

Report for Congress

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Middle East: U.S. Foreign Assistance, FY2002, FY2003, and Request for FY2004

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Summary

The report provides data on United States foreign assistance to the Middle East for FY2002, the FY2002 supplemental, allocated aid for FY2003, the FY2003 supplemental, and assistance requested by the President for FY2004. A narrative section describes unique features of U.S. foreign assistance to some Middle Eastern countries, such as Israel, Egypt, and the Palestinians. The report follows a broad definition of "Middle East" to include countries affected by Middle Eastern events, countries diplomatically engaged with Middle Eastern countries, and all the members of the Arab League.

Table 1 lists assistance for each country with separate amounts for economic, military, developmental, and some listings of special aid. Table 2 lists U.S. assistance for regional programs.

The report will be updated as needed.

Other Congressional Research Service reports dealing with U.S. assistance to the Middle East include:

- CRS Issue Brief IB85066, *Israel: U.S. Foreign Assistance*
- CRS Issue Brief IB82008, *Israel-United States Relations*
- CRS Issue Brief IB93085, *Jordan: U.S. Relations and Bilateral Issues*
- CRS Issue Brief IB93087, *Egypt-United States Relations*
- CRS Issue Brief IB89118, *Lebanon*
- CRS Issue Brief IB89140, *Cyprus: Status of U.N. Negotiations*
- CRS Issue Brief IB92052, *Palestinians and Middle East Peace: Issues for the United States*
- CRS Report RL31342, *Middle East: U.S. Foreign Assistance, FY2001, FY2002, and FY2003 Request*
- CRS Report RL31311, *Appropriations for FY2003: Foreign Operations, Export Financing, and Related Programs*
- CRS Report RL31829, *Supplemental Appropriations FY 2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*

Contents

Background	1
Middle East Cap	1
Wye Agreement Funding	1
Israel	2
Loan Guarantees	2
Palestinians (West Bank/Gaza)	3
Egypt	4
Jordan	4
Lebanon	4
Iraq Supplemental	4

List of Tables

Table 1. Middle East: U.S. Foreign Assistance FY2002, FY2003, and FY2004 Request	6
Table 2. U.S. Foreign Assistance to Middle East Regional Programs	9

Middle East: U.S. Foreign Assistance, FY2002, FY2003, and Request for FY2004

Background

The following tables and explanations of U.S. foreign assistance to key countries or activities in the Middle East include the actual amounts for FY2002, the FY2002 supplemental, the allocated amounts for FY2003, the supplemental request of March 25, 2003, and the President's requested amounts for FY2004. The President signed the FY2003 supplemental appropriations on April 16, 2003, P.L. 108-11. Some countries not usually listed in definitions of "Middle East" are included here because of their involvement with and proximity to other Middle Eastern countries (such as Greece or Ethiopia), or because of their membership in the Arab League (such as the Comoros or Mauritania). The figures are taken from the President's FY2004 budget presentation to Congress.

Middle East Cap

Beginning in FY1998, Congress set a spending ceiling or cap on aid to the Middle East. The cap in Section 555 of H.R. 5410, the foreign operations appropriations bill for FY2003, reported by the House Committee on Appropriations (H.Rept. 107-663), was \$5.467 billion for Israel, Egypt, Jordan, Lebanon, the West Bank/Gaza Strip, the Israel-Lebanon Monitoring Group, the Multinational Force and Observers, the Middle East Democracy program, the Middle East Regional Cooperation, and the Middle East Multilateral Working Group. Section 555 was not included in H.J.Res. 2, the omnibus appropriations bill, P.L. 108-7, signed on February 20, 2003. (The President's FY2004 request for the same countries and programs is \$5.248 billion.)

Wye Agreement Funding

Following the peace talks at the Wye River Plantation in October 1998, President William Clinton proposed an aid package of \$1.2 billion for Israel, \$300 million for Jordan, and \$400 million for the Palestinians. Congress added \$25 million for Egypt. Congress included \$100 million for Jordan in the 1999 supplemental and appropriated the remaining funds in the FY2000 foreign operations appropriations bill. The funding was intended to be paid out over FY2001, FY2002, and FY2003.

Israel

Israeli Prime Minister Binyamin Netanyahu told Congress on July 10, 1996, that Israel would end its dependency on U.S. economic assistance. At the time, Israel was receiving \$1.2 billion in grant economic assistance and \$1.8 billion in grant military assistance. In 1998, Israel and the United States agreed to reduce U.S. economic assistance by \$120 million per year and increase U.S. military assistance by \$60 million per year over a 10-year period beginning in 1999.

President Clinton requested and Congress appropriated \$1.2 billion in military assistance for Israel following the October 1998 Wye River Agreement. The Wye funding was in addition to the regular foreign assistance of about \$3 billion per year and was intended to be paid out over three years, FY2001, FY2002, and FY2003.

President Bush requested and Congress passed a supplemental appropriation for FY2002 (P.L. 107-206, August 2, 2002) that included a \$200 million grant for Israel for anti-terrorism. But the President withheld disbursing some of the supplemental funds, including the \$200 million scheduled for Israel. The House Appropriations Committee added the \$200 million to its foreign operations appropriations bill for FY2003, H.R. 5410, but the Senate Appropriations Committee did not add the funds to its bill, S. 2779 (S.Rept. 107-219). The \$200 million was not included in H. J. Res. 2, the omnibus appropriations bill passed by Congress and signed into law on February 20, 2003, P.L. 108-7. Israel did not receive the \$200 million. The \$200 million is not included in the Economic Support Funds (ESF) for FY2003 in Table 1 at the end of this report, although the Department of State did include the \$200 million in the ESF account for FY2003 in its presentation to Congress.

According to press accounts, Israeli Prime Minister Ariel Sharon requested \$4 billion in military grants, and \$8 billion in loan guarantees from the United States during his October 2002 visit to the White House. The military grants are intended to help Israel prepare for war against Iraq and to offset costs of the Palestinian uprising in the occupied territories. The loan guarantees are intended to help the failing Israeli economy. In the March 25, 2003, supplemental request to Congress, the President asked for \$1 billion in military grants and \$9 billion in loan guarantees for Israel.

Loan Guarantees. Israel received \$600 million in housing loan guarantees between 1972 and 1990, and received \$10 billion in loan guarantees for settling Soviet Jews over a 5-year period beginning in 1993. Under the loan guarantee program, the United States underwrites private loans to Israel, but does not provide funds directly. In 1993, Israel agreed to pay the administrative costs and the subsidy (a fund set aside in a U.S. Treasury account held in case of default) of about 4% of the \$10 billion total. Israel agreed that none of the 1993 loan guarantees could be used in the occupied territories and that the amount available for each of the five years would be reduced by an amount equal to that which Israel spent on settlements in the occupied territories. Of the \$10 billion authorized, the United States deducted \$774 million as a penalty for Israeli settlement construction, leaving \$9.226 billion available to cover Israeli loans. Of that amount, Israel drew down about \$7.5 billion to cover commercial loans.

The President's March 25, 2003, supplemental request stipulated that Israel could not use the requested \$9 billion in loan guarantees in the occupied territories, that the loan guarantees could be reduced by an amount equal to the amount Israel spends in the occupied territories for settlements, that Israel will pay the administrative fees and subsidy, and that the President would consider Israel's budgetary and economic reforms in approving annual loan guarantee allocations.

Palestinians (West Bank/Gaza)

No U.S. AID funds have gone to the Palestine Liberation Organization. In 1993-1994, the United States provided \$36 million through the Holst Fund at the World Bank for direct assistance to the Palestinian Authority, the elected Palestinian government for the occupied West Bank and Gaza, and an additional \$5 million in cash and equipment for the Palestinian police. Since 1995, no U.S. assistance has gone to the Palestinian Authority or any of its constituent bodies. Approximately 80% of U.S. funding for the Palestinians has gone through U.S. Agency for International Development contractors, and 20% through private voluntary organizations. Regular U.S. assistance has been averaging about \$75 million per year. In addition, the United States pledged \$400 million over 3 years as part of the negotiations leading up to the 1998 Wye agreement. The last installment of Wye funding, \$158 million, is expected to be obligated in FY2003.

In the FY2003 appropriations bill, Congress included \$50 million in disaster relief for the Palestinians following the May 2002 Israeli destruction in the Palestinian refugee camp in the city of Jenin. It does not appear that the \$50 million in disaster relief was allocated to the Palestinians. The President requested \$50 million for the Palestinians in the March 25, 2003, supplement request. It may be surmised that the \$50 million in the supplemental request was intended to replace the \$50 million in disaster relief that was not allocated. The \$50 million for the Palestinians requested by the President is not earmarked in the FY2003 supplemental, P.L. 108-11. If the Administration intends to provide \$50 million for the Palestinians out of the FY2003 supplemental, the funds will have to be deducted from other countries or programs because the FY2003 supplemental ESF account is over committed. Note in **Table 1** that \$50 million appears in both the FY2003 allocated and FY2003 supplemental and may be a double counting.

United Nations Relief and Works Agency (UNRWA) provides food, shelter, medical care, and education for many of the 3 million Palestinian refugees from the 1948-1949 Arab-Israeli war.¹ U.S. contributions to UNRWA are not included in **Table 2** because the Department of State does not list contributions separately. U.S. contributions to UNRWA have been averaging around \$80 million per year with an additional \$20 million annual contribution to meet crisis needs.

¹ The 700,000 refugees from 1948-1949 have grown to over three million today.

Egypt

Egyptian officials maintain that the United States agreed to a three-to-two ratio in aid to Israel and Egypt at the 1978 Camp David peace conference. U.S. officials deny that the United States agreed to a three-to-two ratio. In keeping with a three-to-two ratio, Congress reduced economic aid to Egypt by \$40 million per year beginning in 1999 when Egypt's economic aid was \$815 million per year. (Israeli economic assistance is reduced by \$120 million per year, and its military assistance is increased by \$60 million, for a net reduction of \$60 million; two-thirds of \$60 million is \$40 million.) Military assistance to Egypt was not changed.

The FY2003 supplemental request included \$300 million in ESF and \$2 billion in loan guarantees for Egypt. Egypt will pay all administrative fees and subsidies for the loan guarantees. In addition, the request stated that \$379.6 million in previously committed funds for Commodities Import Program, export financing, and other programs, could be converted to grants for cash transfers to the Egyptian government.

Jordan

In addition to increasing annual assistance, Jordan received \$300 million in the FY2000 Wye Agreement funds, including \$100 million in the FY2000 supplemental, and the remaining \$200 over fiscal years 2001, 2002, and 2003. The President requested \$406 million in FMF, and \$700 million in ESF for Jordan in the FY2003 supplemental. Of the ESF, \$250 million is for budget support, and \$450 million is to offset Iraqi aid that disappeared after the March 19, 2003, U.S. invasion of Iraq.

Lebanon

Section 1224 of H.R. 1646, P.L. 107-228 of September 30, 2002, the foreign relations authorization act, states that the United States should withhold \$10 million of the funds available for Lebanon in FY2003 if the Lebanese armed forces have not deployed to the internationally recognized border with Israel. Lebanon has not deployed its armed force to the border because it claims that Israel occupies Lebanese territory along the border at Shabaa farms. Israel claims the Shabaa farms area is occupied Syrian territory, not subject to the agreement under which Israel withdrew from Lebanon. The total aid for Lebanon for FY2003 is \$33.2 million.

Iraq Supplemental

The United States invaded Iraq on March 19, 2003. On March 25, President Bush sent to Congress a request for supplemental appropriations that included \$2.853 billion for humanitarian aid and for reconstruction and rebuilding Iraq. Some of the funds were intended to repay other accounts from which the Administration had withdrawn funds to meet immediate needs in anticipation of the war. For a full breakdown of the funds requested for Iraq, see CRS Report RL31829, *Supplemental*

Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security. The President signed the supplemental appropriations into law on April 16, 2003, P.L. 108-11.

For assistance for other Middle Eastern countries included in the supplemental, see the FY2003 Supplemental column, Table 1, following.

Abbreviations Used in the Following Tables

CT = Counter Terrorism

DA = Development Assistance

ERF = Emergency Response Funds

ESF = Economic Support Funds

FMF = Foreign Military Financing

IMET = International Military Education and Training

Loan Guar. = Loan Guarantees

ME = Middle East

MINURSO = United Nations Mission for the Referendum in Western Sahara

R & M = Refugee and Migration Account funds for settling Soviet and other Jewish migrants in Israel

Suppl = Supplemental

UNDOF = United Nations Disengagement Observer Force (Golan Heights)

UNFICYP = United Nations Peacekeeping Force in Cyprus

UNIFIL = United Nations Interim Force in Lebanon

UNIKOM = United Nations Iraq-Kuwait Observation Mission

UNMEE = United Nations Mission in Ethiopia and Eritrea

Table 1. Middle East: U.S. Foreign Assistance FY2002, FY2003, and FY2004 Request
(millions of dollars)

Country/ Program	FY2002 Actual	FY2002 Suppl.	FY2003 Allocated	FY2003 Suppl.	FY2004 Requested
Algeria IMET	.067	-	.550	-	.550
Bahrain Total	.395	28.500	.450	90.000	25.600
FMF	-	28.500	-	90.000	25.000
IMET	.395	-	.450	-	.600
Comoros IMET	-	-	.050	-	.050
Cyprus ESF	15.000	-	14.900	-	7.500
Djibuti Total	.163	1.500	.185	30.000	2.225
FMF	-	1.500	-	5.000	2.000
IMET	.163	-	.185	-	.225
ESF	-	-	-	25.000	-
Egypt Total	1,956.217	-	1,903.752	2,300.000	1,876.200
FMF	1,300.000	-	1,291.550	-	1,300.000
ESF	655.000	-	611.002	300.000	575.000
IMET	1.217	-	1.200	-	1.200
Loan Guar.	-	-	-	2,000.000	-
Eritrea Total	6.148	-	5.519	-	1.790
FMF	.250	-	.500	-	.500
DA	5.558	-	4.619	-	.840
IMET	.340	-	.400	-	.450
Ethiopia Total	20.895	2.000	19.104	-	21.508
FMF	.250	2.000	.500	-	.500
ESF	-	-	-	-	5.000
DA	20.200	-	18.104	-	15.438
IMET	.445	-	.500	-	.570
Greece IMET	.499	-	.600	-	.600
Iraq Total	25.000	-	50.000	-	-
Opposition ESF	25.000	-	10.000	-	-
Contingency	-	-	40.000	-	-
Israel Total	2,848.000	-	2,742.245	10,000.000	2,690.000
FMF	2,040.000	-	2,086.350	1,000.000	2,160.000

Country/ Program	FY2002 Actual	FY2002 Suppl.	FY2003 Allocated	FY2003 Suppl.	FY2004 Requested
ESF	720.000	-	596.100	-	480.000
R & M	60.000	-	60.000	-	50.000
CT ERF	28.000	-	-	-	-
Loan Guar.	-	-	-	9,000.000	-
Jordan Total	227.012	125.000	448.400	1,106.000	458.900
FMF	75.000	25.000	198.000	406.000	206.000
ESF	150.000	100.000	248.000	700.000	250.000
IMET	2.012	-	2.400	-	2.900
Lebanon Total	36.168	-	35.970	-	33.200
ESF	35.000	-	34.770	-	32.000
DA	.600	-	.500	-	.500
IMET	.568	-	.700	-	.700
Mauritania IMET	.130	-	.100	-	.125
Morocco Total	10.307	-	13.113	-	17.150
FMF	3.500	-	4.900	-	10.000
DA	5.766	-	6.713	-	5.400
IMET	1.041	-	1.500	-	1.750
Oman Total	.481	25.000	20.250	61.500	26.000
FMF	-	25.000	19.500	61.500	25.000
IMET	.481	-	.750	-	1.000
Saudi Arabia IMET	.024	-	.025	-	.025
Somalia DA	2.267	-	2.700	-	.965
Sudan Total	10.631	-	22.000	-	64.613
DA	10.631	-	22.000	-	49.613
ESF	-	-	-	-	15.000
Tunisia Total	4.513	-	6.400	-	11.750
FMF	3.500	-	4.900	-	10.000
IMET	1.013	-	1.500	-	1.750
Turkey Total	2.756	248.000	20.300	9,500.000	255.000
FMF	-	28.000	17.500	-	50.000
ESF	-	200.000	-	1,000.000	200.000
IMET	2.756	-	2.800	-	5.000
ERF	-	20.000	-	-	-

Country/ Program	FY2002 Actual	FY2002 Suppl.	FY2003 Allocated	FY2003 Suppl.	FY2004 Requested
Loan/Loan Guar.	-	-	-	8,500.000	-
West Bank/ Gaza Strip Total	72.000	-	124.500	50.000	75.000
ESF	72.000	-	74.500	50.000	75.000
Disaster Relief	-	-	50.000	-	-
Yemen Total	5.488	23.000	12.450	-	31.000
FMF	-	20.000	1.900	-	15.000
ESF	5.000	3.000	9.900	-	15.000
IMET	.488	-	.650	-	1.000

Note: The FY2002 supplemental funds were in addition to the FY2002 funds. FY2003 supplemental funds are in addition to the FY2003 allocated funds.

Table 2. U.S. Foreign Assistance to Middle East Regional Programs
(millions of dollars)

Regional Program	FY2002 Actual	FY2002 Suppl.	FY2003 Allocated	FY2003 Suppl.	FY2004 Requested
ME Regional	-	-	28.161	-	-
ME Partnership Initiative ESF	-	20.000	-	200.000	145.00
ME Democracy ESF	5.00	-	4.000	-	-
ME Multilaterals ESF	3.000	-	2.900	-	3.000
ME Regional Cooperation ESF	5.000	-	4.900	-	5.000
ME Television/Radio	-	-	-	30.500	-
U.S.-North Africa Economic Partnership ESF	4.000	-	3.000	-	-
Multinational Force and Observers	16.015	-	16.400	-	16.400
UN Guards in Iraq	-	-	-	-	.700
UNDOF	10.454	-	8.365	-	10.065
UNIFIL	18.831	-	33.520	-	30.795
UNIKOM	4.595	-	4.479	-	4.784
MINURSO	13.324	-	11.792	-	10.785
UNIFCYP	5.964	-	5.219	-	5.809
UNMEE	67.648	-	55.594	-	53.504

Note: The FY2002 supplemental funds were in addition to the FY2002 funds. FY2003 supplemental funds are in addition to the FY2003 allocated funds.