 2003, the United States announced that it was canceling the October 2003 Bright Star exercise because U.S. armed forces were over-committed in Afghanistan, Iraq, and other areas.

Bright Star exercises are currently underway with over 9,000 U.S. troops reportedly participating.

"Desert Storm". In the week prior to the August 2, 1990, Iraqi invasion of Kuwait, President Mubarak traveled to Iraq, Kuwait, and Saudi Arabia in an attempt to negotiate a peaceful end to the crisis. After the invasion, Mubarak advised President Bush to withhold sending armed forces to allow Egypt more time to work out a peaceful resolution. On August 7, when the United States announced that it was deploying troops to Saudi Arabia, Mubarak denied a U.S. request to allow U.S.

⁴⁰ According to the report, an estimated 97% of Egyptian women who have ever been married had undergone FGM. See U.S. State Department, Country Report on Human Rights Practices: Egypt, February 2005. Available at [<http://www.state.gov/g/drl/rls/hrrpt/2004/41720.htm>].

⁴¹ 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/>].

forces use of Egyptian military bases on their way to the Arabian Peninsula so that he would have time to negotiate (he later granted the request). Mubarak and other Egyptian officials continued their peacemaking efforts in the Arab League, the Organization of the Islamic Conference (OIC), and through personal contacts and visits with Arab leaders. On August 10, Egypt voted for an Arab League resolution to send armed forces to defend Saudi Arabia against a possible Iraqi invasion. The first contingent of Egyptian troops, a commando unit and a paratrooper unit, joined U.S. forces along the Saudi-Kuwaiti border the next day, on August 11. Egypt stated that its forces would assist in liberating Kuwait but would not attack or occupy Iraq. In February 1991, an Egyptian reinforced infantry division of some 30,000 troops took part in Desert Storm, advancing into western Kuwait in a corridor between U.S. Marines to the east and U.S. Army forces to the west in Iraq. Egypt suffered 9 killed and 74 wounded in action in Desert Storm.⁴²

Egyptian and U.S. military officers state that cooperation in Bright Star exercises facilitated the U.S.-Egyptian cooperation and military compatibility in Desert Storm, and Egyptian officers claim that Bright Star and Desert Storm serve as precedents for future U.S.-Egyptian cooperative ventures. Moreover, Egyptian participation in Desert Storm provided benefit to the U.S.-led operation in that it helped broaden the allied coalition that liberated Kuwait. Later, Egyptian troops served as peacekeeping forces in Somalia and Yugoslavia.

Intelligence Cooperation. Although it is difficult to discern the extent of U.S.-Egyptian intelligence cooperation, there is a sense among many U.S. security officials that Egypt's long struggle against domestic Islamic radicals has made it a valuable partner in the global war on terrorism. Since the September 11, 2001 terrorist attacks, there have been several reports suggesting that 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.⁴³ In May, Egyptian Prime Minister Ahmed Nazif said the United States has dispatched 60 to 70 Egyptian detainees to their home country since the September 11 attacks.⁴⁴ More recently, an Italian prosecutor has asked a judge to issue arrest warrants for 13 Americans accused of kidnaping an Egyptian cleric off the streets of Milan and bringing him to Egypt in 2003. The cleric reportedly has been held in prison for more than two years

⁴² On September 14, 1990, then President George H.W. Bush asked Congress to transfer Egypt's \$6.7 billion military debt from the Federal Financing Bank of the Treasury Department to the Department of Defense, and to cancel the debt. President Bush was rewarding Egypt for cooperating with the Desert Shield operations against the Iraqi invasion of Kuwait and was relieving Egypt of part of its debt repayment burden. Section 592 of P.L. 101-513, signed into law on November 5, 1990, provided for canceling Egypt's military debt to the United States.

⁴³ This practice is known as "extraordinary rendition." "US ships Al Qaeda Suspects to Arab States," *Christian Science Monitor*, July 26, 2002.

⁴⁴ "Abductee Still Jailed, Lawyer Says; Egyptian Cleric Was Seized in Milan in Alleged CIA Action," *Washington Post*, July 21, 2005.

without formal charges, though Egyptian officials have accused him of having ties to Jamaah Islamiya.⁴⁵

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 over \$2 billion in economic and military aid. Congress typically earmarks foreign assistance for Egypt in the foreign operations appropriations bill. The annual earmark has included a statement that Egypt should undertake further economic reforms in addition to reforms taken in previous years.

Economic Aid

Annual bilateral economic assistance to Egypt is typically provided in three different ways: (1) as a direct cash transfer to the Egyptian government; (2) as part of the Commodity Import Program, which provides hard currency to the Egyptian private sector to purchase U.S. agricultural goods; and (3) 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.

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 \$455 million in ESF for the FY2007 request.⁴⁶

Military Aid

The Administration has requested \$1.3 billion in Foreign Military Financing (FMF) for Egypt in FY2007 — the same amount as in FY2006. Almost all of Egypt's FMF is committed to payments on a \$3.2 billion arms agreement with the United States, through which Egypt purchased 24 F-16 aircraft, 200 M-1 tanks, and a Patriot missile battery. Egypt also receives excess defense articles worth hundreds of millions of dollars annually from the Pentagon.

⁴⁵ Ibid.

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 could be used to cover the costs of up to \$2 billion in loan guarantees. The loan guarantees are to be issued over three years.

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. Israel has protested U.S. sales of certain military technologies to Egypt; 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 sales to Egypt. Recent sales include one reported on July 29, 2005, when the Defense Security Cooperation Agency notified Congress of a possible Foreign Military Sale to Egypt of 200 M109A5 155mm self-propelled howitzers as well as associated equipment and services. The total value, if all options are exercised, could be as high as \$181 million.

FY2006 Foreign Operations Appropriations Bill

The conference report (H.Rept. 109-265) on H.R. 3057, the FY2006 Foreign Operations Appropriations Bill, provides the full request for Egypt (\$495 million in ESF, \$1.43 billion in FMF); however, it designates \$100 million in economic aid for USAID education and democracy and governance programming and conditions another \$227.6 million on economic reform benchmarks set out in a March 2005 memorandum of understanding between the United States and Egypt. In addition, conferees stated that "not less than 50 percent of the funds for democracy, governance and human rights be provided through non-governmental organizations for the purpose of strengthening Egyptian civil society organizations, enhancing their participation in the political process and their ability to promote and monitor human rights."⁴⁷ Finally, conferees did not include a Senate provision conditioning U.S. assistance to Egypt on the construction of an FM transmitter tower for Radio Sawa.

U.S. Assistance to Egypt: Possible Changes

Some lawmakers believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements should be renegotiated to include benchmarks that Egypt would need to meet to continue to qualify for U.S. foreign aid. Others have periodically called for restrictions on U.S. aid to Egypt based on the allegations that Egypt indirectly supports Palestinian terrorism, suppresses its own population, including minority

⁴⁷ Conference report (H.Rept. 109-265) on H.R. 3057, Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006, November 2, 2005.

Christians, and continues to allow Egyptian state-owned media outlets to publish unsubstantiated conspiratorial theories regarding Israel and the Jewish people.

The Administration and Egyptian government assert that reducing Egypt's military aid would undercut peace between Israel and Egypt. Overall, many U.S. observers believe that U.S. support for Egypt stabilizes the region and extends U.S. influence in the most populous Arab country. Supporters of continued U.S. assistance note that Egypt helps train Iraqi and Palestinian security forces, cooperates with the U.S. military, and will be helping to patrol the Egyptian-Gaza border after Israel's withdrawal.

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. More recently, 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 reduce U.S. military assistance to Egypt by \$240 million over the next three fiscal years, while using the same amount of funds to promote economic changes, fight poverty, and improve education in Egypt. There is no companion provision in the Senate's Foreign Relations Authorization bill (S. 600). Section 535 of H.R. 2601 would establish a number of requirements Egypt would have to meet in order to continue receiving U.S. economic assistance. It also would make cash flow financing benefits available only for projects focused on economic reform, education, and poverty reduction rather than for military purchases. Finally, H.R. 2601 would transfer any interest earned from amounts in an interest bearing account for Egypt's FMF to the Middle East Partnership Initiative (MEPI) for reform-oriented programming in Egypt.

Table 2. Recent U.S. Aid to Egypt
(millions of dollars)

Year	Economic	Military	IMET	Total
1948-1997	23,288.6	22353.5	27.3	45669.4
1998	815.0	1300	1	2,116.0
1999	775.0	1,300.0	1	2,076.0
2000	727.3	1,300.0	1	2,028.3
2001	695.0	1,300.0	1	1996
2002	655.0	1,300.0	1.0	1,956.0
2003	911	1300	1.2	2212.2
2004	571.6	1292.3	1.4	1865.3
2005	530.7	1289.6	1.2	1821.5
Total	28969.2	32735.4	36.1	61740.7

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

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
1946	9.6	—	—	—	9.3 Surplus 0.3 UNWRA
1948	1.4	—	—	—	1.4 Surplus
1951	0.1	—	—	—	0.1 Tech Asst
1952	1.2	—	—	—	—
1953	12.9	—	—	—	—
1954	4	—	—	—	—
1955	66.3	—	—	—	—
1956	33.3	—	—	—	—
1957	1	—	—	—	—
1958	0.6	—	—	—	—
1959	44.8	—	—	—	—
1960	65.9	—	—	—	—
1961	73.5	—	—	—	—
1962	200.5	—	—	—	—
1963	146.7	—	—	—	—
1964	95.5	—	—	—	—
1965	97.6	—	—	—	—
1966	27.6	—	—	—	—
1967	12.6	—	—	—	—
1972	1.5	—	—	—	—
1973	0.8	—	—	—	—
1974	21.3	—	—	—	—
1975	370.1	—	—	—	—
1976	464.3	—	—	—	—
TQ	552.5	—	—	—	—
1977	907.8	—	—	—	—
1978	943.2	—	—	0.2	0.1 Narc.
1979	2588.5	1500	—	0.4	—
1980	1167.3	—	—	0.8	—
1981	1681.2	550	—	0.8	—
1982	1967.3	700	200	2.4	—
1983	2332	900	425	1.9	—
1984	2470.8	900	465	1.7	—
1985	2468.7	—	1175	1.7	—
1986	2539.1	—	1244.1	1.7	—
1987	2317	—	1300	1.8	—
1988	2174.9	—	1300	1.5	—
1989	2269.6	—	1300	1.5	—
1990	2397.4	—	1294.4	1.6	—
1991	2300.2	—	1300	1.9	—
1992	2235.1	—	1300	1.8	—
1993	2052.9	—	1300	1.8	—
1994	1868.6	—	1300	0.8	—
1995	2414.5	—	1300	1	—
1996	2116.6	—	1300	1	—
1997P	2116	—	1300	1	—
Total	45669.4	4550	17803.5	27.3.0	11.2

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Year	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1946	—	—	—	—	—	—
1948	—	—	—	—	—	—
1951	—	—	—	—	—	—
1952	—	0.4	—	—	—	0.8
1953	—	12.9	—	—	—	—
1954	—	3.3	—	—	—	0.7
1955	7.5	35.3	—	—	—	23.5
1956	—	2.6	—	—	13.2	17.5
1957	—	0.7	—	—	—	0.3
1958	—	0	—	—	—	0.6
1959	—	2	—	—	33.9	8.9
1960	15.4	5.7	—	—	36.6	8.2
1961	—	2.3	—	—	48.6	22.6
1962	20	2.2	20	—	114	44.3
1963	36.3	2.3	10	—	78.5	19.6
1964	—	1.4	—	—	85.2	8.9
1965	—	2.3	—	—	84.9	10.4
1966	—	1.5	—	—	16.4	9.7
1967	—	0.8	—	—	—	11.8
1972	1.5	—	—	—	—	—
1973	—	—	—	—	—	0.8
1974	—	—	—	8.5	9.5	3.3
1975	—	—	194.3	58.5	104.5	12.8
1976	—	5.4	150	102.8	201.7	4.4
TQ	—	—	429	107.8	14.6	1.1
1977	—	—	600	99.2	196.8	11.7
1978	—	—	617.4	133.3	179.7	12.5
1979	—	—	250	585	230.7	22.4
1980	—	—	280	585	285.3	16.1
1981	—	—	70	759	272.5	28.9
1982	—	—	—	771	262	31.9
1983	—	—	—	750	238.3	16.8
1984	—	—	—	852.9	237.5	13.7
1985	—	—	—	1065.1	213.8	13.2
1986	—	—	—	1069.2	217.5	6.6
1987	—	—	—	819.7	191.7	3.9
1988	—	—	—	717.8	153	2.6
1989	—	1.5	—	815	150.5	1.2
1990	—	—	—	898.4	203	—
1991	—	—	—	780.8	165	52.5
1992	—	—	—	892.9	40.4	—
1993	—	—	—	747.0	—	4.1
1994	—	—	—	561.6	35	6.2
1995	—	0.2	—	1113.3	—	—
1996	—	—	—	815	—	0.6
1997P	—	—	—	815	—	—
Total	80.7	82.8	2620.7	15923.8	4,114.3	455.1

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