



# Egypt: Background and U.S. Relations

**Jeremy M. Sharp**  
Specialist in Middle Eastern Affairs

February 26, 2013

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

RL33003

## Summary

This report provides a brief overview of the key issues for Congress related to Egypt and information on U.S. foreign aid to Egypt. The United States has provided significant military and economic assistance to Egypt since the late 1970s. U.S. policy makers have routinely justified aid to Egypt as an investment in regional stability, built primarily on long-running military cooperation and on sustaining the March 1979 Egyptian-Israeli peace treaty. Successive U.S. Administrations have viewed Egypt's government as generally influencing developments in the Middle East in line with U.S. interests. U.S. policy makers are now grappling with complex questions about the future of U.S.-Egypt relations, and these debates and events in Egypt are shaping consideration of appropriations and authorization legislation in the 113<sup>th</sup> Congress.

For Obama Administration officials and the U.S. military, there is a clear desire to engage Egyptian President Muhammad Morsi's new government on a host of issues, including immediate economic support and Sinai security. For others, opportunities for renewed diplomacy may be overshadowed by disruptive political trends that have been unleashed by the so-called Arab awakening and allowed for more expression of anti-Americanism, radical Islamist politics, antipathy toward Israel, and sectarianism, among others.

For FY2013, President Obama is requesting \$1.55 billion in total bilateral aid to Egypt (\$1.3 billion in military aid and \$250 million in economic aid). The aid levels requested are unchanged from FY2012 appropriations. Under the Continuing Appropriations Resolution, FY2013 (H.J.Res. 117, P.L. 112-175), approved by Congress in September 2012, regular aid accounts (ESF, FMF, etc.) are funded at the same level as in FY2012 (P.L. 112-74) plus .612%. Conditions placed on appropriations in the FY2012 bill apply to FY2013 CR funds unless otherwise noted.

## Contents

Overview.....	1
Political Outlook.....	2
Economy.....	4
Egypt and the International Monetary Fund.....	4
Relations with Israel.....	5
U.S.-Egyptian Relations.....	6
U.S. Foreign Aid to Egypt.....	7
Military Aid.....	8
Economic Aid.....	10
U.S. Foreign Aid to Egypt since the February 2011 Revolution.....	12
Recent Legislation.....	14
The Consolidated Appropriations Act, FY2012.....	14
FY2013 State and Foreign Operations Appropriations Bills.....	15
Legislation in the 113 <sup>th</sup> Congress.....	16

## Figures

Figure 1. Map of Egypt.....	6
-----------------------------	---

## Tables

Table 1. U.S. Assistance to Egypt, FY2010-FY2013 Request.....	9
Table 2. Top 10 recipients of U.S. Foreign Assistance, FY2012 and FY2013 Req.....	17
Table 3. U.S. Foreign Assistance to Egypt.....	18
Table 4. U.S. Foreign Assistance to Egypt, 1946-1997.....	19

## Contacts

Author Contact Information.....	22
---------------------------------	----

## Overview

Two years after the resignation of former President Hosni Mubarak, Egypt is fraught with a polarized political culture and a contracting economy that, if not stabilized, could spark greater public unrest. The Muslim Brotherhood and the military are the two dominant actors, with the former gradually consolidating power in all branches of government and the latter retaining a large measure of control over national security and some foreign policy decision-making.<sup>1</sup> Although President Muhammad Morsi may perceive his growing control over the state<sup>2</sup> as necessary for stability, his opponents perceive a power grab, as the Morsi Administration has faced a recent public backlash from urban middle class residents in Cairo<sup>3</sup> and citizens of the canal cities of Port Said, Ismailia, and Suez.<sup>4</sup>

Egyptians are divided on questions pertaining to the role of religion in public life and the degree of state involvement in the economy, among other issues. Generally speaking, voters identify with various movements, including the Muslim Brotherhood, Salafist parties, former members of the previous ruling and now-outlawed National Democratic Party (NDP), Leftists (or Nasserists), and

---

<sup>1</sup> This arrangement was formalized in President Morsi's August 2012 constitutional declaration, which was issued after Sinai-based militants killed 16 Egyptian soldiers in an incident which damaged the prestige of the military. As a result of that incident, President Morsi "dismissed" 77-year-old Defense Minister Field Marshal Mohamed Hussein Tantawi and other officers, though many experts believe that, behind-the-scenes, younger officers forced Tantawi and others into retirement, desiring a less public military role in governance. In exchange for its relinquishing most executive authority, the military most likely sought the Muslim Brotherhood's guarantee that it would constitutionally enshrine autonomy for the military and protection from civilian oversight on key traditional prerogatives. Egypt's new constitution, approved by referendum in December 2012, does precisely that: it allows the military to choose the defense minister; creates three different "councils" (National Security Council, Supreme Council of the Armed Forces, and National Defense Council) that are comprised of a majority of military officers and have ultimate authority over the defense budget; and continues the practice of allowing civilians to be tried by military courts, though only in cases where the "crimes are susceptible to harm the armed forces."

<sup>2</sup> In general, many Egyptians and some in the international community have bemoaned what they perceive to be a propensity toward authoritarian governance exhibited by President Morsi in recent months. For example, according to Gamal Eid, the executive director of the Arab Network for Human Rights, there have been four times as many "insulting the presidency" lawsuits filed against citizens during President Morsi's first 200 days in office than during the entire 30-year reign of former president Hosni Mubarak. See, "More 'insulting president' Lawsuits under Morsi than Mubarak," *Al-Ahram Online*, January 20, 2013. Others charge that the Brotherhood is attempting to control the education system, labor unions, and religious institutions. See, Open Source Center Report: Egypt – "Officials, Media Criticize Latest 'Ikhwanization' Efforts," GMP20130118256001 Egypt -- *OSC Report* in English, January 17, 2013.

<sup>3</sup> In the past three months, Egypt has experienced a wave of popular unrest directed against President Morsi himself and the process leading to the approval of the constitution. Although Muslim Brotherhood supporters still turned out in large enough numbers (total national turnout of 32%) to approve the Islamist-crafted constitution in a public referendum by a margin of 64% for to 36% against, critics charge that President Morsi forced the process forward, starting with his November 2012 declaration that provided him with immunity from judicial oversight, which he made in order to avoid having the courts annul the Islamist-dominated Constituent Assembly charged with drafting the document (Morsi rescinded most of the decree on December 8 but insisted that the referendum occur as scheduled). When protests occurred outside the presidential palace, regime critics allege that members of the Muslim Brotherhood violently dispersed protestors. Anti-Brotherhood protests in Cairo were particularly strong, as 56% of Cairene voters actually voted against the constitution's approval.

<sup>4</sup> In January 2013, a court verdict sentencing 21 "Ultras" (hard-core Egyptian soccer fans) to death for their role in a riot last year sparked widespread violence in Egypt's three canal cities against the Muslim Brotherhood and the much maligned police forces, who, many Egyptians claim, continue to brutalize the population. For several days, authorities actually lost control over Port Said to protestors, leading Defense Minister General Abdul Fattah al Sisi to declare on January 29 that "The continuation of the conflict between different political forces and their disagreement on running the affairs of the country may lead to the collapse of the state and threatens the future of the coming generations."

the so-called secular-liberal parties. Of these political groupings, the Muslim Brotherhood continues to be the most successful at attracting supporters due to its sustained focus on social services, party discipline and organization, its history of opposition to Mubarak, and the broad popular appeal of Islam. Its electoral strength has led it to victories in the 2011-2012 parliamentary elections, the June 2012 presidential election, and the December 2012 constitutional referendum. Its decades-long experience in opposition gives it unparalleled credibility among its constituents and the movement has a major advantage in voter mobilization, especially when overall voter turnout is lower than anticipated. The Brotherhood did not immediately employ its full political weight, having only a year ago changed course by opting to field a presidential candidate after initially pledging not to do so. After three consecutive electoral victories, clearly the Brotherhood has embraced the opportunities afforded it in the post-Mubarak era.

However, actual governance has been far more challenging for the Brotherhood than winning elections, as the reality of Islamists wielding real political power has engendered a fierce backlash from Brotherhood opponents who deeply distrust its motives. President Morsi on November 22, 2012 declared temporary immunity of the presidency from judicial review. This controversial step was the catalyst for the creation of a new opposition coalition, named the National Salvation Front (NSF). It is composed of several former presidential candidates, including Amr Moussa and Hamdeen Sabahi.<sup>5</sup> It also includes Mohammed ElBaradei, the former Secretary General of the International Atomic Energy Agency.

Overall, though the Brotherhood may be attempting to consolidate power, some observers still believe that state institutions can somewhat hold it in check. According to one Egyptian editor, “If you think of the main pillars of the bureaucracy, the Brotherhood has not gotten control of them yet, and I don’t think they will completely.... There are so many people who are very difficult to bring to heel.... I think we are in for several years of turbulence where state power is diffused.”<sup>6</sup> Perhaps the single greatest challenge for the Brotherhood is controlling and reforming the Interior Ministry and national police forces, which have been practically at war with street protestors over the past two years and have made no progress in gaining public trust. According to one account, “In a measure of the low level of the new government’s top-down control over the security forces, officers even cursed and chased away their new interior minister when he tried to attend a funeral for two members of the security forces killed in the recent clashes.”<sup>7</sup>

## Political Outlook

The Muslim Brotherhood’s political party, the Freedom and Justice Party (FJP), has declared that it is seeking an outright parliamentary majority in the parliamentary elections tentatively scheduled for April 2013.<sup>8</sup> For opposition groups the key to electoral success will be maintaining internal unity, which in the past has proved difficult. The Salafi voting block has already split (it had been the second most powerful grouping in Egypt’s short-lived, first post-Mubarak parliament), and the

---

<sup>5</sup> Analysts have paid particular attention to Sabahi, who finished third in the 2012 election due to his personal charisma, past record of opposition to the Mubarak regime, and socialist economic populism.

<sup>6</sup> “Brotherhood Struggles to Translate Power Into Policy in Egypt,” *New York Times*, January 19, 2013.

<sup>7</sup> “Egypt’s Army Chief warns of ‘collapse,’” *International Herald Tribune*, January 30, 2013.

<sup>8</sup> In February 2013, the Supreme Constitutional Court (SCC) objected to a draft electoral law. The Upper House of Parliament revised the law, and parliamentary elections will begin on April 22/23 and last well into the month of May.

Egyptian media is constantly speculating over possible splits within the NSF. The NSF itself may choose to boycott parliamentary elections entirely.

Whatever the electoral outcome brings, numerous anecdotes indicate that continued factional fighting between Islamist and non-Islamist groups seems to be contributing to a reduction in public faith in government. According to Shadi Hamid, Director of Research at the Brookings Doha Center, “I think the lack of trust is so deep-seated that even if the Brotherhood made good faith gestures I don't know if the opposition could believe them or take them at face value.”<sup>9</sup> This trend may become exacerbated by deteriorating economic conditions. Overall, Egyptian groups appear to be treating politics as a zero-sum game in which the Brotherhood and its opponents have used heightened, sometimes even violent, rhetoric to discredit the other side. As violence in the streets becomes more commonplace, politicians seize upon each incident as an opportunity to delegitimize their opponents and blame them for the country's ills. With each successive incident of public unrest, the rhetoric is becoming more heated, which raises international concern over respect for the rule of law in Egypt. There is even speculation of a return to direct military rule if political violence grows. According to Army Chief of Staff Sedki Sobhi, “It [the military] keeps an eye on what goes on in the nation and if the Egyptian people ever needed the armed forces, they will be on the streets in less than a second.”<sup>10</sup>

For example, in late January and early February, as the two-year anniversary of the 2011 revolution coincided with rioting in the canal cities, national figures condemned their opponents in harsh terms. In February 2013, Hamdeen Sabahi commented on political unrest by saying that President Morsi demonstrated “arrogance, the use of force and more bloodshed... thus we have sided with the street and call for the bringing down of the dictatorship regime and the trial of its figures.”<sup>11</sup> A well-known Salafi cleric, Mahmoud Shaaban, was recently detained for allegedly inciting potential attempts on the lives of Sabahi and other NSF leaders when he said on February 2 that the NSF wanted power and were “burning Egypt to get it.... It is clear now their sentence in God's law is death.”<sup>12</sup> Although some degree of inflammatory rhetoric is to be expected in Egypt's volatile political climate, the situation appears to be getting worse with time. According to the International Crisis Group:

In the absence of a shared view of the foundations of a future political system, Islamists are pressing their vision, while their opponents play spoilers. This has the makings of a self-fulfilling prophecy: the more the opposition obstructs and calls for Morsi's ouster, the more it validates the Islamists' conviction it will never recognize their right to govern; the more the Brotherhood charges ahead, the more it confirms the others' belief of its monopolistic designs over power. Even if leaders back away from the brink, this could quickly get out of hand, as their ability to control the rank and file — and, in the case of the opposition, ability to represent the rank and file — dwindles.<sup>13</sup>

As of late February 2013, relatively small nation-wide protests continue along with crippling labor strikes (including an unprecedented protest outside the Suez Canal Authority), but the worst unrest has subsided. In the canal cities, President Morsi has imposed a 30-day national emergency (martial) law and curfew. There have been calls for a national dialogue to reduce political tensions between

---

<sup>9</sup> “Egypt is once again Risking its Future,” *Reuters*, January 30, 2013.

<sup>10</sup> “Egypt's Military growing Impatient with Morsi,” *Times of Israel*, February 21, 2013.

<sup>11</sup> “BBCM Analysis: Winners, Losers in Egypt's Political Crisis,” Open Source Center GMP20130205950052 *Caversham BBC Monitoring* in English, February 5, 2013.

<sup>12</sup> “Egypt Orders Cleric held over ElBaradei Death Call,” *Reuters*, February 11, 2013.

<sup>13</sup> “Egypt Conflict Alert,” *International Crisis Group*, Brussels/Cairo, February 4, 2013.

the Brotherhood, NSF, and other factions, but these are unlikely to take place because the NSF has conditioned its participation in such a dialogue on the Morsi Administration's formation of a new government of national unity and prosecution of police suspected of killing protestors.

## **Economy**

Egypt's economy has suffered immensely since the 2011 revolution, and efforts to stabilize the country's fiscal deficit run the risk of exacerbating growing social unrest. Egypt is experiencing a phenomenon known as "stagflation," a crippling combination of inflation and lack of growth. In 2012, real GDP grew by 2.2%, a figure that barely exceeds the country's population growth. In 2011, real GDP grew by 1.78%. In order to prop up social spending, preserve costly fuel and food subsidies, service the debt, and counter the effects of investor capital flight, the central government has been running huge budget deficits and drawing down its foreign exchange reserves. Almost three-quarters of Egypt's national budget is spent on state salaries, subsidies, and interest payments. In its current fiscal year, Egypt's annual budget deficit could range from \$26 to \$31 billion; the high end of that range may exceed the Ministry of Finance's projection of a deficit around 10% of GDP. In addition to the government's domestic borrowing, its foreign exchange reserves are down from \$36 billion in 2011 to \$13.6 billion as of February 2013—enough for three months of import cover.

In order to assist exports<sup>14</sup> and tourism, the Central Bank has tried to manage the gradual devaluation of the currency (Egyptian Pound), which has slid 8% against the dollar in 2013. Although the government claims that the currency will not collapse, there is concern that rising prices may spark additional unrest, as imported food and fuel become more expensive. Food prices increased 8% last year and overall inflation was 7%. With the government considering additional tax increases and subsidy reductions as part of a proposed International Monetary Fund (IMF) deal, the cost of living may substantially increase for all Egyptians in 2013.

## **Egypt and the International Monetary Fund**

Domestic banks are no longer able to buy government debt at levels needed to sustain rising government expenditures. In order to address its balance of payments deficit, Egypt has been in negotiations with the IMF for a \$4.8 billion low interest credit facility that would spark billions more (perhaps as much as \$14 billion) in foreign loans if reached. Although the terms of the deal have yet to be finalized (and may not be until after the parliamentary elections currently scheduled for April), its parameters include a reduction in fuel subsidies and the imposition of a value added tax. So far, the government has raised prices on high-octane petrol and residential electricity and has announced plans to introduce rationing systems for the sale of subsidized butane and diesel.

Accepting IMF credit may be a divisive issue in Egyptian politics. Clearly, unpopular steps like price and tax increases may prove politically costly for the Muslim Brotherhood, and thus President Morsi may try to delay finalization of the deal until after parliamentary elections. In December 2012, the Morsi Administration proposed new taxes, including duties on cigarettes and alcohol, but

---

<sup>14</sup> Textile exports are a key industry in Egypt, providing nearly a quarter of all industrial jobs and according to the *Financial Times* accounting for 27% of non-oil exports. See, "Trade conditions weaken Egypt textiles," *Financial Times*, Feb. 11, 2013.

retracted them due to public protest. In February 2013, President Morsi announced the implementation of a progressive property tax with new revenue to be allocated toward public housing and healthcare. The government may also enact a tax on all stock market transactions and raise the corporate tax rate to standard 25% for all companies. In the meantime, credit agencies such as Moody's, Fitch, and S&P all have recently downgraded the government's bond rating. International lenders, such as Qatar, Saudi Arabia, and Turkey, have provided the Central Bank with new lending and grants, but more may be required in the short term.<sup>15</sup> Egypt's foreign debt remains manageable at \$34.7 billion, or around 13-15% of GDP.

## Relations with Israel

Many historians have documented the long tradition within the Muslim Brotherhood of anti-Israel/anti-Semitic sentiment, most recently highlighted when reports surfaced of a 2010 Morsi speech in which he called Jews "the descendants of apes and pigs."<sup>16</sup> Israel remains deeply concerned over the trajectory of Egyptian politics and its implications for Israel-Egypt relations and the 1979 peace treaty. In practical terms, however, both sides continue to cooperate on military and intelligence matters, as evidenced by a series of recent military exchanges between Israeli and Egyptian officials. According to one report, Israeli military leaders met in mid-February with Egypt's intelligence chief, General Raafat Shehata, to discuss Hamas and security along the Israel-Egypt border.<sup>17</sup>

Although Egyptian military and intelligence may be the key interlocutors with Israel, President Morsi clearly feels that he himself has a role to play. In addressing Morsi's mediation role between Hamas and Israel in reaching a cease-fire back in November 2012, one Morsi advisor remarked, "Let me tell you why the Gaza mediation worked. For the first time in a long time, there was an honest broker." According to the *Jerusalem Post*, about two-thirds of Israelis polled in late 2012 said that Morsi had a positive impact on ending the Gaza violence.<sup>18</sup> Egypt continues to mediate indirect Israel-Hamas discussions—following from the November cease-fire agreement—regarding the possible further easing of restrictions on commerce in Gaza and relaxing of various buffer zone security measures.<sup>19</sup> Egypt also is mediating a new round of intra-Palestinian talks aimed at implementing past agreements for a Fatah-Hamas consensus government in the West Bank and Gaza.

---

<sup>15</sup> In January 2013, Qatar, which has already provided Egypt with \$2.5 billion in loans and grants since Muhammad Morsi took office, gave the government an additional \$1 billion in grant aid and \$1.5 billion in loans, bringing its total assistance over the past year to \$5 billion. In addition, Qatar's QInvest Corporation is taking a majority stake in Egypt's biggest investment bank, EFG Hermes.

<sup>16</sup> See the Middle East Media Research Institute's (MEMRI) Anti-Semitism and Holocaust Denial Project at: <http://www.thememriblog.org/antisemitism>

<sup>17</sup> "Report: Israeli delegation meets with Egyptian intelligence chief," *Israel News (YNET)*, February 20, 2013.

<sup>18</sup> "Majority of Israelis supported Gaza operation - poll. Two-thirds of the public believe Egypt's Mohamed Morsi had positive impact on ending conflict," *The Jerusalem Post*, December 9, 2012.

<sup>19</sup> "Hamas confirms Indirect, Egyptian-sponsored talks with Israel over Gaza," *Xinhua*, February 16, 2013.



Figure I. Map of Egypt



Source: Map Resources, adapted by CRS.

## U.S.-Egyptian Relations

The United States is facing a series of challenges stemming from more than two years of dramatic change in Egypt. The Administration and Congress have a number of interests at stake in Egypt as well as some potential levers of influence. Interests include maintaining U.S. naval access to the Suez Canal<sup>20</sup>, maintaining the 1979 Israel-Egypt peace treaty, and promoting democracy and economic growth within Egypt, the region's largest Arab country. Egypt's President Muhammad Morsi, who hails from the Muslim Brotherhood, may choose to cooperate with the United States on some security and economic matters, though many analysts are concerned that his government may at times act undemocratically, be more confrontational toward Israel, and limit its cooperation with

<sup>20</sup> For example, the U.S. Navy relies on receiving expedited passage for U.S. warships through the Suez Canal in order to deploy carrier groups swiftly to the Persian Gulf region. Without passage through the Canal, the Navy would have to deploy ships around the Cape of Good Hope—adding significant time to deployment from Norfolk, VA to the Persian Gulf or Indian Ocean.

the United States on intelligence and terrorism-related issues. Others assert that while Egypt may not follow the U.S. lead as closely as in the past (as evident by recent Iranian-Egyptian exchanges), its need for U.S. support to grow its economy and support its military should provide the United States with some leverage.

Current debate surrounding U.S. policy toward Egypt centers on the degree to which the United States should support a government led by a former leading member of the Muslim Brotherhood. Although most stakeholders in this debate would seek to avoid Egypt's state failure and the negative repercussions it would almost certainly entail for U.S. and global security, there is less consensus over the degree to which the United States should help an Egyptian government that may or may not pursue policies in line with American values and regional security interests. There is also disagreement about the related question of how much leverage the United States gains through various forms of financial assistance.

Overall, U.S. policymakers have broadly emphasized political inclusion<sup>21</sup> and economic stabilization while carefully avoiding entanglements in Egyptian domestic politics. Some critics of the Administration's approach have called for President Obama to exert more pressure on the Egyptian government, especially in advocating for religious minorities' and women's rights. In response, the Administration has counseled patience. Amidst the widespread December 2012 protests in Egypt, one senior Administration official reportedly said that "These last two weeks have been concerning, of course, but we are still waiting to see....One thing we can say for Morsi is he was elected, so he has some legitimacy."<sup>22</sup> After taking office, Secretary of State John Kerry rejected the notion of reducing U.S. aid to Egypt: "A hold up of aid might contribute to the chaos that may ensue because of their collapsing economy...their biggest problem is a collapsing economy."<sup>23</sup>

## **U.S. Foreign Aid to Egypt**

Between 1948 and 2011, the United States provided Egypt with \$71.6 billion in bilateral foreign aid, including \$1.3 billion a year in military aid from 1987 to the present. Since 1979, Egypt has been the second-largest recipient, after Israel, of U.S. bilateral foreign assistance.<sup>24</sup> In July 2007, the George

---

<sup>21</sup> For example, the State Department commented on the public approval of the constitution, stating that: "The future of Egypt's democracy depends on forging a broader consensus behind its new democratic rules and institutions. Many Egyptians have voiced deep concerns about the substance of the constitution and the constitutional process. President Morsi, as the democratically elected leader of Egypt, has a special responsibility to move forward in a way that recognizes the urgent need to bridge divisions, build trust, and broaden support for the political process. We have called for genuine consultation and compromise across Egypt's political divides. We hope those Egyptians disappointed by the result will seek more and deeper engagement. We look to those who welcome the result to engage in good faith. And we hope all sides will re-commit themselves to condemn and prevent violence." See, Referendum on the Egyptian Constitution, Press Statement, Patrick Ventrell, Acting Deputy Spokesperson, Office of the Spokesperson, Washington, DC, December 25, 2012.

<sup>22</sup> "Obama Walks a Fine Line with Egyptian President," *New York Times*, December 14, 2012.

<sup>23</sup> "US Aid to Egypt must continue despite Unrest, says John Kerry," *Al Ahram Online*, January 31, 2013.

<sup>24</sup> The 1979 Peace Treaty between Israel and Egypt ushered in the current era of U.S. financial support for peace between Israel and her Arab neighbors. In two separate memoranda accompanying the treaty, the United States outlined commitments to Israel and Egypt, respectively. In its letter to Israel, the Carter Administration pledged to "endeavor to take into account and will endeavor to be responsive to military and economic assistance requirements of Israel." In his letter to Egypt, former U.S. Secretary of Defense Harold Brown wrote that "the United States is prepared to enter into an expanded security relationship with Egypt with regard to the sales of military equipment and services and the financing of, at least a portion of those sales." Ultimately, the United States provided a total of \$7.3 billion to both parties in 1979. The Special International Security Assistance Act of 1979 (P.L. 96-35) provided both military and economic grants to Israel (continued...)

W. Bush Administration signed a 10-year Memorandum of Understanding (MOU) with Israel to increase U.S. military assistance from \$2.4 billion in FY2008 to over \$3 billion by 2018. Egypt received no corresponding increase in U.S. military aid; instead, the Bush Administration pledged to continue to provide Egypt with \$1.3 billion in military aid annually, the same amount it has received annually since 1987. Unlike with Israel and, separately, with Jordan, the Bush Administration's pledge did not involve signing a bilateral MOU with the Egyptian government. Congress typically specifies a precise allocation of foreign assistance for Egypt in the foreign operations appropriations bill. Egypt receives the bulk of foreign aid funds from three primary accounts: Foreign Military Financing (FMF), Economic Support Funds (ESF), and International Military Education and Training (IMET).<sup>25</sup>

## **Military Aid**

In FY2011, Egypt received almost a quarter of all U.S. FMF funds, and Israel received nearly 60%. FMF aid to Egypt is divided into three general categories: (1) acquisitions, (2) upgrades to existing equipment, and (3) follow-on support/maintenance contracts. U.S.-Egyptian coproduction of the M1A1 Abrams Battle tank, which began in 1988, is one of the cornerstones of U.S. military assistance to Egypt. Egypt plans to acquire a total of 1,200 tanks. Under the terms of the program, a percentage of the tank's components are manufactured in Egypt at a facility on the outskirts of Cairo and the remaining parts are produced in the United States and then shipped to Egypt for final assembly. General Dynamics of Sterling Heights, MI, is the prime contractor for the program.<sup>26</sup> Although there are no verifiable figures on total Egyptian military spending, it is estimated that U.S. military aid covers as much as 80% of the Defense Ministry's weapons procurement costs.<sup>27</sup> Egypt also receives Excess Defense Articles (EDA) worth hundreds of millions of dollars annually from the U.S. Defense Department. The United States offers IMET training to Egyptian officers in order to facilitate U.S.-Egyptian military cooperation over the long term. IMET assistance also makes Egypt eligible to purchase training at a reduced rate.

In addition to large amounts of annual U.S. military assistance, Egypt benefits from certain aid provisions that are available to only a few other countries. Since 2000, Egypt's FMF funds have

---

(...continued)

and Egypt at a ratio of 3 to 2, respectively, though this ratio was not enshrined in the treaty as Egypt would later claim.

<sup>25</sup> Egypt also receives, though not consistently, relatively small sums from the Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) account and the International Narcotics Control and Law Enforcement (INCLE) account. NADR funds support counter-terrorism training through the Antiterrorism Assistance Program. INCLE funds support police training and respect for human rights in law enforcement.

<sup>26</sup> Congress was notified in July 2011 of a potential M1A1 agreement. The notification is listed here: [http://www.dsca.mil/PressReleases/36-b/2011/Egypt\\_10-67.pdf](http://www.dsca.mil/PressReleases/36-b/2011/Egypt_10-67.pdf)

Congress did not object to the sale, and an M1A1 contract was finalized thereafter. The following is information on the contract from the Department of Defense: General Dynamics [GD] Land Systems has received a \$395 million contract for work under the Egyptian tank co-production program. The contract, issued by the Army TACOM Lifecycle Management Command, has awarded the funds for production of 125 M1A1 Abrams tank kits for the 11th increment of the Egyptian co-production program. Since 1992, General Dynamics has provided components for kits used in the co-production program. The parts are shipped to a production facility near Cairo, Egypt, where the tanks are manufactured for the Egyptian Land Forces. This latest increment will increase the number of Egyptian co-production-built tanks to 1,130. Work on the components is to be performed in Anniston, Ala.; Tallahassee, Fla.; Sterling Heights, Mich.; Lima, Ohio; and Scranton, Penn., by existing General Dynamics employees. Deliveries are to begin in July 2013 and continue to January 2016.

<sup>27</sup> According to one source, U.S. military assistance pays for about a third of Egypt's overall defense budget each year. See, "Three Decades of Weapons, Training for Egypt Keep U.S. in Loop," *Bloomberg*, February 2, 2011.

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 significantly, 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.

### *Arms Sales Issues*

With the President of Egypt hailing from the Muslim Brotherhood, some lawmakers and U.S. citizens are concerned that continued U.S. military aid and sales of U.S. equipment could be one day used by a government and military that is controlled by Islamist forces hostile to U.S. national security interests and to peace with Israel. Some opponents of U.S. military aid to Egypt may apply further scrutiny in the months ahead to proposed U.S. arms sales to Egypt financed by U.S. taxpayer dollars. Already, some media attention has focused on the pending delivery (In January 2013, four F-16s arrived in Egypt) in 2013 of 20 F-16 C/D fighters to Egypt that were notified to Congress in 2009.<sup>28</sup> Congress did not object to the sale after the notification, which was before the change in Egypt's government, and in 2010 Lockheed Martin and Egypt reached an agreement for the purchase of 20 F-16C/Ds<sup>29</sup> valued at an estimated \$2.5 billion.

Another concern of some lawmakers is security in the Sinai Peninsula. P.L. 112-74, the Consolidated Appropriations Act, 2012, includes language that specifies that "\$1,300,000,000 shall be made available for grants only for Egypt, including for border security programs and activities in the Sinai." The Administration has been calling on the Egyptian military to use FMF to purchase border security equipment, but no purchase decision has been reached.

Finally, some lawmakers may be seeking to restructure the way Egypt may use FMF grants in the future. Although the Defense Department has for years tried to gradually convince the Egyptian military to focus its procurement more on counter-terrorism and counter-insurgency equipment and training than on conventional military items, the deterioration of law and order in Egypt has reenergized this issue. Some lawmakers may seek to direct future FMF spending toward reforming Egypt's internal police forces and countering the terrorist threat in the Sinai Peninsula.<sup>30</sup>

**Table I. U.S. Assistance to Egypt, FY2010-FY2013 Request**  
(Regular and Supplemental Appropriations; Current Year \$ in Millions)

Account	FY2010	FY2011	FY2012	FY2013 Request
ESF	250.0	249.5	250.0	250.0
FMF	1,300.0	1,297.4	1,300.0	1,300.0
IMET	1.900	1.400	1.400	1.800
INCLE	1.000	1.000	.250	7.900

<sup>28</sup> See, [http://www.dsca.mil/PressReleases/36-b/2009/Egypt\\_%2009-34.pdf](http://www.dsca.mil/PressReleases/36-b/2009/Egypt_%2009-34.pdf).

<sup>29</sup> Since 1980, under the Peace Vector Foreign Military Sales Program, Egypt has acquired over 220 F-16s. It is the fourth largest operator of the F-16 after the United States, Israel, and Turkey.

<sup>30</sup> "Bipartisan Senate Group Calls for Egypt Aid Restructure," *Congressional Quarterly*, February 12, 2013.

Account	FY2010	FY2011	FY2012	FY2013 Request
NADR	2.800	4.600	5.600	—
Total	1,555.7	1,553.9	1,557.25	1,559.7

## Economic Aid

During the 1980s and 1990s, Egypt received large amounts of annual economic loans and grants, mainly to support large-scale USAID infrastructure projects in sanitation, education, and telecommunications.<sup>31</sup> By the late 1990s, Congress began to scale back economic aid both to Egypt and Israel due to a 10-year agreement reached in the late 1990s known as the “Glide Path Agreement.” In January 1998, Israeli officials, sensing that their economic growth had obviated the need for that type of U.S. aid at a time when Congress sought to reduce foreign assistance expenditures, negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A 3:2 ratio that long prevailed in the overall levels of U.S. aid to Israel and Egypt was applied to the reduction in economic aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt did not receive an increase in military assistance. Thus, Congress reduced ESF aid to Egypt from \$815 million in FY1998 to \$411 million in FY2008. The Bush Administration, whose relations with then-President Hosni Mubarak suffered over the latter’s reaction to the Administration’s democracy agenda in the Arab world, then requested that Congress cut ESF aid by half in FY2009 to \$200 million. Congress appropriated the President’s request. Upon taking office in 2009, President Obama sought a \$50 million increase in economic aid to Egypt for FY2010, which Congress then passed.

In prior years, ESF funds were divided into two categories: USAID projects and cash transfers.<sup>32</sup> ESF funds are allocated to a variety of sectors, including health, education, economic growth, and democracy and governance. U.S. funding for the latter has been a source of acrimony between the United States and Egypt for years, culminating in the recent dispute over U.S. funding for non-governmental organizations.<sup>33</sup>

## *U.S. Funding for Democracy Promotion in Egypt*

Each year, a small portion of USAID-managed bilateral economic aid is spent on democracy promotion programs. On principle, the Mubarak government rejected U.S. assistance for democracy promotion activities, though it grudgingly accepted certain programming. On the other hand, democracy activists believe that the U.S. government, particularly during the Obama Administration and before the January 2011 popular uprising, had not been aggressive enough in supporting political reform in Egypt.

<sup>31</sup> According to the U.S. State Department, U.S. economic aid has helped provide clean drinking water and sanitation to the city of Cairo, build more than 2,000 schools and double literacy levels, and decrease in the maternal mortality rate by over 50% and the child mortality rate by over 70%. See, U.S. State Department, Assistance to Egypt Fact Sheet, Office of the Spokesman, Washington, DC, May 19, 2011.

<sup>32</sup> It is unclear if USAID is still operating the cash transfer program, as it had been scheduled to be phased out by 2011.

<sup>33</sup> On February 6, Egyptian authorities charged 43 people, including the Egypt country directors of NDI and IRI, with spending money from organizations that were operating in Egypt without a license. 19 Americans, including Sam LaHood of IRI, the son of U.S. Transportation Secretary Ray LaHood, face criminal charges. Having departed Egypt, almost all of the accused Americans are being tried in absentia.

The Mubarak government staunchly opposed foreign support to independent civic groups that demanded government accountability, as well as civic groups that had not received government approval. During the Bush Administration, executive branch policymakers and Members of Congress directed some ESF toward direct support for Egyptian non-governmental organizations (NGOs).

In FY2005, Congress directed that “democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt],” language which remained in annual foreign operations appropriations legislation until FY2010 (see below).<sup>34</sup> Under Mubarak, Egypt had claimed that U.S. assistance programs must be jointly negotiated and could not be unilaterally dictated by the United States. P.L. 111-117, the Consolidated Appropriations Act, FY2010, contained general legislative language on the use of U.S. funds to NGOs, stating in Section 7034:

With respect to the provision of assistance for democracy, human rights and governance activities in this Act, the organizations implementing such assistance and the specific nature of that assistance shall not be subject to the prior approval by the government of any foreign country.<sup>35</sup>

P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011, became law on April 15, 2011, after the resignation of former Egyptian President Hosni Mubarak, and did not contain language addressing the NGO issue.<sup>36</sup> Appropriations for FY2012 contain multiple conditions on all types of assistance to Egypt (discussed below).

Many U.S.-based and Egyptian NGOs are concerned that a draft NGO law under consideration by the Upper House of parliament would, if passed, seriously curtail the ability of civil society organizations to obtain funding. Reportedly, the Egyptian Ministry of Insurance and Social

---

<sup>34</sup> Congress sought to ensure that U.S. foreign assistance for Egypt was being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that “democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities.”

<sup>35</sup> P.L. 111-117. The conference report accompanying the Act notes, “the requirements of section 7034(m)(4) of this Act shall apply with respect to the provision of assistance to Egyptian NGOs.”

<sup>36</sup> The FY2011 act did contain the following provisions on economic aid to Egypt: “That of the funds appropriated under this heading, up to \$250,000,000 shall be made available for assistance for Egypt for activities that support democratic elections, promote representative and accountable governance, protect human rights, strengthen civil society and the rule of law, reduce poverty, promote equitable economic development, and expand educational opportunities for disadvantaged Egyptian youth, including through scholarship programs: Provided further, That the Secretary of State shall submit a spending plan, including a comprehensive strategy to promote democracy and development, to the Committees on Appropriations for funds provided for Egypt under this heading: Provided further, That such plan shall not be considered as meeting the notification requirements under Section 7015 of division F of P.L. 111-117 or under Section 634A of the Foreign Assistance Act of 1961: Provided further, That such funds shall be subject to the regular notification procedures of the Committees on Appropriations: Provided further, That funds appropriated under this heading shall be made available to support democratic transitions in the Middle East and North Africa, including assistance for civil society organizations and the development of democratic political parties:’ (b) Not later than 45 days after enactment of this Act, the Secretary of State shall submit to the Committees on Appropriations a report on Egypt detailing whether—(1) a transparent, political transition is occurring that includes the participation of a wide range of democratic opposition and civil society leaders and is responsive to their views; (2) the emergency law and other laws restricting human rights have been abrogated; protesters, political and social activists and journalists are not being arrested, detained or prosecuted for the peaceful exercise of their rights; and the government is respecting freedoms of expression, assembly and association; and (3) legal and constitutional impediments to free and fair presidential and parliamentary elections are being removed.”

Solidarity requires that local NGOs obtain permission from state security before “engaging with international entities.”<sup>37</sup>

## **U.S. Foreign Aid to Egypt since the February 2011 Revolution**

U.S. foreign aid to Egypt, which was contentious during the reign of former President Hosni Mubarak, has continued to spark debate among lawmakers and between Congress and the Obama Administration. Although the Administration proposed the same bilateral foreign operations appropriation request for Egypt in FY2013 that Egypt received in the previous three fiscal years (approx. \$1.55 billion), the implementation of new Administration aid initiatives previously authorized by Congress, such as debt relief and an Enterprise Fund, have been placed on hold by some lawmakers. Due to overall U.S. budgetary limitations, concern over widespread anti-Americanism permeating Egyptian politics, uncertainty over the intentions of the Muslim Brotherhood, and general U.S. concern over Egypt’s transition to democracy and adherence to the 1979 Israel-Egypt Peace Treaty, bilateral cooperation on aid has not been as robust as elsewhere in the region (e.g., Tunisia).

After Mubarak’s resignation in February 2011, the Administration made several aid proposals for Egypt. In the weeks following the resignation, the Obama Administration reprogrammed \$165 million in already- appropriated ESF for support to Egypt’s economy (\$100 million) and political transition (\$65 million<sup>38</sup>). In a speech delivered at the State Department on May 19, 2011, President Obama outlined a new plan for U.S. engagement with Egypt and other Arab countries undergoing political transitions. Major components of that plan included providing up to \$1 billion in bilateral debt relief<sup>39</sup> to Egypt and \$1 billion in U.S.-backed loan guarantees<sup>40</sup> to finance Egyptian infrastructure and job creation, and creating an enterprise fund to invest in small- and medium-sized Egyptian businesses (SME).

The current status of various U.S. aid initiatives for Egypt is as follows:

- **Bilateral Aid (Appropriated & Obligated):** P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011, became law on April 15, 2011, after Mubarak’s resignation. It included **\$1.55 billion** in military and economic aid. P.L. 112-74, the Consolidated Appropriations Act, 2012, also provided the full request for Egypt (**\$1.55 billion**). It also authorized debt relief funding for the creation of an enterprise fund.<sup>41</sup> Although Administration requests regarding U.S. bilateral aid to Egypt are not tied to a specific bilateral Memorandum of Understanding (as they are for Israel and Jordan),

---

<sup>37</sup> Open Source Center, “NGO concerned over Human Rights in Egypt,” *Cairo Daily News Egypt Online* (in English), GMP20130226966013, February 26, 2013.

<sup>38</sup> USAID provided support to both the 2011 parliamentary and 2012 presidential elections (est. \$20-\$23 million), including assistance to domestic and international election “witnesses” who reported on the election process and administration assistance in collaboration with the Egyptian High Election Commission (HEC), among other activities.

<sup>39</sup> As of June 2012, total Egyptian debt to the United States was approximately \$2.7 billion, with \$1.2 billion owed to USAID and the balance owed to USDA.

<sup>40</sup> According to the U.S. State Department, Loan Guarantees to Egypt were authorized in the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11). The maximum principal to be guaranteed was \$2 Billion and the authority expired on September 30, 2005. Only \$1.25 billion in guarantees were issued under the program, and that amount remains outstanding, with the total principal due in September 2015.

<sup>41</sup> For information on conditionality in P.L. 112-74, see page 14 and “Recent Legislation.”

Congress has appropriated \$1.3 billion in Foreign Military Financing a year to Egypt since FY1987. In 2009, the State Department and government of Egypt exchanged letters on an informal U.S. commitment of \$250 million in ESF per year with no end date.

- **Reprogrammed Aid (Delivered):** As mentioned above, the Obama Administration reprogrammed an estimated **\$160 million** in previously appropriated Economic Support Funds for Egypt in the months following Mubarak's resignation. Approximately \$65 million of this total was directed toward democracy and governance support.<sup>42</sup>
- **Debt Relief<sup>43</sup> (Authorized but on Hold):** In late September 2012, some Members of Congress placed holds on a congressionally notified **\$450 million** Economic Support Fund (ESF) cash transfer to Egypt.<sup>44</sup> Those funds would have been used to pay down Egypt's bilateral debt<sup>45</sup> (approximately \$2.7 billion) to the United States in exchange for Egyptian government commitment to a fiscal stabilization program as prescribed by the International Monetary Fund.<sup>46</sup> As of January 2013, the holds on the cash transfer remained in place. The remaining \$550 million in debt relief pledged by the Obama Administration, according to the State Department, is still under consideration but it has not been notified to Congress.
- **Enterprise Fund (Authorized but on Hold):** In November 2012, the Administration notified Congress of its intent to spend \$60 million in previously appropriated ESF on the

---

<sup>42</sup> According to USAID, this funding included grants to local Egyptian civil society and international organizations to conduct voter education programs, election observation missions, and advisory services on election management and processes. Some Egyptian politicians objected to U.S. funding for unregistered civil society organizations inside Egypt and took legal action against 45 American and international employees of some of these implementing partners. Though almost all accused American nationals have left Egypt, they continued to be tried in absentia. Known informally as the NGO trial, their case has been adjourned until the summer of 2013.

<sup>43</sup> Egypt has already received substantial debt relief from the United States. In recognition of Egypt's participation in Operation Desert Storm in Iraq, in 1990, President George H.W. Bush asked Congress to forgive \$6.7 billion of debt that stemmed from military loans extended to Egypt by the United States between 1979 and 1984 to help finance large amounts of weapons purchased under the Foreign Military Sales (FMS) Program. Debt cancellation authority for the full amount was granted in the 1991 Foreign Operations Appropriations Act. At the time, total Egyptian debt owed to the United States, including ESF and PL-480 loans, was about \$12 billion.

<sup>44</sup> The ESF cash transfer would come from previously appropriated ESF, including: \$55,170,041 ESF (FY 2012), \$225,436,126 ESF (FY 2011), \$167,461,116 ESF (No Year), and \$1,932,717 ESF (Prior Year Recoveries).

<sup>45</sup> A portion of Egypt's debt to the United States government stems from past food aid programs. U.S. food aid to Egypt primarily consisted of concessional sales of U.S. wheat under Title I of the Food for Peace Act, which makes available long-term, low-interest loans or grants to developing countries and private entities for their purchase of U.S. agricultural commodities to support specific projects. According to one analyst, by the end of 1976, one of every three loaves of bread consumed by urban Egyptians was a product of wheat purchased under the PL-480 program. See, William Joseph Burn, *Economic Aid and the American Policy Toward Egypt, 1955-1981* (State University of New York Press, Albany, NY, 1985). Loan agreements under the Title I credit program provided for repayment terms of up to 30 years with a grace period of up to five years. Egypt stopped receiving loans under Title I in 1995 and no U.S. funding for any Title I credit sales and grants has been appropriated since FY2006.

<sup>46</sup> Egypt currently owes the United States approximately \$2.7 billion from decades-old food aid loans. In order to provide debt relief, U.S. government agencies are required to value U.S. loans, such as bilateral debt owed to the United States, on a net present value basis rather than at their face value, and an appropriation by Congress of the estimated amount of debt relief is required in advance. P.L. 112-74 provided that ESF funds appropriated for Egypt in the act and from prior acts could be used for an Egypt debt initiative. Moreover, according to P.L. 112-74, bilateral debt relief funds would be a "swap" and channeled into programs that improve "the lives of the Egyptian people through education, investment in jobs and skills (including secondary and vocational education), and access to finance for small and medium enterprises with emphasis on expanding opportunities for women, as well as other appropriate market-reform and economic growth activities."



establishment of the Egyptian-American Enterprise Fund (EAEF). According to USAID, the EAEF will invest in the Egyptian economy to unlock the benefits of private-sector led growth, particularly among SMEs. The EAEF was incorporated as a nonprofit non-stock corporation under the laws of the State of Delaware on October 19, 2012. It is to be led by a fund manager with private sector experience and overseen by a board of directors comprised of three Egyptians and six Americans.

## Recent Legislation

### The Consolidated Appropriations Act, FY2012

Overall, Congress has supported new Obama Administration proposals for Egypt but with conditions. P.L. 112-74, the Consolidated Appropriations Act, 2012, provides the full request for Egypt (\$1.55 billion), authorizes debt relief, and authorizes and appropriates funding for the creation of an enterprise fund to promote private sector investment. However, Section 7041 of P.L. 112-74 specifies that no funds may be made available to Egypt until the Secretary of State certifies that Egypt is meeting its obligations under the 1979 Egypt-Israel Peace Treaty. It further specifies that no military funds be provided until the Administration certifies that Egypt is supporting the transition to civilian government, including by holding free and fair elections and by implementing policies to protect freedom of expression, association, and religion, and due process of law. The Administration may waive these certifications under certain conditions. In addition, conferees directed the Secretary of State to submit a report to the Committees on Appropriations, not later than 60 days after enactment of the act, outlining steps that the government of Egypt is taking to protect religious minorities, including Coptic Christians; prevent sectarian and gender-based violence; and hold accountable those who commit such acts.

On March 15, the *New York Times* reported that the Administration intends to obligate FY2012 military aid to Egypt by exercising the waiver authority Congress granted it in Section 7041 (c) of P.L. 112-74, the Consolidated Appropriations Act 2012.<sup>47</sup> That section would waive a provision of law requiring the Secretary of State to certify to the Committees on Appropriations that the government of Egypt is supporting the transition to civilian government before FY2012 Foreign Military Financing to Egypt is obligated. According to the *New York Times* report, some Administration officials have argued that the certification should wait until the presidential election. However, existing FMF funding previously appropriated by Congress may be dwindling, and the Egyptian military may be at risk of missing defense contract payments.<sup>48</sup>

The Secretary of State exercised the waiver on March 23. In an accompanying statement, a State Department spokesperson said that:

As the Secretary's statement makes clear, as the statement we released with regard to her decision makes clear, we have a huge number of interests and equities at stake in our relationship with Egypt. This is a strategic partnership; so rather than talking about leverage, we're talking about partnership, as we have for all of these years. And as we make clear here, Egypt itself is changing very fast. We have a new Egypt emerging. So U.S. support in all of its

---

<sup>47</sup> "Despite Rights Concerns, U.S. Plans to Resume Egypt Aid," *New York Times*, March 15, 2012.

<sup>48</sup> *op.cit.*

forms – FMF, ESF in countries around the world – is designed to allow us to support the partnership that we have with countries and the developments that we want to see in countries in a more democratic, prosperous, stable, secure direction.<sup>49</sup>

## **FY2013 State and Foreign Operations Appropriations Bills**

House (112<sup>th</sup> Congress; H.R. 5857)—The House bill would have provided the full Administration request for Egypt of \$250 million in ESF and \$1.3 billion in FMF. It included a number of specific directives, including:

- Section 7042 of the bill contains a certification that no funds may be made available for Egypt unless the Secretary of State certifies to the Committees on Appropriations that Egypt’s central government is meeting its obligations under the 1979 Egypt-Israel Peace Treaty.
- The bill also contains a requirement stating that prior to obligations of ESF and FMF, the Secretary of State shall certify that the Government of Egypt (1) has completed the transition to civilian government, including holding free and fair elections; and (2) is implementing policies to protect freedom of expression, association, and religion, and due process of law. The Secretary of State may waive these requirements if the Secretary determines and reports to the Committees on Appropriations that to do so is in the national security interest of the United States. The bill states that such a determination and report shall include a detailed justification for such waiver and that the Secretary of State shall consult with the Committees on Appropriations prior to waiving such requirements.
- In addition, the Committee on Appropriations must be consulted prior to the transfer of FMF funds to an interest-bearing account for Egypt. The committee also must be notified 15 days in advance of the obligation of funds for Egypt.
- The committee also directs the Secretary of State to submit a report to the Committees on Appropriations, not later than 90 days after enactment of this act, detailing the status of human rights within Egypt. The report should include whether the government of Egypt is providing adequate protection for religious minorities, including protection of Coptic Christians, their property, and their places of worship.
- The committee directs the Secretary of State to report to the Committees on Appropriations, not later than 90 days after enactment of this act, on all assistance provided under this heading for Egypt from fiscal year 2008 through 2012. The report should include the following: (1) the ministries, agencies, or instrumentalities of the government of Egypt that received funding; (2) United States, international, or Egyptian organizations that received funding; (3) a description of the purpose of each program, project, or activity; (4) whether each program, project, or activity complied with mandatory audit requirements; and (5) a description of whether each program, project, or activity fulfilled its stated purpose.
- Section 7032 of the bill contains a passage stating that “None of the funds appropriated or otherwise made available by title III of this Act may be obligated for direct Government-to-Government assistance if such assistance is to a government

---

<sup>49</sup> Victoria Nuland Spokesperson, Daily Press Briefing Washington, DC, March 23, 2012

that is actively and significantly interfering with the operation of civil society organizations.” This restriction does not specifically refer to Egypt but could possibly apply to some economic aid to Egypt should its government obstruct operations of non-governmental organizations.

Senate (112<sup>th</sup> Congress; S. 3241)—The Senate bill also contained most of the Administration request for Egypt, though it “reduces assistance for Egypt under ESF by an amount equal to the amount posted as bail in February 2012 for members of United States NGOs operating in Egypt.” The Senate bill included the following provisions:

- “None of the funds appropriated under titles III and IV of this Act and in prior Acts making appropriations for the Department of State, foreign operations, and related programs may be made available for assistance for the Government of Egypt unless the Secretary of State certifies to the Committees on Appropriations that such government is meeting its obligations under the 1979 Egypt-Israel Peace Treaty.”
- “The President shall submit to the Committees on Appropriations, concurrent with the fiscal year 2014 budget request, a comprehensive review of United States assistance for Egypt, including the strategic purposes and mechanisms for disbursing such assistance, and specific programs to be conducted in furtherance of security sector and other reforms.”
- “Funds appropriated by this act under the heading ‘Foreign Military Financing Program’ for assistance for Egypt shall be made available for border security programs in the Sinai, and for purposes related to peacekeeping and disaster response: Provided, That a portion of such funds estimated to be outlayed during fiscal year 2013 may, following consultation with the Committees on Appropriations, be transferred to an interest bearing account for Egypt in the Federal Reserve Bank of New York: Provided further, That funds appropriated by this Act under the heading ‘Economic Support Fund’ shall be made available to promote security sector reform in Egypt, in accordance with section 7034(r) of this Act.”
- “Prior to the initial obligation of funds appropriated by this Act for assistance for Egypt under the heading ‘Foreign Military Financing Program’, the Secretary of State shall certify to the Committees on Appropriations that the Government of Egypt is a democratically elected civilian government that is implementing policies to—(A) provide civilian control over, and public disclosure of, the military and police budgets; (B) fully repeal the Emergency Law; and (C) protect judicial independence; freedom of expression, association, assembly, and religion; the right of political opposition parties, civil society organizations, and journalists to operate without harassment or interference; and due process of law. The Secretary of State, after consultation with the Committees on Appropriations, may waive the requirements of paragraphs (1) and (4) if the Secretary determines and reports to the Committees on Appropriations that to do so is important to the national security interest of the United States: Provided, That such determination and report shall include a detailed justification for such waiver.”

## **Legislation in the 113<sup>th</sup> Congress**

- H.R. 276 – a bill that prohibits any funds made available after FY2013 to any federal department or agency from being used to provide assistance to Egypt.

- H.R. 416 – a bill that, among other things, limits specified security and economic assistance to Egypt unless the Secretary of State certifies to Congress every six months that the Egyptian government: (1) is not controlled by or under the influence of a foreign terrorist organization, or that no supporter of a foreign terrorist organization serves in a policy-making position in the government; (2) has implemented legal reforms that protect the political, economic, and religious freedoms and human rights of all citizens and residents of Egypt; (3) is fully implementing the Israel-Egypt Peace Treaty; and (4) is taking verifiable steps to destroy the smuggling network and tunnels between Egypt and the Gaza Strip, and is cracking down on extremist groups in the Sinai Peninsula.
- S. 201 – a bill that prohibits the U.S. government from licensing, approving, facilitating, or otherwise allowing the sale, lease, transfer, retransfer, or delivery of F-16 aircraft, M1 tanks, or other specified defense articles or services to Egypt.
- S. 207 – a bill that prohibits the U.S. government from allowing the sale, lease, transfer, retransfer, or delivery of F-16 aircraft, M1 tanks, or certain other defense articles or services to Egypt until the President certifies to Congress that Egypt has agreed to: (1) continue to uphold its Camp David Peace Accords commitments, (2) provide proper security at U.S. embassies and consulates, and (3) end its systematic exclusion and silencing of all official minority political opposition parties and engage in dialogue for a power-sharing government with such parties.
- S.Amdt. 9 to H.R. 325 – an amendment stating that “Notwithstanding any other provision of law, the United States Government shall not license, approve, facilitate, or otherwise allow the sale, lease, transfer, retransfer, or delivery of F-16 aircraft, M1 tanks, or other defense articles or services listed in Category VI, VII, or VIII of the United States Munitions List to the Government of Egypt.” The Senate failed to adopt the measure by a vote of 19 for to 79 against.

**Table 2. Top 10 recipients of U.S. Foreign Assistance, FY2012 and FY2013 Req.**  
(in millions)

FY2012		FY2013 Req.	
1. Israel	\$3,075	1. Israel	\$3,100
2. Afghanistan	\$2,327	2. Afghanistan	\$2,505
3. Pakistan	\$2,102	3. Pakistan	\$2,228
4. Iraq	\$1,683	4. Iraq	\$2,045
<b>5. Egypt</b>	<b>\$1,557</b>	<b>5. Egypt</b>	<b>\$1,563</b>
6. Jordan	\$676	6. Jordan	\$671
7. Kenya	\$652	7. Nigeria	\$599
8. Nigeria	\$625	8. Tanzania	\$571
9. Ethiopia	\$580	9. South Africa	\$489
10. Tanzania	\$531	10. Kenya	\$460

**Source:** Allocation tables provided to CRS by the Department of State, F Bureau. Does not including funding from independent agencies such as MCC, which, if included, could change the ranking of Tanzania.

**Table 3. U.S. Foreign Assistance to Egypt**  
(\$ in millions)

<b>Fiscal Year</b>	<b>Economic</b>	<b>Military</b>	<b>IMET</b>	<b>Total</b>
1948-1997	23,288.6	22,353.5	27.3	45,669.4
1998	815.0	1,300.0	1.0	2,116.0
1999	775.0	1,300.0	1.0	2,076.0
2000	727.3	1,300.0	1.0	2,028.3
2001	695.0	1,300.0	1.0	1,996.0
2002	655.0	1,300.0	1.0	1,956.0
2003	911.0	1,300.0	1.2	2,212.2
2004	571.6	1,292.3	1.4	1,865.3
2005	530.7	1,289.6	1.2	1,821.5
2006	490.0	1,287.0	1.2	1,778.2
2007	450.0	1,300.0	1.3	1,751.3
2008	411.6	1,289.4	1.2	1,702.2
2009	250.0	1,300.0	1.3	1,551.3
2010	250.0	1,300.0	1.9	1,551.9
2011	249.5	1,297.4	1.4	1,548.3
2012	250.0	1,300.0	1.4	1,551.4
<b>Total</b>	<b>31,320.3</b>	<b>41,809.2</b>	<b>44.54</b>	<b>73,174.0</b>

**Table 4. U.S. Foreign Assistance to Egypt, 1946-1997**

(\$ in millions)

Year	Total	Military Loan	Military Grant	IMET Grant	Misc. Econ Grant	DA Loan	DA Grant	ESF Loan	ESF Grant	PL. 480 I	PL. 480 II
1946	9.6	—	—	—	9.3 Surplus 0.3 UNWRA	—	—	—	—	—	—
1948	1.4	—	—	—	1.4 Surplus	—	—	—	—	—	—
1951	0.1	—	—	—	0.1 Tech Asst	—	—	—	—	—	—
1952	1.2	—	—	—	—	—	0.4	—	—	—	0.8
1953	12.9	—	—	—	—	—	12.9	—	—	—	—
1954	4.0	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1.0	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0.0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2.0	—	—	33.9	8.9
1960	65.9	—	—	—	—	15.4	5.7	—	—	36.6	8.2
1961	73.5	—	—	—	—	—	2.3	—	—	48.6	22.6
1962	200.5	—	—	—	—	20.0	2.2	20	—	114.0	44.3
1963	146.7	—	—	—	—	36.3	2.3	10	—	78.5	19.6
1964	95.5	—	—	—	—	—	1.4	—	—	85.2	8.9
1965	97.6	—	—	—	—	—	2.3	—	—	84.9	10.4
1966	27.6	—	—	—	—	—	1.5	—	—	16.4	9.7
1967	12.6	—	—	—	—	—	0.8	—	—	—	11.8

Year	Total	Military Loan	Military Grant	IMET Grant	Misc. Econ Grant	DA Loan	DA Grant	ESF Loan	ESF Grant	PL. 480 I	PL. 480 II
1972	1.5	—	—	—	—	1.5	—	—	—	—	—
1973	0.8	—	—	—	—	—	—	—	—	—	0.8
1974	21.3	—	—	—	—	—	—	—	8.5	9.5	3.3
1975	370.1	—	—	—	—	—	—	194.3	58.5	104.5	12.8
1976	464.3	—	—	—	—	—	5.4	150.0	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429.0	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600.0	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2,588.5	1,500	—	0.4	—	—	—	250.0	585.0	230.7	22.4
1980	1,167.3	—	—	0.8	—	—	—	280.0	585.0	285.3	16.1
1981	1,681.2	550	—	0.8	—	—	—	70.0	759.0	272.5	28.9
1982	1,967.3	700	200.0	2.4	—	—	—	—	771.0	262.0	31.9
1983	2,332.0	900	425.0	1.9	—	—	—	—	750.0	238.3	16.8
1984	2,470.8	900	465.0	1.7	—	—	—	—	852.9	237.5	13.7
1985	2,468.7	—	1,175.0	1.7	—	—	—	—	1,065.1	213.8	13.2
1986	2,539.1	—	1,244.1	1.7	—	—	—	—	1,069.2	217.5	6.6
1987	2,317.0	—	1,300.0	1.8	—	—	—	—	819.7	191.7	3.9
1988	2,174.9	—	1,300.0	1.5	—	—	—	—	717.8	153.0	2.6
1989	2,269.6	—	1,300.0	1.5	—	—	1.5	—	815.0	150.5	1.2
1990	2,397.4	—	1,294.4	1.6	—	—	—	—	898.4	203.0	—
1991	2,300.2	—	1,300.0	1.9	—	—	—	—	780.8	165.0	52.5
1992	2,235.1	—	1,300.0	1.8	—	—	—	—	892.9	40.4	—

Year	Total	Military Loan	Military Grant	IMET Grant	Misc. Econ Grant	DA Loan	DA Grant	ESF Loan	ESF Grant	PL. 480 I	PL. 480 II
1993	2,052.9	—	1,300.0	1.8	—	—	—	—	747.0	—	4.1
1994	1,868.6	—	1,300.0	0.8	—	—	—	—	561.6	35.0	6.2
1995	2,414.5	—	1,300.0	1.0	—	—	0.2	—	1,113.3	—	—
1996	2,116.6	—	1,300.0	1.0	—	—	—	—	815.0	—	0.6
1997	2,116.0	—	1,300.0	1.0	—	—	—	—	815.0	—	—
<b>Total</b>	<b>45,669.4</b>	<b>4,550</b>	<b>17,803.5</b>	<b>27.3.0</b>	<b>11.2</b>	<b>80.7</b>	<b>82.8</b>	<b>2,620.7</b>	<b>15,923.8</b>	<b>4,114.3</b>	<b>455.1</b>

**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

IMET = International Military Education and Training

UNRWA = United Nations Relief and Works Agency

Surplus = Surplus Property

Tech. Asst. = Technical Assistance

Narc. = International Narcotics Control

DA = Development Assistance

ESF = Economic Support Funds

PL 480 I = Public Law 480 (Food for Peace), Title I Loan

PL 480 II = Public Law 480 (Food for Peace), Title II Grant



## **Author Contact Information**

Jeremy M. Sharp  
Specialist in Middle Eastern Affairs  
jsharp@crs.loc.gov, 7-8687