

CRS Report for Congress

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Middle East: U.S. Foreign Assistance, FY2001, FY2002, and FY2003 Request

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Summary

The report describes some aspects of U.S. foreign assistance to the Middle East and includes tables showing U.S. funding of the Wye agreement, and U.S. assistance to the Middle East and North Africa for FY2001, an estimated level for FY2002, the President's request for supplemental assistance for FY 2002, and the President's request for FY2003. Congress may decide if it will retain the cap or ceiling it placed on U.S. assistance to Israel, Egypt, Jordan, Lebanon, the Palestinians and several multilateral operations, set at \$5.1 billion for FY2002, or if it will provide the \$5.3 billion for FY2003 requested by the Bush Administration. Also, Congress may reconsider restrictions and conditions on U.S. assistance for the Palestinians. The report will not be updated.

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Middle East: U.S. Foreign Assistance, FY2001, FY2002, and FY2003 Request

Background

Following is a discussion of some aspects of current U.S. foreign assistance to the Middle East and tables showing the actual aid levels for FY2001, the estimated levels for FY2002, the supplemental request for FY 2002, and the President's request for FY2003. Congress has placed a ceiling on aid to some Middle Eastern countries (See Middle East Cap, below), and is reducing assistance to Egypt and Israel according to a ten-year plan (See Reduced Aid to Israel and Egypt).

The request for FY2002 supplemental assistance is intended to strengthen "frontline states" in the war on terrorism. Turkey, Jordan, Bahrain, and Oman, among others, will benefit from the increased assistance. The supplemental request is listed as a separate column in Table 2. Congress will consider President Bush's request for supplemental assistance for the current year, FY2002.

Data are taken from the Summary and Highlights, International Affairs Function 150, Fiscal Year 2003 Budget Request, Office of the Secretary of State, Resources, Plans, and Policy.

Other CRS reports dealing with U.S. foreign assistance to Middle Eastern countries include:

CRS Issue Brief IB85066, *Israel: U.S. Foreign Assistance*

CRS Issue Brief IB89118, *Lebanon*

CRS Issue Brief IB93087, *Egyptian-United States Relations*

CRS Issue Brief IB93085, *Jordan: U.S. Relations and Bilateral Issues*

CRS Issue Brief IB92052, *Palestinians and Middle East Peace: Issues for the United States*

CRS Issue Brief IB89140, *Cyprus, Status of U.N. Negotiations*

Middle East Cap

In FY1998, Congress established a ceiling, or cap, on funding for the Middle East in order to ensure that adequate funding was available for other countries. Congress did not include all Middle East countries or programs under the cap. The cap for FY2002 is \$5,141,150,000 for Israel, Egypt, Jordan, Lebanon, West Bank/Gaza Strip, and funds for the Israel-Lebanon Monitoring Group, Middle East Regional Democracy, Middle East Regional Cooperation, and the Middle East Multinational Working Group (Section 558, P.L. 107-115, H.R. 2506). The President's request for FY2003 for the same recipients is \$5,264,200,000. Congress

will decide if it will retain the cap for FY2003, the dollar amount of the cap, and what countries or programs will be under the cap.

Reduced Funding for Israel and Egypt

Former Israeli Prime Minister Binyamin Netanyahu told a joint session of the U.S. Congress on July 10, 1996 that Israel intended to reduce its dependence on U.S. economic assistance in order to increase its self sufficiency. The Israeli Finance Minister negotiated an arrangement with the two Appropriations Committees in January 1998 to reduce Israel's Economic Support Funds (ESF) from the then-current level of \$1.2 billion per year to zero within ten years (\$1.2 billion divided by 10 = \$120 million per year reduction). But, according to the Israelis, Israel needed to increase U.S. military assistance to meet increased military threats. Israel and the Appropriations Committees agreed to raise Israel's Foreign Military Financing (FMF) by one half the amount of the ESF reduction, or \$60 million per year. The net effect is a reduction in total aid by \$60 million per year (minus \$120 million ESF, plus \$60 million FMF = \$60 million reduction). The Israeli-U.S. agreement, which remains an unwritten, uncodified understanding, went into effect with the FY1999 assistance.

Although there is nothing in U.S. law or the 1978 Camp David agreements that sets a specific ratio between U.S. aid to Israel and U.S. aid to Egypt, it appears that such a ratio has existed since Egypt and Israel signed the 1979 peace treaty (approximately 3 to 2 or 10 to 7). To maintain balance between Egypt and Israel, the Appropriations Committees decided to reduce U.S. economic aid to Egypt by one-half over the same ten-year period, or about \$40 million per year through 2008. U.S. military aid to Egypt has not changed.

Wye Aid

Following the October 1998 Wye River negotiations, President Clinton requested \$1.9 billion in ESF and FMF for Jordan, Israel, and the Palestinians. Congress appropriated \$100 million for Jordan in FY1999 in a supplemental appropriation. Congress added \$25 million in FMF funds for Egypt and appropriated \$1.825 billion in FY2000 to cover the remainder of the President's request. The Wye funding was in addition to the "regular" annual assistance to Israel, Jordan, Egypt, and the Palestinians for the years FY1999, FY2000, FY2001, and FY2002. The funds were intended to be disbursed as follows:

Table 1. Intended Disbursal of Wye Funds

(Millions of Dollars)

	FY1999	FY2000	FY2001	FY2002
Israel FMF	-	600	300	300
Jordan FMF	50	-	50	100
ESF	50	-	50	-
Egypt FMF	-	25	-	-
Palestinians ESF	-	200	100	100

President Clinton's Request for Supplemental Aid, FY2001

Israel withdrew its 1,000 troops from southern Lebanon on May 23, 2000, and requested additional foreign assistance from the United States to pay for the redeployment. On November 14, 2000, President William Clinton requested a supplemental assistance package of \$450 million for Israel for FY2001 that included \$250 million in a newly created Northern Israel Security Account, and \$200 million in FMF for missile defense and other military needs. In addition, President Clinton requested \$225 million in FMF for Egypt, and \$25 Million in FMF and \$50 million in ESF for Jordan for FY2001. The supplemental FY2001 funds would have been in addition to the regular FY2001 foreign assistance funds for Israel, Egypt, and Jordan, and in addition to the Wye funds appropriated in FY2000 and scheduled to be disbursed through FY2002. Accompanying the November 14 request was a recommendation that additional funding should be considered for FY2002, \$350 million in FMF for Israel, and \$150 million to be shared among Egypt, Jordan, and the Palestinians for FY2002. Congress did not act on President Clinton's supplemental request or on the recommendation. According to press accounts, Israeli leaders have reintroduced their request for the \$800 million additional assistance to the Bush Administration and to Members of Congress.

U.S. Assistance to the Palestinians

No U.S. assistance goes the Palestine Liberation Organization (PLO) or to the Palestinian Authority (PA). All U.S. assistance to the Palestinians goes to private voluntary organizations (20%) or to contractors (80%), all of which are selected and monitored by the U.S. Agency for International Development. All U.S. aid to the Palestinians is economic support funds (ESF) and is not for military purposes.

Congress has placed restrictions on U.S. aid to the Palestinians:

- no assistance to the PLO unless authorized by the President (Section 546 of P.L. 107-115);
- no funds to the Palestinian Authority unless the restriction is waived by the President (Section 555);
- the President may close the Palestinian office in Washington, or name constituent members of the PLO as terrorist organizations, or end assistance (except humanitarian) to the West Bank and Gaza if the President determines that PLO and the PA are not meeting their prior commitments (Section 566);
- no funds for the Palestine Broadcasting Corporation (Section 569); and
- stop aid to the Palestinians unless the Comptroller General has access to information to review U.S. aid uses (Section 571).

U.S. Assistance to Israel

Israel receives the ESF during the first month of the fiscal year as a lump sum grant to be used at the discretion of the Israelis; the aid is not tied to any specific project. Israel invests the ESF funds in U.S. government bonds until they are needed, thereby realizing a \$60 million annual windfall in interest. One quarter of the military assistance is in the form of a grant, transferred directly to Israel for purchases of Israeli military equipment. The remaining FMF is held in the United States for payment against Israeli expenditures for U.S.-made military equipment or services.

President Bush's Supplemental Request for Foreign Operations, FY2002

On March 21, 2002, President George W. Bush submitted a request for supplemental funding for FY2002 foreign assistance, included funding for eight Middle Eastern countries and one Middle Eastern regional program. The additional funds are intended to strengthen "frontline states" in the war on terrorism. The request is included in Table 2 under FY2002 Supplemental Request.

U.S. Foreign Assistance for FY2001, FY2002, and the Request for FY2003

Some countries listed in the following table may not fit conventional definitions of Middle East, but are included here because of membership in the Arab League (Comoros, Djibuti, Sudan), proximity (Greece, Cyprus, Ethiopia, Eritrea) or their involvement in regional affairs (Turkey).

Abbreviations and symbols used in the table:

= Less than \$100,000

CS = Child Survival and Disease (Health) Funds

DA = Development Assistance

ESF = Economic Support Funds

FMF = Foreign Military Financing

IMET = International Military Education and Training

Immigrant Settlement = for Soviet and Ethiopian Jews, from the Migration and Refugee account

ME = Middle East

U.N. = United Nations

**Table 2. U.S. Foreign Assistance to the Middle East,
FY2001 Actual, FY2002 Estimated, and
FY2003 Requested by the President**
(Millions of Dollars)

Country/Program	FY2001 Actual	FY2002 Estimated	FY2002 Suppl. Request	FY2003 Request
Algeria IMET	.1	.2	-	.6
Bahrain Total	.2	.4	28.5	.5
IMET	.2	.4	-	.5
FMF	-	-	28.5	-
Comoros IMET	-	-	-	#
Cyprus ESF	15.0	15.0	-	15.0
Djibuti Total	.2	.2	5.0	.2
ESF	-	-	3.0	
IMET	.1	.2	-	.2
FMF	.1	-	2.0	-

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Country/Program	FY2001 Actual	FY2002 Estimated	FY2002 Suppl. Request	FY2003 Request
Egypt Total	1,991.7	1,956.2	-	1,916.2
ESF	693.5	655.0	-	615.0
IMET	1.1	1.2	-	1.2
FMF	1,297.1	1,300.0	-	1,300.0
Eritrea Total	10.3	11.0	-	9.4
DA/CS	10.1	10.3	-	8.5
IMET	.2	.4	-	.4
FMF	-	.3	-	.5
Ethiopia Total	40.6	46.8	11.0	51.1
ESF	-	-	8.0	-
DA/CS	40.6	46.0	-	50.1
IMET	-	.5	-	.5
FMF	-	.3	3.0	.5
Greece IMET	#	.5	-	.6
Iraq Opposition ESF	24.9	25.0	-	25.0
Israel Total	2,873.8	2,848.0	-	2,760.0
ESF	838.2	720.0	-	600.0
Immigrant Settlement	60.0	60.0	-	60.0
FMF	1,975.6	2,040.0	-	2,100.0
Counter Terror	-	28.0	-	-
Jordan Total	226.2	227.0	125.0	450.4
ESF	149.7	150.0	100.0	250.0
IMET	1.7	2.0	-	2.4
FMF	74.8	75.0	25.0	198.0

Country/Program	FY2001 Actual	FY2002 Estimated	FY2002 Suppl. Request	FY2003 Request
Lebanon Total	36.0	36.2	-	33.2
DA	.6	.6	-	.5
ESF	34.9	35.0	-	32.0
IMET	.5	.6	-	.7
Mauritania IMET	#	.1	-	.1
Morocco total	14.1	14.8	-	13.2
DA	10.6	10.3	-	6.7
IMET	1.0	1.0	-	1.5
FMF	2.5	3.5	-	5.0
Oman Total	.3	.5	25.0	20.8
IMET	.3	.5	-	.8
FMF	-	-	25.0	20.0
Saudi Arabia IMET	-	#	-	#
Somalia DA/CS	3.0	3.0	-	2.9
Sudan Total	4.5	11.4	4.0	22.3
DA/CS	4.5	11.4	-	22.3
ESF (Southern Sudan)	-	-	4.0	-
Tunisia Total	4.5	4.5	-	6.5
IMET	1.0	1.0	-	1.5
FMF	3.5	3.5	-	5.0
Turkey Total	1.7	22.7	228.0	20.3
ESF	-	-	200.0	-
IMET	1.7	2.7	-	2.8
FMF	-	-	28.0	17.5
FMF Emergency Response	-	20.0	-	-

Country/Program	FY2001 Actual	FY2002 Estimated	FY2002 Suppl. Request	FY2003 Request
West Bank-Gaza Strip ESF	84.8	72.0	-	75.0
Yemen Total	4.2	5.5	25.0	12.7
ESF	4.0	5.0	5.0	10.0
IMET	.2	.5	-	.7
FMF	-	-	20.0	2.0
Regional				
ME Economic Initiative ESF	-	-	50.0	-
ME Democracy ESF	4.0	5.0	-	5.0
ME Fact Finding ESF	2.8	-	-	-
ME Multilaterals ESF	3.0	3.0	-	3.0
ME Regional Cooperation ESF	5.0	5.0	-	5.0
U.S.-North Africa Economic Partnership ESF	4.0	4.0	-	4.0
Locherbie Trial Support	15.0	-	-	-

Country/Program	FY2001 Actual	FY2002 Estimated	FY2002 Suppl. Request	FY2003 Request
Peacekeeping				
Multinational Force and Observers (Sinai)	16.0	16.4	-	16.4
U.N. Disengagement Observer Force (Golan Heights)	8.0	10.4	-	8.4
U.N. Interim Force In Lebanon	59.9	25.0	-	33.5
U.N. Iraq-Kuwait Observation Mission	4.8	5.3	-	4.5
U.N. Mission for the Referendum in Western Sahara	11.5	13.5	-	11.8
U.N. Force in Cyprus	5.6	6.7	-	5.2
U.N. Mission in Ethiopia and Eritrea	71.3	57.3	-	55.6