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A New Approach to Security and Development

Many people think the term foreign aid means development or humanitarian assistance that is meant to help governments and individuals improve their quality of life, build a better future, and promote good governance. And there is some of that. But, for the most part, the overarching objective of U.S. foreign aid is to serve the interests of the United States – by promoting trade with U.S. businesses, providing markets for U.S. agricultural products, bolstering defense industries, and linking the military might of foreign governments to our own.

For Israel and Egypt, their foreign aid—Economic Support Fund (ESF) and Foreign Military Financing (FMF)—is not even designated for development or humanitarian purposes. It is openly titled as security assistance. Still, Israel and Egypt, and their neighbors, are haunted by both military and economic insecurity.

Clearly, Israeli-Palestinian peace is fundamental to ending the despair and lack of hope that characterize the people and economies of the region. The impetus for resolution of the conflict will continue even if the Road Map comes to a dead end. But even as the U.S.-led Road Map peace plan limps forward and staggers backward, a new approach to foreign aid would be helpful. It has long been assumed that social and economic development must wait until nations feel militarily and politically secure as a result of peace agreements. It is time for a new approach, in which political settlement grows side-by-side with the intertwined economic advancement of all parties and especially those who have been most ignored in the past.

This overview of U.S. foreign aid is followed by a proposal for a new approach to Middle East security and development for Palestinians, Israel, Egypt, Jordan, Syria and Lebanon. (The budgetary forecast for Iraq, in terms of development and post-war related costs, is staggering, and not addressed in this article.)

Facts and Figures

Contrary to public opinion (that a big chunk of taxpayer dollars is spent on foreign aid), the traditional level is less than one percent of the U.S. budget, with only one-half of that one percent going for development and humanitarian assistance. The budget share for FY2003 rose to a 1.06 percent share due to the addition of a \$7.5 billion supplemental related to the Iraq war.

Most of what is called foreign aid is included in the Foreign Operations appropriations bill. This is one of the 13 appropriations bills that Congress must pass each year. Each year, the President sends a budget request to Congress. President Bush has asked Congress to appropriate \$18.89 billion for FY2004 Foreign Operations, which is 16.7 percent higher than regular Foreign Operations for 2003 (not counting the supplemental). The increase was largely directed toward the “war on terrorism,” with lesser amounts for the global AIDS initiative.

Of the \$18.89 billion in the 2004 Foreign Operations bill, 24 percent is earmarked for Israel and Egypt. They are the largest U.S. aid recipients, as they have been since the 1978 Camp David Accords. For FY2004, the request includes \$75 million for West Bank/Gaza; for FY2003, \$125 million was allocated – \$75 million in regular foreign aid plus \$50 million supplemental. (*See p.3.*)

Actually, economic aid to Israel has been decreasing (by \$120 million a year since 1999). Israel offered the plan to eliminate ESF over a 10-year period at a rate of \$120 million a year, and increase military aid (FMF) by \$60 million yearly. In keeping with the Camp David tradition of three-to-two, economic aid to Egypt is decreasing by \$40 million per year, but without a boost in military aid.

Friends Indeed

Foreign aid has a symbolic importance apart from the provision of funds. Aid to Israel has assumed such mythic status that cutting or ending aid to Israel is a taboo topic in Congress. It is often heard that the pro-Israel lobby is the engine that drives Congressional support for foreign aid legislation overall.

There are unique aspects of aid to Israel that reflect the special relationship it has with the United States. Israel can use some (\$568 million in FY2004) of its military aid for military purchases within Israel even though FMF (Foreign Military Financing) is intended to sell U.S. goods and services. Other countries primarily deal with the Department of Defense for purchases from U.S. companies for U.S. military items, but Israel deals directly with U.S. companies for 99 percent of its military purchases in the United States. Because Israel receives all its aid within 30 days, instead of in three or four installments as other countries do, it costs the United States \$50-60 million per year to borrow funds for the early, lump-sum payment. And, the United States gives all economic (ESF) funds to Israel as direct government-to-government budgetary support without any specific project accounting, and since money is fungible, there is no way to tell how Israel uses U.S. aid.

It has long been executive branch policy that no U.S. assistance to Israel can be used in the occupied territories. The President's request for the FY2003 supplemental included \$1 billion in FMF and \$9 billion in loan guarantees with the condition that the President can reduce the total of the loan guarantees by an amount equal to what Israel spends on settlement-related expenditures. Within a day of *The New York Times* report that the administration was considering deducting the cost of the separation fence from U.S. loan guarantees, Rep. Nita Lowey (D-NY) organized a letter, signed by 30 other members, against pressuring Israel.

Palestinians in Need

The U.S. began assisting Palestinians in 1950 with contributions to the United Nations Relief and Works Agency (UNRWA), the international body created to provide food, shelter, medical attention and education for Palestinian refugees from the 1948-49 Arab-Israeli war. Since 1950, the U.S. has provided UNRWA with \$2.5 billion. Contributions to UNRWA are additional to foreign aid, and funded from the refugee and migration account. The U.S. contribution for 2002 was \$100 million.

In 1975, the U.S. began to provide foreign aid for Palestinian humanitarian and infrastructure uses in the occupied territories by private voluntary organizations (PVOs) and USAID contractors. From 1975-1992, aid averaged \$7.3 million a year. With the exception of two outlays to the Palestinian Authority —\$36 million in FY1994 through the Holst Fund and \$20 million in FY2003—U.S. aid is channeled through PVOs and contractors selected by USAID. No aid has ever been provided to the Palestine Liberation Authority (PLO). The July 8th action by President Bush to use his waiver authority to provide \$20 million of the FY2003 supplemental directly to the Palestinian Authority was a significant change.

But, since the Al Aqsa Intifadeh began three years ago, Palestinians' hope and the Palestinian economy have been decimated by the scale and scope of the violence and Israel's reoccupation. While foreign aid can alleviate distress and foster good relationships, it cannot solve the problem. It will take a political solution to end the occupation, resolve the conflict and allow a viable Palestinian state to develop, and live peacefully, alongside a secure Israel.

A New Approach

In the meantime, the United States should make better use of foreign aid to advance peacemaking, promote economic growth and poverty reduction, and prepare the way for the resolution of the Arab-Israeli conflict. U.S. aid is seemingly locked into a world view that the beleaguered state of Israel must relentlessly prepare to defend its existence, and that the terrorist-bent Palestinian people might be calmed by job programs, improved schools and medical care.

The President has made some encouraging statements. In a February speech promoting the Road Map, he said, "Old patterns of conflict in the Middle East can be broken, if all concerned will let go of bitterness, hatred, and violence, and get on with the serious work of economic development, and political reform, and reconciliation."

Hoping to spark a regional transformation, the administration is proposing free-trade deals with Middle Eastern countries as they adopt the market and legal reforms that the U.S. deems necessary. The initiative was reported in *The New York Times*, on May 10, with a headline, "Bush's Trade Carrot Brings High Hopes, Hearty Skepticism."

Without doubt the U.S. government would like to bolster the reputation of the United States. A year ago, House International Relations Committee chair, Henry Hyde (R-IL), used the nostalgic term "Marshall Plan" to title a hearing on economic development and integration in the Middle East. This was a well-intended response to the rampant anti-Americanism that plagues the region and terrorizes the United States and its interests.

The Middle East Partnership Initiative (MEPI), for which the President has requested \$145 million for FY2004, is a step in the right direction. But without a changed context in terms of U.S. foreign aid objectives overall and effective leadership in Israeli-Palestinian peace, the results can only be negligible. As an example, the MEPI seeks to expand education for girls. Yet, there is reluctance and refusal on the part of some indigenous women's organizations in Arab countries to even be associated with U.S. funding.

The overall goal for U.S. foreign aid to the region (speaking here of Palestinians, Israel, Egypt, Jordan, Syria and Lebanon) should be regional development based on sustainable economic activity, undergirded by a peace effort which is as committed to just relationships as to physical security among those peoples and states. There are major economic challenges such as water, and economic opportunities such as tourism and joint business and infrastructure projects. While security concerns are customarily cited as the top priority, the security concern that is largely ignored is economic security. It is impossible to imagine an enduring peace that ignores the pressing human needs of most people in the region.

The U.S. should emphasize a new approach to economic and development funding aid for Israel and its Arab neighbors that takes a regional perspective. Bilateral program assistance would not cease, but would become consistent with regional objectives and development strategies that will result in human advancement, economic growth, more equitable distribution of resources, education reform, greater participation in governance, protection of human rights, and empowerment of women.

Foreign aid will have a vital but limited role. Over the long term, most of the financial resources for regional development will have to come from area governments and private investors. To generate funds for human development, military spending in the region and in foreign aid budgets must be curtailed, redirected, and supported by a regional arms reduction regime. Governments in the region will be unable to invest significantly more in their economic future unless military reductions are achieved.

Reforming taxation, reordering social and economic priorities, and establishing tighter controls on corruption will also be necessary to generate a continued stream of financial resources for development. Aid cannot make up for unfairly structured or incompetently-run economies; it cannot permanently compensate for

unemployment or corruption. But aid can shorten the waiting time for the benefits of a well-conceived strategy. Newly conceived regional objectives and a cooperative approach to U.S. foreign assistance would provide a stimulus to other donors as well, including Arab petroleum producers and multilateral financial institutions.

Recasting Military Aid

Military aid has dominated U.S. foreign aid to countries of the Middle East. That must change so that more resources can go to economic development. It is imperative to break out of the present pattern of rewarding allies with more weaponry and larger economic grants.

The budget request for FY2004 foreign aid lays out the U.S. objective for its grant to Israel of \$2.16 billion in military aid: "The United States maintains a steadfast commitment to Israel's security, to the maintenance of its qualitative military edge, and to strengthening Israel's ability to deter and defend itself." Listed among the funded items are F-16 fighter aircraft and Apache Longbow attack helicopters. Throughout the Middle East it is known that F-16s and Apache helicopters have been used against Palestinians. Inquiries if Israel misused these weapons and violated U.S. law remain unanswered. The current approach to foreign aid really is a dead end that cannot lead to either security or development.

Suggested Action:

The FY2004 Foreign Operations appropriation is a done deal. PCUSA advocacy on this legislation criticized the overemphasis on military foreign aid and scant attention to programs for human needs in the Middle East and globally. But, the topic of foreign aid is ever-present and always current. Expressing a general support for foreign aid should be part of all your advocacy whether on Middle East, Latin America or Africa issues, with the caveat that foreign aid should be devoted to development programs and not military programs.

Propose that:

- The U.S. needs a new approach to Middle East foreign aid that prepares for Israeli-Arab peace.
- The U.S. should, distinct from and additional to reconstruction costs for Iraq, launch a regional development plan for the Middle East akin to the Marshall Plan in Europe following World War II.
- The U.S. should use foreign aid as a lever to compel compliance with peacemaking policies; i.e., reduce financial assistance to Israel for its construction of settlements and a separation wall in the West Bank.

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