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INTERNATIONAL  
SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Egypt

On July 1, 1979, the President wrote President Sadat telling him of our willingness to work with Egypt to develop a five-year defense plan. On August 9, 1979, I led a team to Egypt to begin the planning work. In leaving Egypt, I said we would return to continue the process, probably in September. This was rescheduled for October, at our initiative, and again rescheduled for December 1st.

Before I go to Egypt it is essential to have the President's decision on FMS planning levels. The PRC recommended \$350 million in FY 1981 and \$800 million per year for the following five years. You and Cy sent a memorandum to the President on October 25, 1979, recommending these amounts and recommending also the release of F-16 aircraft and M-60 tanks. The President made no decision on your recommendations, but in a memorandum of November 8, 1979, the President asked that you and Cy examine the FMS budget to see whether or not Egypt could fit into the proposed FY 1981 budget ceiling. The short answer is "no", except at great expense to other programs.

I cannot go to Egypt without the President's decision on these matters. Postponing my trip once again will cause concern in Egypt and is likely to be interpreted by Sadat as a new and adverse political signal. In my judgment, it would be wrong to send such a signal at this delicate moment in the peace process, with the trouble in Iran, and keeping in mind the importance of Egypt to long term regional stability and our position in the Middle East. Note also the intelligence reports of morale problems in the military.

Accordingly, I recommend you call Cy and Zbig, and perhaps Jim McIntyre, and make the points at Tab A and solicit their indorsement for your memorandum to the President at Tab B.

Classified By ASD/ISA  
Declassify on 19 Nov 85

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Egypt: Long-Term Security Assistance Program

We understand that you will meet with Jim McIntyre shortly to consider the overall foreign assistance program and in particular the new long-term security assistance program for Egypt.

As you know, we have provided thorough rationale and analysis for a program which, because of carefully considered budgetary limitations, can meet only minimal Egyptian needs and will fall well short of their expectations. This program involved \$350 million in FMS credits in FY 1981, \$800 million in credits a year for FY 1982-86, cash flow financing as necessary for timely and economical programs, and release of F-16 aircraft and M60 tanks for sale to Egypt.

You asked to consider the FY 1981 program within the overall foreign assistance budget, establishing proper priority for Egypt within that budget. We have done so. We have found that there is no way to redistribute funds to accommodate the FY 1981 program for Egypt without serious cost to their programs, and that therefore the level originally proposed by State should rise in order to restore those other programs. We believe it should rise by the full \$350

million. ~~[An alternative proposed to you is to let it rise by \$225 million. The budgetary difference (the 10% loan guarantee between these two is miniscule - \$12.5 million). The difference in flexibility in planning with Egypt is great, however. Our sale of M60 tanks would probably be restricted to 300 if we had only \$225 million instead of \$350 million in FY 1981.]~~

We understand that you will also consider again the outyear credits for Egypt, for FY 1982 to 1986, though these are not part of the budget considerations. If we are to structure and control an Egyptian arms sales program which meets their minimum needs, we will need the full \$800 million a year and be permitted to use that figure for planning purposes with them. The low figure of \$500 million for FY 1982, without commitment thereafter, simply does not permit us to start militarily sensible programs nor to plan with Egypt. Again, the budgetary difference between the two is small, only \$30 million a year.

Finally, you may be urged to defer a decision on release of F-16 for sale to Egypt until State and Defense have decided whether to develop a new fighter aircraft for export sales. The alternatives now being discussed are not near

decision, do not appear to meet Egypt's needs against the threats they face, and the presumed cost advantages of these hypothetical aircraft have not yet been demonstrated. We urge you to give us the flexibility to discuss F-16 with Egypt.

Since your letter of June 7, 1979 to President Sadat opening the possibility of a long-term security assistance relationship with Egypt, they have been waiting patiently for us to make some proposals. We note that in the interim the deterioration of their Soviet equipment continues and the morale of their armed forces have been slipping. The possible effects on the peace process are obvious. We urge you to make your decisions <sup>now</sup> (soonest) so that we may continue the planning process with the Egyptians.

4  
UNDER SECRETARY OF STATE  
FOR SECURITY ASSISTANCE, SCIENCE AND TECHNOLOGY  
WASHINGTON

Cys To: Deputy  
OPERATIONS

CONFIDENTIAL (entire text)

November 13, 1979

Dear Dave:

We agree with the importance of utilizing the defense capabilities of Egyptian industries, particularly where existing equipment can be sustained. We have examined the list of candidate industrial cooperation projects attached to Walt Slocombe's October 18, 1979 letter (I-10814/79) as it relates to the President's conventional arms transfer policy (PD-13). Our assessment of the PD-13 implications is enclosed. As a reading of that enclosure will show, a considerable number of exceptions would have to be made by the President.

Our understanding is that a number of projects require further study before we will know if it is feasible to enter into actual cooperative arrangements. It would seem that many of the potential programs would not or could not be implemented in the near term. Moreover, there are other constraints which will affect how rapidly we can and should proceed with this effort--issues, such as the possible inflation of Egyptian expectations, concerns over increases in the US presence in Egypt, availability of funds, implications for related programs in other countries, most notably Israel, to mention but some. At this stage therefore, the Department believes it is premature to recommend that the President make exceptions for all the candidate projects.

To assist us in further consideration of this important phase of our security assistance relationships with Egypt, I ask that Bill Perry's people work with us (PM and NEA) to define more precisely our own

The Honorable  
David E. McGiffert,  
Assistant Secretary of Defense.

CONFIDENTIAL  
CDS-11/6/85

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-2-

priorities to come up with a realistic projection of when the most likely projects can be implemented and to consider the various implications of all the proposals. We would expect to be able to approve some projects quickly. As our staffs earlier agreed it is important to get off to a good start with a limited number of projects, adding others after we have had some experience.

As you know the Department of State has responsibility under the law for all security assistance programs, not just those requiring Presidential review. This is, of course, fully reflected in the MOU signed during Bill Perry's recent visit to Cairo. Full advance coordination of all proposals is required so that we can be certain that security assistance programs such as this mesh with our broader foreign policy objectives. I assume you will keep me informed on an early basis of future developments in all the programs we are considering to undertake with Egypt.

Sincerely,



Lucy Wilson Benson

Enclosure:

PD-13 Implications of Proposed Projects.

cc: USDP - Mr. Komer  
USDRE - Dr. Perry

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CONFIDENTIAL (entire text)

PD-13 IMPLICATIONS OF  
PROPOSED PRODUCTION PROJECTS

T-55 Upgrade: None, provided manufacture of significant weapons, equipment, or major components is not undertaken.

M-48/M-60 Tank Repair: None, provided manufacture of significant weapons, equipment, or major components is not undertaken.

Conversion of 115mm, 122mm, and 130mm Artillery Rounds: None.

Assemble/Manufacture 105mm Ammunition: Presidential exception required.

Conversion of 122mm and 130mm Towed Howitzer to Self-Propelled Units: None, provided manufacture of significant weapons, equipment, or major components is not undertaken.

Oil Analysis Laboratory: None.

Lightweight Armored Vehicles: Significant combat equipment, Presidential exception required.

Assemble/Manufacture 2.75 inch Rocket: Presidential exception required.

Manufacture F-4 Support Equipment: None, provided no significant combat equipment is involved.

Overhaul/Manufacture of 463L System Pallets: None.

Manufacture of Jet Engine Blades: None.

Manufacture/Overhaul of C-130/F-4 Spares: Insufficient information; depends on spares to be manufactured.

Overhaul of C-130/F-4 Aircraft: Insufficient information; major overhaul facilities are subject to coproduction guidelines.

Manufacture of 20mm (M-61) Gun Barrel: Barrel is a major component of gun system; Presidential exception required.

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GDS-11/6/85

CONFIDENTIAL

-2-

Assembly/Coproduction of Communications Equipment:\* Some communications equipment (e.g. AN/GRA-39) is significant combat equipment; Presidential exception may be required.

Coproduction of Mine Detectors: None

Coproduction of M113A2 APC: Presidential exception required.

Coproduction of MK 3 Patrol Gunboat: Presidential exception required.

Assemble/Manufacture MK 82 and MK 84 Bombs: Presidential exception required.

Fuze Production: None.

Co-Assembly and Fabrication of Parts for TOW Missiles and Launchers: Presidential exception required for missiles.

F-4 Ammunition: Coproduction requires a Presidential exception.

Manufacture of BDU-33 Practice Bombs: Presidential exception required.

Production of I-Hawk Spare Parts: Insufficient information; if the parts are "significant" or major components, a Presidential exception would be required.

Helicopter Coproduction: Insufficient information; if helicopter is significant combat equipment (e.g. 500MD) a Presidential exception would be required.

Klystron Tube: None

Ejection Seat Cartridges: None.

Shilka Radar Maintenance Capability: None.

ZSU-23mm Gun Repair: None

Manufacture of 23mm Gun Components: None, provided the components are not "significant" nor major.

\*ITAR revision under consideration which may lead to communications equipment being removed from list of items designated "significant combat equipment."

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