U.S ECONOMIC AID TO EGYPT DURING THE INSTITUTION OF THE OPEN-DOOR POLICY AS A FOREIGN POLICY INSTRUMENT

ABDELFATTAH RASHDAN *

Mutah University, Mutah, Jordan

Abstract

The purpose of this study is to explore the ways in which the American government attempts to use its economic aid programs to induce Egypt to support the United States interests in the Middle East and how this kind of assistance has affected Egyptian development and independence. This study focuses primarily on aid as a tool of American foreign policy toward the Sadat and Mubarak regimes.

This study demonstrates that U.S. Aid to Egypt and the high levels of funding since 1975 have been fundamentally the results of political decisions. The development and humanitarian ends of American aid were to ensure an Egyptian government stable and secure enough to support American foreign policies aimed at normalizing the Egyptian Israeli relations and wider geopolitical, anti Soviet objectives.

1. Introduction

The well-publicized economic woes of President Mubarak's Egypt demand immediate attention in both Cairo and Washington. The United States has a big stake in Egypt. The recipient of more than $19 billion in assistance in the last dozen years, Egypt continues to share the U.S. strategic interest in the stability of the Middle East and Africa. Egypt and the U.S. also share a commitment to dialogue, not war, as the way to settle disputes with Israel. Continued support for Egypt is

© 1992 by Yarmouk University, Irbid, Jordan.

* Assistant Professor, Department of Economics and Political Science, Faculty of Economics and Administrative Sciences, Mut'ah University, Mut'ah, Jordan
crucial to its struggle to establish a modern democracy and to the success of the peace process (Hamilton, 1986, 18).

Any period in the life of a developing country is crucial for its development prospects, but some periods are more crucial than others. As a Third World country, Egypt entered the 1970s burdened with the cumulative weight of all the decisions that had been made in previous years, the roads not taken as well as those that were. Egypt's range of options for growth strategies, internal politics, and regional influence has narrowed over the years, representing polar alternatives less and less susceptible to compromise or reconciliation.

Egypt's growth strategy in the late 1950s and throughout the 1960s was to undertake far more than infrastructural investment. The mobilization of development capital through public enterprises, nationalized banks, and state-controlled foreign trade was to dominate and lead the entire economy with the adoption of a socialist philosophy and increasingly strong military aid and trade links with the Soviet Union and eastern Europe. The economic wisdom of western banking and business institutions, on the other hand, was rejected.

A developing country cannot, with rare exceptions, remake its internal economic and political policies without concomitant shifts in alignments with its neighbors and the major powers. In 1970-1971, however, President Anwar El-Sadat of Egypt decided that the United States would somehow have to be enlisted in his efforts to recover lost Egyptian territory and pride and to modernize the Egyptian economy. This idea came to Sadat because he was deeply suspicious of Soviet influence in the Egyptian military and economic establishments (Burns, 1985).

After the October War in 1973, Egypt underwent considerable economic change. In 1974, the government declared an open-door policy toward foreign investment and trade. It also initiated steps to stimulate the private sector and bring about a partial return to free-market practices. In the words of Abdel-Khalek and Tignor, "The sum of these policies amounted to a reversal of Egypt's socialist transformation. This phase can be characterized as one of mixed economy, progressively tilting toward capitalist 'laissez faire passer' "(Abdel-Khalek and Tignor, 1982).

As a result of the open-door policy, Egypt became an economic client of the west, particularly the United States. The role of the U.S. Agency for International
Development (AID) has been dominant in contributing to the country's economic development since the mid-1970s. In view of its magnitude, U.S. aid has provided a powerful incentive for Egyptian leaders to pursue a pro-American foreign policy (Nyrop, 1983).

It became obvious to observers that, after 1973, Sadat rendered Egypt heavily dependent on reliable sources of acquisition of American military equipment, a factor that was bound to influence Egyptian foreign policy decision-making. In this regard, the importance of the present study stems primarily from two factors. First, in order to improve Egypt's economic situation, U.S. economic assistance was involved in virtually every key sector of the Egyptian economy (Brown, 1984). Second, the United States has participated in Egyptian economic activities in order to promote enduring stability and progress and the two nations' common interests not only in Egypt itself but also in other parts of the Middle East.

Hypotheses

For the superpowers, for whom political objectives remain decisive in determining the direction, form, and terms of economic aid, aid policy toward Egypt has always been shaped to some extent by foreign policy interests. Chief among these, in the case of the United States, has been competition with the Soviet Union for the allegiance of Third World countries.

II. The New Look of the Egyptian Economy Background of the Open-Door Policy

In the words of President Sadat, commenting upon the economic situation in Egypt,

There are some people who try to depict the economic "opening" as a basic change in our ideological framework, that is, our socialism, but this is a grave error.

So that I can give you an idea of what the opening is all about, I must go back to the 4th of Ramadan of last year (October 1, 1973). Six days before the battle, I invited to this same house in which we are now seated the members of the National Security Council consisting of the vice president, the presidential assistants, the prime minister and deputy prime ministers, the minister of supply ....... and I laid before them the situation and asked them to advance their own opinions ....... We debated for a long time. There were some who advocated fighting, and others who
said we were not ready ......... At the end, I said I wanted to tell them one thing only, that as of that day we had reached the "zero stage" economically in every sense of the term. What this meant in concrete terms was that I could not have paid a penny toward our debit installments falling due on January 1, 1974, nor could I have bought a grain of wheat in 1974. There would not have been bread for the people, that is the least that one can say ....... But as soon as the battle of October 6 was over, our Arab brethren came to our aid with $500 million and this sum would never have come had we not taken effective action as regards the battle. But despite these dollars, we are now in the same situation we were in a year age, perhaps worse (cited in Waterbury, 1978, 201).

When Sadat came to power, he was unable to exert the kind of personal management that President Gamel Abdel-Nasser had utilized so effectively, and during the initial period of his rule, when he had still not won the power struggle within the Arab Socialist Union (ASU), he tried to avoid making decisions or letting inflation become rampant. Also, in the aftermath of the 1967 war, the old issues—mainly ideological in nature—around which political factions used to gather were replaced increasingly by concerns about Egypt's standard of living as the economy deteriorated. The 1973 war brought Sadat the kind of power and popularity that Nasser had enjoyed, but only for a short while. Real increases in prices of subsidized goods occurred immediately after the war, and Sadat chose to let the state take over the burden (Weinbaum and Naim, 1978).

The October War in 1973 had direct and largely positive implications for the Egyptian economy. By breaking the military stalemate and catalytically provoking the Arab embargo on sales of oil to the United States, Sadat was able to draw Washington directly into the process of looking for a rapid settlement to the Arab-Israeli conflict. Having proved Egypt's willingness and determination to fight for its occupied territories, Sadat felt more secure in suggesting that a logical outcome, if a settlement was reached, would be a rapprochement with the west in general and with the United States in particular (Waterbury, 1978).

The Implications of the Opening

The shift in Egyptian economic policy stems both from the political and economic philosophy of Egypt's leaders and from major changes in the international arena. From 1970 on, Sadat demonstrated his dissatisfaction with several aspects of Egypt's politico-economic structure as it had evolved in the 1960s. He was unhappy
with his country's growing dependence on Soviet technology and markets and its concomitant isolation from western technology and hard currency markets.

After the October War, on April 19, 1974, Sadat issued a personal statement known as the October Paper that became one of the fundamental documents of the open-door policy. In this paper Sadat gave both a definition and a rationale for the policy of opening (Infitah), which was one of the major objectives to be defined, elaborated in terms of Egyptian economic problems. The paper maintained that, due to military expenditure, the rate of the country's economic growth fell from 6 to 7 percent to less than 5 percent—the pre-1965 annual growth rate. It argued further that, despite all the domestic resources that could be mobilized, Egypt still badly needed foreign resources. This provided the rationale for the open-door policy. "It is based on an assessment of the needs of the Egyptian economy on the one hand and the opportunities available for external financing on the other" (El-Sadat, 1974, 62).

Numerous measures were taken to restructure the country's international economic relations, and, as a result, many changes were made in the internal workings of the Egyptian economy. Law No. 43 for 1974 and its amendment through Law No. 32 for 1977 were the most important steps on the road to Infitah. The main stipulations of the laws were provisions for opening the Egyptian economy to Arab and foreign direct investment in almost every field: industrialization, mining, energy, tourism, transportation, reclamation and cultivation of desert and barren lands, housing and urban development, investment companies, banking and insurance, reconstruction, and consultant firms. This list of areas open for foreign investment exhausted virtually all conceivable fields and left no sanctuary for genuine national investment (Kerr and El-Sayed, 1982).

Policies pursued during the rest of the 1970s must be viewed in the context of Sadat's economic liberalization, which was intended to attract western and Arab investment capital to both private and government sectors. It was hoped that Infitah, along with the economic dividends promised from peace with Israel, could create a new climate for private investment, increase employment, and, with higher productivity, generally raise the society's standard of living (Weinbaum and Naim, 1978).

Economically, the objective of the open-door policy was a liberalizing, market-oriented, and mixed system. In other words, the Infitah policy concentrated on the
improvement and acceleration of economic growth through foreign investment as quickly as possible. In addition, the Egyptian leader would have substantially more flexibility and more effectiveness in managing the economy, resulting in major improvement in the foreign exchange situation. The influence of the open-door policy would extend to social structures, governmental functions, foreign economic relations, and value orientation for marketing in Egypt.

Evaluation and Critique of the Policy

Whatever the foreign investments attracted by Infitah and no matter how strongly economic leaders might support the policy, some criticisms were leveled against it. From the initial perspective, the open-door policy was the key to private sector incentives, domestic capital, and external sources. However, Mubarak's principal quarrel with Infitah, as outlined in his first speech to the People's Assembly on October 14, 1981, focused on its emphasis on consumption: "this aimed with the help of foreign investment in a country where public sector enterprises are predominant" (Merriam, 1982, 26).

Infitah also invited several other criticisms. First, the policy tended to be consumer oriented rather than production oriented. Egyptian markets were filled with all kinds of goods that enhanced a consumerist spirit in society. Second, the policy created an environment conducive to bureaucratic corruption and parasitic capitalism. Third, the impact of the open-door policy on income distribution would continue to widen the gap between the many poor and the few rich in Egypt (Abdel-Khalek and Tignor, 1982). Fourth, the policy promulgated the ills of western economies but few of their advantages. Western automobiles, refrigerators, and clothes became available throughout the country and contributed to the balance of payments deficit. Even the real objective of the open-door policy, foreign investment, had yet to appear in a significant quantity (Merriam, 1983). Fifth, the policy took effect too slowly. By 1981, hardly a fourth of the projects established through capital and investment under the provisions of the open-door law had actually been put into operation ("Open-Door Policy Bearing Fruit," 1981).

Under the Infitah policy, the Egyptian government was not only concerned with the private and public sectors simultaneously but also with foreign investment, which came primarily from the United States. As a result, the country's economy continued to become more dependent rather than independent.
III. U.S. Economic Aid

An economic liberalization-cum-political strategy embarked upon by President Sadat in the wake of Egypt's 1973 war determined that the advanced western countries and the United States in particular would become major sources for investment. A U.S.-Egyptian joint commission was established on June 14, 1974, during President Richard M. Nixon's visit to Egypt. Through this commission, both governments joined together to consult on economic and financial cooperation, educational and cultural exchanges, technological research and development cooperation, and medical cooperation (Button, 1978). The summer of 1974 was an exhilarating time for Egyptians. Nixon and Sadat spoke with glowing optimism of the possibility of billions of dollars in American public and private investment in Egypt (Burns, 1985).

Since 1974, several American assistance programs took part in Egyptian economic activities, such as Security Support Assistance (SSA), the Economic Support Fund (ESF), the U.S. Agency for International Development (AID), the World Bank, and others. All of these agencies played a role in providing foreign economic assistance to Egypt. AID’s programs were particularly important in helping Egypt to fill its resource gap and undertake development-related projects (Weinbaum, 1986). Amounts of U.S. economic assistance to Egypt from 1975 through 1984 are listed in Tables 1, 2, 3.

AID not only strongly supported the economies of Egypt and other Third World countries but also had a greater effect upon more economic affairs than did other programs. More importantly, in order to promote the Egyptian economy, assistance from AID included items such as construction and mining equipment, agricultural, water resource systems, textile machinery, motor vehicles, communications equipment and systems, and health care equipment. A very famous example is the Qattamiya cement project. Many loans and grants were made by AID and its predecessor agencies and by the Export-Import Bank for power, transportation, food and agriculture, and health and sanitation projects. AID's program in Egypt totaled $8.5 million in fiscal year 1974, over $250 million in 1975, and $750 million in 1976.

(Hostler, 1970). By the fall of 1982, the U.S. economic assistance programs in Egypt were committed to roughly $ 7.6 billion, together with an additional $ 4.2 billion in military aid (Weinbaum, 1983).
| Year | Food and Agriculture | General Economic Support | Commodity Import and PL 480, Title I | Total Excluding PL 480 | PL 480 Program | U.S. Economic \n|---|---|---|---|---|---|---|
| 1982 | 23.8 | 0 | 0 | 18.3 | 19.1 | 1.7 |
| 1983 | 28.9 | 0 | 0 | 20.7 | 12.0 | 7.0 |
| 1984 | 31.7 | 0 | 0 | 21.2 | 14.4 | 6.7 |
| 1985 | 33.3 | 0 | 0 | 24.4 | 15.3 | 8.3 |
| 1986 | 37.0 | 0 | 0 | 28.0 | 18.1 | 8.9 |
| 1987 | 38.8 | 0 | 0 | 28.7 | 18.4 | 8.6 |
| 1988 | 40.9 | 0 | 0 | 30.4 | 20.7 | 9.2 |
| 1989 | 43.4 | 0 | 0 | 32.2 | 22.6 | 9.5 |

**Title II:**

Social services, including PL 470, Commodity, Transport, Industry, Commerce, Decentralization

<table>
<thead>
<tr>
<th>Year</th>
<th>General</th>
<th>Loan</th>
<th>Loan</th>
<th>Loan</th>
<th>Loan</th>
<th>Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>13.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1983</td>
<td>18.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1984</td>
<td>22.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1985</td>
<td>25.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>27.9</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1987</td>
<td>31.7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1988</td>
<td>34.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1989</td>
<td>37.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Source:** U.S. Agency for International Development (Cairo, February 1982), Including SupplementalPeace Agreement.
Table 2: U.S Economic Assistance to Egypt by Major Sectors, Fiscal Years 1974-1984*

<table>
<thead>
<tr>
<th>Assistance sector</th>
<th>Obligated (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project assistance</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$2,189.2</td>
</tr>
<tr>
<td>Public industry</td>
<td>431.0</td>
</tr>
<tr>
<td>Agriculture and irrigation</td>
<td>291.1</td>
</tr>
<tr>
<td>Social services</td>
<td>414.5</td>
</tr>
<tr>
<td>Decentralization</td>
<td>432.2</td>
</tr>
<tr>
<td>Finance and investment projects</td>
<td>130.6</td>
</tr>
<tr>
<td>Science and technology</td>
<td>78.9</td>
</tr>
<tr>
<td>Other projects (Feasibility studies and small projects)</td>
<td>109.9</td>
</tr>
<tr>
<td>Nonproject assistance</td>
<td></td>
</tr>
<tr>
<td>CIP</td>
<td>$3,119.8</td>
</tr>
<tr>
<td>Cash transfers</td>
<td>101.9</td>
</tr>
<tr>
<td>Total</td>
<td>$7,301.1</td>
</tr>
</tbody>
</table>


Table 3: U.S. Economic Assistance to Egypt, Fiscal Years 1974 to 1983*

<table>
<thead>
<tr>
<th></th>
<th>FY 1974 Thru FY 1983</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Obligated ($ 000)</td>
</tr>
<tr>
<td>Economic Support Fund (ESF)</td>
<td>2,823,852</td>
</tr>
<tr>
<td>Commodity Import Program (CIP)</td>
<td>3,629,659</td>
</tr>
<tr>
<td>Projects</td>
<td>6,453,511</td>
</tr>
<tr>
<td>Total ESF</td>
<td>1,847,966</td>
</tr>
<tr>
<td>P.L. 480</td>
<td>143,362</td>
</tr>
<tr>
<td>Title III</td>
<td>73,511</td>
</tr>
<tr>
<td>Total P.L. 480</td>
<td>2,064,839</td>
</tr>
<tr>
<td>Total Dollar Funded Programs</td>
<td>8,518,350</td>
</tr>
</tbody>
</table>

The total aid package since 1975 has far exceeded assistance from the United States to any other country except Israel. Upwards of two-thirds of the foreign economic aid committed yearly to Egypt is provided by the United States. The more than $10.7 billion in loans and grants obligated between 1975 and 1984 was divided between project and commodity aid, including food, as shown in Table 4. Direct private investments in Egypt by U.S. citizens and corporations added approximately $1 billion more, mostly in petroleum and related industries (The Wall Street Journal, October 7, 1981, 16). Military assistance rose sharply in recent years, climbing to $4.5 billion in grants and loans by 1984 (The New York Times, February 14, 1985, 20).

Table 4: U.S. Foreign Grants and Credits and Military and Economic Aid to Egypt, FY 1981-1984

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and credits</td>
<td>1,397</td>
<td>2,344</td>
<td>2,060</td>
<td>1,923</td>
</tr>
<tr>
<td>Military aid</td>
<td>551</td>
<td>902</td>
<td>1,327</td>
<td>1,367</td>
</tr>
<tr>
<td>Economic aid</td>
<td>829</td>
<td>771</td>
<td>750</td>
<td>853</td>
</tr>
</tbody>
</table>


American Aid and Egyptian Dependence

According to Weinbaum,

All economic indicators point to Egypt’s strong reliance on the outside world for the capital, commodities, and technical services needed to sustain current levels of consumption for its citizens and realize promised economic expansion. Proponents of dependency theory insist that in the context of the world capitalist system, this dependence, as with other less developed countries, means subordination to the more developed, wealthier countries. Because of uneven, exploitative policies, developing countries are kept from adjusting their domestic production and export trading patterns to their own national advantage. In the now familiar arguments, the richer countries are seen as able to force the dependent ones to adopt policies that work essentially to the advantage of the core countries in a world system (Weinbaum, 1986, 125).
U.S. ECONOMIC AID TO EGYPT

In general, it is stressed that outside assistance programs in any form-balance of payments support or development loans and grants-help to create long-term financial obligations to western governments that are given permanency by the protectionist trade policies of the industrial states. Multilateral aid, through such agencies as the International Monetary Fund and the World Bank, is a more disguised but still effective way for these same developed countries to shape a recipient country's economy and prepare it for its prescribed role in the world capitalist system (Weinbaum, 1986).

Critics of American foreign assistance programs tried to point out how aid works hand in hand with profit-seeking U.S.-based corporations. For example, worldwide, 75 percent of AID's development assistance funds is reportedly spent in the United States, and, in the late 1970s, almost half of all U.S. financial procurement contracts were for purchases from just twenty-two U.S. mega-corporations (Kinley and Lappe, 1981).

Directly or indirectly, as a result of the AID program, a number of U.S. management, accounting, and engineering firms were represented in Cairo, along with American construction, telecommunications, and manufacturing companies. Many American exports gained entry to Egypt during the 1970s through commodity contracts arranged with AID funding or otherwise they found away into the market for marketing their products and services enhanced by U.S. development aid. Over 400 firms in the United States were said to have benefited in the commodity aid program for Egypt (Bender, 1982).

In addition to the goals of American AID conditions, which serve the United States strategic interests the number of the American AID officials controlling the implementation of the economic programs became enormous. Furthermore there is a well stablilshed secret American administration to penetrate every sector of the society and to make Egypt fit the U.S image and serve the interests of American capitalism, (Hussein, 1981). In comparison no AID mission exists in Israel and funds go essentially to underwrite the Israeli economy (Weinbaum, 1986).

Egypt's increasing dependence after 1974 was probably unavoidable as a means of financing and covering its balance of payments deficits. In Egypt's case, the prospect of dependence on capitalist countries was not a matter of giving up greater flexibility; for countries such as Egypt with meager foreign exchange holdings, the
goods bartered were not uncommonly dumped by the Soviets and their allies, thereby depressing world prices (Weinbaum, 1986). The decision reached in 1974 to open Egypt to global economic forces, of course, increased the country's vulnerability to change in world oil and grain prices, inflation and interest rates, and the well-being of the economies of developed nations. Not all recent economic trends have been adverse to Egypt's balance of payments, but a lasting effect of combining economic integration with domestic political pressures has been the increasing discrepancy between world and domestic prices. Until the seemingly intractable problems of price controls and subsidies are resolved, Egypt is expected to have little access to the resources or kinds of investment choices that are presupposed in successful adjustment to a competitive world economy (Weinbaum, 1986).

A recent report in the *Christian Science Monitor* described Egypt's situation as follows.

The U.S. and its assistance program are a part of Egypt's problem and part of its solution. The country has come to rely on U.S. assistance and is now too dependent on it. Some Egyptians resent what has happened. Twenty years ago, Egypt fed itself today it imports close to half its food. Economic aid has enabled Egypt to avoid harsh economic choices and delay developing a clear strategy for economic reform, thus amplifying distortions in the economy and creating production disincentives. Since 1979, Egypt has also received large amounts of military hardware from the U.S., imposing a different burden. Many of those military loans were contracted at high interest rates, some at close to 14 percent, with penalties for late payments. All this means debt payments to the U.S. in 1986 of more than $900 million, which just about cancels the $1 billion in economic assistance provided by Egypt in 1986 (Hamilton, 1986, 18).

In an effort to improve the relationship between Egypt and the United States, several obstacles were overcome in 1989, for example the congress approved the foreign assistance to Egypt for the fiscal year 1990-1991 and the same amount for the following year. Such approval maintained the same level of the U.S annual assistance which includes $1300 million for military assistance and $815 million for economic programe (Ghali, 1990).
Objectives and Purposes of American Aid

The aid policy of each donor country is always formulated to seek a variety of objectives. Lewis states,

The purpose of the aid program could be drawn into three categories, namely, economic aid to assist development often is given partly for the donor's national self-interest (i.e., strategic and defense purposes and economic and commercial interest), for humanitarian, moral, or ethical reasons, and for mutual interests, the management of interdependence, and world economic security (Lewis, 1982, 103-104).

U.S. aid policy toward Egypt has had three broad sets of objectives: those relating specifically to Egyptian behavior, those relating to American domestic concerns, and those relating broader international interests such as Soviet-American competition in the Middle East or the need to appease allies. American policymakers sought to reduce the growth of Soviet influence in Egypt and to engineer an Arab-Israeli peace settlement. For this reason, since 1974, the U.S. government used economic assistance on a massive scale to reinforce Sadat's inclination to cooperate with the United States in the Camp David process (Burns, 1985).

The U.S. aid program in Egypt was financed by an economic support fund, the purpose of which was to channel support to countries that were deemed crucial to U.S. interests for political and strategic reasons. The State Department determined which countries would be served by the fund and recommended the level of aid to be given to each of them. AID administered the assistance program on behalf of the State Department (Waterbury, 1983).

Authorization for an assistance program to Egypt was established in the amended Foreign Assistance Act of 1961 and, under legislation creating Security support Assistance (SSA), replaced in 1978 by the Economic Support Fund (ESF), which explicitly recognized U.S. objective and security interests in foreign aid. Indeed, after, 1973, Israel and Egypt carried away the bulk of allocations in the SSA/ESF category in fiscal year 1982-almost two-thirds of the authorized appropriations (Weinbaum, 1983).

After the collapse of the Nixon presidency, both the United States and Egyptian governments made great efforts to preserve the momentum that had been built up in
U.S.-Egyptian relations in the months following the October War in 1973. As Sadat deepened his reliance on the United States and his bridges to the Soviet Union began to collapse, the American government demonstrated its faith in the Egyptian president by increasing economic aid to Egypt to about $1 billion annually in fiscal years 1976 and 1977 (Burns, 1985, p. 182). After signing the Sinai II accord, Sadat paid a formal visit to the United States—the first ever by an Egyptian president. During his visit, Sadat addressed a joint session of Congress and further endeared himself to the American media, which had already made it a practice to extol his virtues as a statesman and a peacemaker. By all accounts, Sadat's trip was a great success (Eilts, 1981).

In the view of Lee H. Hamilton, Chairman of the Subcommittee on Foreign Affairs in the U.S. House of Representatives, Egypt remains a key country in the Middle East. Under the leadership of President Sadat, Egypt has become an important force in the peace process. The Egyptian-Israeli peace treaty is a critical achievement on the road to a comprehensive peace settlement. Egypt's economic well-being and development as well as its ability to defend itself are critical interests of the U.S. in the Middle East today ("Foreign Assistance Legislation for Fiscal Year 1982," 1982, 103).

Morris Draper, Deputy Assistant Secretary for the Bureau of Near East and South Asian Affairs within the U.S. State Department, stated.

Our assistance programs for Egypt 1) complement the Middle East peace process and 2) constitute integral elements of coherent strategic approach to the region which we are developing in order to improve the security situation there. Our relationship with Egypt is critically important to these two objectives. It is remarkable that we have achieved such intimate ties, given the fact that diplomatic relations between our two countries were reestablished only seven years ago. These ties are as close as they are because of the mutuality of our interests ("Foreign Assistance Legislation for Fiscal Year 1981," 1981, 105).

American domestic interests also helped to set the parameters for assistance to Egypt, as elsewhere. Familiar constraints existed, of course, imposed by the desire to find markets for American commodities and support for U.S. industries and farmers. It is estimated that over 400 U.S. firms indirectly benefited from the commodity import program in the U.S. aid package to Egypt (Bender, 1982).
With regard to American interests in the region, Sadat's single-minded determination to play the U.S. option fully led him in two mutually supportive directions. First, he eventually abandoned the idea of a comprehensive settlement with Israel and accepted that of a separate deal involving Egypt alone among the Arabs. His trip to Jerusalem in the fall of 1977 and the Camp David accords of March 1979 were the outcome of this policy. Second, to placate his own military and to gain favor in the U.S. Congress, Sadat advertised himself as regional policeman in the Red Sea and Horn of Africa and as a first bulwark against Soviet-Cuban expansion in that region. On that basis he could reasonably expect to acquire arms from the United States to replace his Soviet source of weapons (Waterbury, 1983).

The Mubarak regime went a further step to strengthen the Egyptian relationship with the United States when he signed the strategic treatment with the United States officials in 1988. This treatment included all kinds of cooperation to facilitate the American military role and strategy in the region (Eloui, 1990) became fruitful to U.S. policies in the Middle East region during the Gulf Crises.

At the same time that the United States was seeking political returns from its role as Egypt's major economic benefactor, an American presence could be too obtrusive. The challenge was to convey that the United States was involved in Egypt in a way that meaningfully assisted the Egyptian government and people while not taking away from the regime too much credit for gains. The Mubarak government wanted to project the idea that the United States, on which so much was staked economically, was playing a generous, constructive part in the country's economy. Yet concern arose because the massive aid program was widely perceived as having reduced Egypt's control over basic economic decisions (Weinbaum, 1983).

A recent statement made by Richard W. Murphy, Assistant Secretary within the U.S. State Department, clarifies the objectives of U.S. economic assistance to Egypt.

Eight years ago President Sadat undertook his journey for peace to Jerusalem. Two years later, Egypt broke ranks with its Arab and North African brethren and concluded a peace treaty with Israel. In the ensuing years, the significance of that event must not be forgotten. The treaty removed the major threat to the security of Israel. While Egyptian-Israeli relations are not as cordial now as we had hoped they
would be, the important fact is that Egypt remains firmly committed to peace. Even in a short visit to Egypt one can see that the Egyptian people have put thirty years of war behind them and are committed to peace. The major challenge facing the Mubarak government is to help the Egyptian people realize the benefits of peace. To participate in the peace dividend our ESF and P.L. 480 assistance are an important part of the peace dividend. To the Egyptian government, our commitment to providing significant levels of assistance is a key indicator of our interest in Egypt's security and economic development and in its role as an Arab partner with the U.S. and Israel in peace ("Foreign Assistance Legislation for Fiscal Year 1986-87, "1986, 80).

In evaluating the relationship between Egypt and the U.S., one scholar concludes that such relationship in the last two decades was represented by

1 - The cooperation to bring a diplomatic peaceful settlement in the Middle East conflict.

2 - Economic and military subsidies which started since 1974, then converted to grants in 1984-1985 Fiscal year.

3 - Commercial growth and other aspects of economic relations especially joint projects, branches of American firms, banks, and commercial agencies of American products in Egyptian markets. Even as a result of American assistance, the U.S. presence is evident in all the infrastructural investments in Egypt.

4 - Strategically, in addition to the military assistance which came close to $1300 million a year, there are some other forms of cooperative policies between both countries which include joint strategic planning, military maneuvers, and the U.S. military access to Egyptian bases. (Eloui, 1990).

IV. Conclusions

Since 1974, Egypt has become excessively dependent on foreign aid, especially U.S. assistance, to a point leading observers to argue that without this aid Egypt could not possibly have met its consumption requirements and that the aid made available the investment needed for Egypt's economic development (Weinbaum, 1983). This largescale foreign aid must take some responsibility for distortions in the economy, including an adverse effect on the production incentives in several sectors, and U.S. and other foreign donors have also no doubt inhibited more self-induced processes of change that might have sacrificed fewer societal values and avoided the concentration of benefits in certain classes.
In fact, the U.S. government provided Egypt with billions of dollars in economic aid after the 1973 war in order to reinforce the Sadat regime's interest in and ability to pursue a policy of rapprochement with the United States and conciliation with Israel. Egypt's decision to move away from the Soviet Union in the mid-1970s, to exclude the Soviet Union from negotiations in the peace process and conclude a treaty of peace with Israel in 1979, and to continue its commitment to the Camp David accords and to a peaceful settlement of the conflict, all helped to promote the security interests of the United States in the region, forming the background and continuing rationale for the seemingly fixed level of American assistance.

A report by staff study missions submitted to the U.S. House Subcommittee on Foreign Affairs in December 1982 cited an "economic support level for Egypt of $750 million a year. In addition the U.S. has provided Egypt with high levels of Public Law 480 commodities-now roughly 250 million dollars' worth a year." The report added, "If there were no extra-ordinary political consideration, the U.S. economic assistance program to Egypt would be much smaller and based primarily on an economic rationale" ("United States Economic Assistance to Egypt and Sudan," 1982, 6).

The resumption of U.S. aid to Egypt and the high levels of funding since 1975 have been fundamentally political decisions. The development and humanitarian ends of American aid were to ensure an Egyptian government stable and secure enough to support American foreign policies aimed at normalization of Egyptian-Israeli relations and wider geopolitical, anti-Soviet objectives. An Egypt better able to meet rising consumer demands, rehabilitate its industries and agriculture, and realize greater productivity in export activity is seen as being in an enhanced position to fulfill both its economic and strategic international commitments.

For all the constancy of American aid since 1975, its origins and motives raise questions of reliability for Egypt. Aid that is justified more on political than economic or developmental grounds is liable to fade quickly, should American policy-makers ever lose interest in Egypt or come to doubt its friendship. President Mubarak retains Egypt's special status by continuing in his own style a pursuit of policies committed, despite persistent opposition at home, to the Camp David accords, anti-Communist stratagems for the region, and links to capitalist economies. In the view of one scholar.
The United States has gotten its money's worth for its expensive programs. Still, this may be shortsighted. In the long run, the political cooperation and stability of Egypt probably depend on the United States making greater progress than it has to date in helping the country to build a productive, competitive, but also equitable economy (Weinbaum, 1986, 133).

In the most recent time, Mubarak regime continues to lead Egypt to be more dependent and relied heavily upon the U.S. economic assistance. This policy became evident since the U.S. increased its economic aid to Cairo lately and has even overcame the military dept with amount of $ 7 Billion, as reward to the Egyptian regime because of its supportive position to president Bush's policies in the Gulf Crises. In fact Mubarak regime became vitale instrument in helping the U.S to implement its policies and interests in the region.

The Mubarak government seems to be clearly enthusiastic to maintain partial settlement with Israel, although it will be at the expense of the Arab nation who seeks a comprehensive and just solution for all region. Furthermore, the Egyptian government is not able to take decisions that may anger the U.S, whether on the level of dealing with the Israeli government or the recent crises in the Gulf. When Egypt chose to take the American side and to participate in what was called the United Nations forces lead by the U.S to attack Iraq. It was attempting to ensure that the American economic assistance which had became so vital to Egyptian life would not be endangered.
References


