

US Readies Aid for Egypt to Offset Iraq War

Thu March 20, 2003 07:46 PM ET

By Adam Entous

WASHINGTON (Reuters) - The Bush administration plans to provide Middle East ally Egypt with \$2.3 billion in aid to help it weather the economic shock of the U.S.-led war in Iraq, sources familiar with the plan said on Thursday.

The package, comprised of \$2 billion in loan guarantees and \$300 million in economic grants, will be wrapped into a \$75 billion-plus war budget that President Bush will send to Congress as early as Friday, according to diplomatic and congressional sources.

The emergency budget request would pay for the war in Iraq and for a portion of the reconstruction costs, as well as provide billions of dollars to beef up security in New York and other possible reprisal targets.

Bush is also expected to ask Congress to grant Israel \$1 billion in direct military assistance and \$9 billion in loan guarantees, Israeli officials say, though State Department spokesman Richard Boucher said no final decisions had been made.

Egypt is already the second largest recipient of U.S. aid after Israel and one of Washington's best friends in the Arab world. Egypt and Israel had both been seeking far more than Washington is now offering.

Iraq's neighbor Jordan is also in line to receive more than \$1 billion in aid, including subsidized oil, to help cushion the economic fallout from the war.

The White House says it has dropped plans to provide a massive aid package to Turkey, which included \$6 billion in direct aid with up to \$24 billion in loans, after its parliament refused to allow 62,000 American troops into the country to launch a northern front against Iraq.

White House spokesman Ari Fleischer said Turkey's decision to open its air space to U.S. military overflights did not warrant reviving package. Other U.S. officials and congressional aides said they expected Turkey to receive at least some financial assistance from its NATO ally.

ALREADY HIT HARD

Egypt, the Arab world's most populous state, is still reeling from an economic slowdown which started in 2000 and worsened after the Sept. 11, 2001 attacks on the United States.

Tourism Minister Mamdouh el-Beltagi has estimated that a war in Iraq could cost Egypt's tourism industry \$2 billion.

According to congressional sources, Egypt had asked for \$4.4 billion in war-related aid, including as much as \$2.2 billion in grants and \$1.2 billion in debt relief. Israel had requested nearly \$4 billion in direct military aid.

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