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# Foreign Assistance Requests: Egypt, Israel, and the Occupied Territories

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I am pleased to appear before this committee today. In these opening remarks, I will discuss some of the policy considerations which underlie our foreign assistance requests for Egypt, Israel, and the occupied territories.

Since August 1990, our diplomatic and military efforts have been focused on creating and mobilizing an international coalition to reverse Iraqi aggression against Kuwait. We now are witnessing the fruits of these efforts. American and allied troops have forged a new reality in the Middle East and the World at large. We have demonstrated that the international community will not tolerate blatant and unprovoked acts of aggression. The international community is able to organize itself to reverse aggression—by force if necessary. Potential aggressors in the future will have to contemplate this reality.

The Gulf conflict has had the effect of changing some elements of the preexisting pattern of Middle East politics. We are presented with new opportunities. We will try to make the most of these opportunities to help move the Gulf and the broader Middle East toward increased stability, reconciliation, and peace.

## **AID TO ISRAEL AND EGYPT**

Israel and Egypt—our two major partners in the peace process—remain the largest recipients of assistance in the Administration's 1992 foreign aid request. We have maintained our 1992 ESF [Economic Support Fund] and FMF [Foreign Military Financing] requests for Israel and Egypt at 1991 levels. For Israel, the Administration is requesting \$1.2 billion in economic assistance and \$1.8 billion in military assistance. For Egypt, the Administration is requesting \$815 million in economic assistance and \$1.3 billion in military assistance.

The Gulf conflict clearly illustrated the value of our assistance to these key friends of the United States. Both remained constant and steady throughout the crisis.

Israel, assured in its defense capabilities and confident in the reliability of American commitments, acted with restraint in the face of Iraq's provocations. Threats from Iraq and unprovoked Scud attacks against civilian targets in Israel prompted the United States to meet Israel's need for emergency military assistance. In the aftermath of Iraq's invasion of Kuwait, we responded to the increased threat to Israel by providing Patriot fire units and advanced anti-missile missiles. In response to Iraq's unprovoked attacks on Israel, we increased the deployment of Patriot missiles and temporarily stationed US crews to man the Patriot systems together with Israelis. We enhanced our dialogue on security and intelligence issues. At the same time, the

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United States and our coalition partners devoted extraordinary efforts to destroy Iraq's fixed and mobile Scud launchers in western Iraq that threatened Israel.

The Administration also initiated other emergency assistance measures. We are providing 10 CH-53 helicopters and 15 F-15 A/B aircraft as well as other equipment. Delivery is being accelerated for \$100 million in munitions for the war reserve stockpile. In February, the United States released \$400 million in housing loan guarantees to assist Israel in providing housing for new Soviet immigrants. Israel recently requested additional emergency security assistance, to help defray expenses related to increased defensive activity by Israeli forces and enhanced civil defense measures. The Administration is actively looking into this request, in light of Israel's needs and in light of what the United States has already provided to Israel. The Administration has also contacted our allies to help meet Israel's economic needs. As a result of our consultations with allies, the European Community decided recently on [furnishing] \$215 million in emergency assistance to Israel. Germany also increased its emergency assistance by \$996 million. The Netherlands provided some emergency assistance, and Norway pledged \$2.6 million in humanitarian assistance. We will continue to seek additional help for Israel.

Egypt played a vital role in shaping Arab reaction to Iraqi aggression and forming and maintaining the coalition. Egypt deployed two divisions and a ranger battalion to Saudi Arabia, and granted in country facilities to the coalition. With equipment obtained through U.S. security assistance, Egypt participated actively and valiantly in the liberation of Kuwait. Egypt will continue to be a key partner both in securing stability in the Gulf and in pursuing peace in the broader Middle East region. Iraq's invasion of Kuwait had an adverse economic impact on Egypt, as it forced about 500,000 Egyptian workers to return home, thereby drastically cutting remittances to the Egyptian economy. Suez Canal receipts were reduced and a virtual cut-off of tourism further devastated Egypt's sources of foreign exchange. U.S. forgiveness of Egypt's FMS [Foreign Military Sales] debt and aid from Kuwait, Saudi Arabia, other Gulf states, and Europe softened—but did not offset—this economic damage. For 1992, we are requesting \$1.3 billion in FMF and \$815 million in ESF for Egypt. Together with the Congress, we are examining ESF program changes that would quicken the disbursement of aid in exchange for Egyptian economic reforms.

## MIDDLE EAST REGIONAL ACCOUNT

The Middle East regional account covers regional cooperative projects such as Israeli-Egyptian scientific, agricultural, and marine biological exchanges. We are requesting \$5.5 million in ESF for such projects in FY 1992 and \$500,000 for U.S. Agency for International Development (USAID) program development and support. The account also covers U.S. humanitarian assistance to the West Bank and Gaza.

Palestinians in the occupied territories embraced Saddam Hussein's cause during the Gulf conflict and mistakenly hoped that he would help their cause. He hurt their cause. The Palestinians alienated many of the Arab states that traditionally provided them financial support. They now must face the realization that they pinned their hopes on the wrong side. The economy of the occupied territories was heavily affected by the Gulf conflict, losing markets for agricultural products, remittances from Palestinians employed in the Gulf, and donations from the Gulf states. Palestinian hospitals, schools, and charitable societies face bleak times.

U.S. assistance to the occupied territories for 16 years has been extended as a direct and visible expression of humanitarian concern for the people of the West Bank and Gaza. We remain true to this traditional American concern, we are requesting \$12 million in ESF in FY 1992 to meet humanitarian and developmental needs in the West Bank and Gaza.

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## ARAB-ISRAELI PEACE PROCESS

U.S. assistance to Israel and Egypt has traditionally been directed at supporting efforts to achieve a comprehensive settlement of the Arab-Israel conflict. Although emotions have been inflamed and some attitudes hardened as a result of the Gulf crisis, there is an urgent need to continue on the road to Arab-Israel peace. As President Bush noted in his October address to the UN General Assembly:

In the aftermath of Iraq's unconditional departure from Kuwait, I truly believe there may be opportunities . . . for all the states and the peoples of the region to settle the conflicts that divide the Arabs from Israel.

We intend to try to move forward with the peace process. We hope to build on the increasing recognition by states and peoples in the region that another war could be devastating for the entire Middle East. We recognize that difficult steps and risk-taking may be necessary to achieve regional stability and peace. However, demagogues like Saddam Hussein cannot be allowed to continue to exploit the emotions of people in the region for selfish ends. We must try to redirect emotional energies toward reconciliation and peace.

The United States has been active for years in trying to create conditions for the parties to come to negotiations. The problems are well known, and the issues are familiar. The key now is for all parties to demonstrate the political will to work toward resolution of their differences. We intend to test that will, beginning with Secretary Baker's trip to the region. We will work with the parties in the region to try to build a post-war dynamic based on constructive and effective approaches toward achieving a settlement. In so doing, it is important to emphasize that the principles which guide U.S. policy remain constant. We remain committed to a comprehensive peace achieved through negotiations based on UN Security Council Resolutions 242 and 338, involving the exchange of land for peace, security for all states in the region including Israel, and the legitimate political rights of the Palestinians. In the weeks ahead, we will explore with Israel and our Arab friends the issue of how we can best structure a renewed peace process to achieve these aims.