

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: FMS Assistance to Egypt

Zoig asked, on behalf of the President, for a paper indicating how we should proceed with respect to assistance for Egypt. - You have our proposed memorandum for the President in reply, as does Cy Vance. The paper was prepared primarily in the DOD.

According to Maury Draper (State, NEA), Cy Vance is nervous about the size of the assistance package we propose for Egypt -- \$500 million per year. Cy reportedly will call you tomorrow morning about this.

The arguments for the \$500 million in our minds are as follows:

- . It is about half the amount we have for Israel
- . Yet it is imposed on a crumbling force, which will need progressively more help in the way of equipment modernization, while Israel already (and rightly) has a first class force (ergo not building a competitor to Israel)
- . Egypt has a ~~poor~~ poor technology base, and therefore requires a great deal of support-type equipment along with each major weapons system, and this drives up total prices
- . Egyptian appetites are much, much higher than we are proposing. Recall the list General Sadawi gave me during your trip to Egypt in February, which amounted to some \$20 billion.
- . Almost any militarily relevant force package costs about \$500 million.
Examples: 35 F-4 aircraft, \$594M; 50 F-5 aircraft, \$525M;
12 HAWK batteries, \$560M; 2 FFG-7 frigates, \$540M.
- . We will need some money to help with Egypt's arms industry now that Arab money has been withdrawn from AOI.

If we are going to have a long term relationship with Egypt, if we want Egypt to be reasonably strong, if we want Egypt to make reductions in its armed forces and to concentrate on economic development, that we are going to have to provide military assistance ~~at~~ at a reasonably high and militarily credible level. In our judgment, a level of \$500 million a year, which is between, for example, the \$100 million for Jordan and the \$1 billion for Israel, is about right.

Dave McGiffert hasn't seen this. He may have some additional thoughts.

RJM
RJMurray

cc Charles Deacon
David McGiffert
Henry Gaffney

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