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**THE WHITE HOUSE**  
WASHINGTON

Jim

Messrs. Ogilvie & Scowcroft  
agree on these decisions.

I believe the memo should be  
addressed to both of them  
agree?



Trudy

THE WHITE HOUSE

WASHINGTON

November 7, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: HENRY A. KISSINGER  
JAMES T. LYNN

FROM: JAMES E. CONNOR 

SUBJECT: 1976 Foreign Aid (Security Assistance)  
Budget Amendments

The President recently reviewed memorandums submitted on the above subject. The following options were approved.:

Korea

\$74 million MAP and \$126 million FMS

Indonesia

\$19.4 million MAP and \$23.1 million FMS

Philippines

\$19.6 million MAP, ~~\$14.4~~ <sup>17.4</sup> million FMS

Malaysia

\$15. million FMS

Zaire

\$19 million FMS

Ethiopia

\$11.7 million MAP

November 7, 1975

Greece

\$50 million MAP and \$110 million FMS

Turkey

\$75 million MAP and \$130 million FMS

Spain

\$15.2 MAP, \$120 million FMS, \$9 million supporting assistance.

Yemen

\$1.5 million MAP

The Middle East -

Israel - \$740 million supporting assistance  
\$1.5 billion FMS with waiver of repayment of  
\$750 million.

Egypt - \$750 million supporting assistance.

Syria - \$90 million supporting assistance.

Jordan - \$100 million MAP, \$75 million FMS,  
\$77.5 million supporting assistance.

CENTO

Issue was not discussed

Transition Quarter Problem

Hold to budget request level less Indochina of \$32 million MAP  
and \$55 million FMS.

Please follow-up with appropriate action.

cc: Dick Cheney

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

October 27, 1975

CONFIDENTIAL

MEMORANDUM FOR: THE PRESIDENT  
FROM: HENRY A. KISSINGER *K*  
SUBJECT: OMB FY '76 Security Assistance  
Budget Submission

The Office of Management and the Budget has submitted to you the FY 1976 Security Assistance Budget Amendments (Tab A). In light of your decision to limit expenditures in FY '77 to \$395 billion, OMB recommends that you reconsider your earlier decisions on MAP and FMS levels for some country programs and amend the State Department proposals for others to lower the grant (MAP) component of Security Assistance and raise the credit component (FMS). Since the full amount of grant assistance, but only about one-third of the program level of credit assistance, is reflected in future outlays, OMB argues that their recommendations could lower predicted FY '77 outlays for security assistance by as much as \$430 million.

OMB's recommendations for individual country programs are discussed below. Before addressing them, however, you should be aware of the background to the OMB proposals. These proposals are based on the tacit assumption that one dollar of grant aid is interchangeable with one dollar of credit assistance. In fact, lowering grant aid and increasing credit increases the budgetary burden which our assistance imposes on the recipient nations, and lowers the overall level of security support we provide. Recipient governments are, of course, aware of this and will perceive any change toward credit in the grant/credit mix correctly as an overall decrease in our aid.

Accordingly, I believe that any change in the grant/credit mix of a particular country program is primarily a political decision, and should be made on the basis of a careful assessment of our foreign policy interests on a case-by-case

Subject to GDS of E.O. 11652  
Automatically Declassified  
December 31, 1981.

CONFIDENTIAL - GDS

KR 4-2088

basis. Unfortunately, the OMB submission presents neither arguments nor options for individual country programs. Because of this, I recommend you address the issues individually as presented below, rather than in the context of the OMB paper.

It must be acknowledged that any increases in total non-Middle East assistance over your budget proposals of January will meet with resistance in the Congress. In determining whether there is such an increase, Congress will discount the sizeable Indochina component of the January figures. Particular Congressional criticisms of MAP increases can be expected.

The following are the country programs for MAP, FMS and supporting assistance where there is now disagreement as a result of the OMB proposal for reductions. Agency positions are noted in all cases.

Korea

In August you decided on a program level of \$100 million MAP and \$100 million FMS for Korea as a clear indication of our commitment to Korea in the wake of Indochina events. Assistance at these levels would also help make up for past shortfalls which have delayed the Korean military modernization programs. OMB recommends \$74 MAP and \$126 FMS, which they argue would reduce budget outlays \$21 million in FY '77 and still meet Korean needs. I agree.

State/DOD Option (\$100 million MAP and \$100 million FMS) \_\_\_\_\_

OMB/NSC Option (\$74 million MAP and \$126 million FMS) approved

Indonesia

In August you decided on a grant MAP level of \$30.0 million for Indonesia. This would help Indonesia -- a poor country notwithstanding its oil earnings -- acquire vitally needed new equipment to replace outmoded Soviet arms, and bolster security in the wake of the fall of Indochina. OMB recommends you reconsider your decision on budgetary grounds, increasing FMS credit (from \$12.5 to \$21.3 million) and decreasing MAP. I concur.

State/DOD Option (\$30 million MAP and \$12.5 million FMS) \_\_\_\_\_

OMB/NSC Option (19.4 million MAP and \$23.1 million FMS) approved

Philippines

You earlier decided to accept the OMB recommendation of \$19.6 million MAP and \$12.4 million FMS for the Philippines. The State Department feels strongly, however, that an additional \$5 million MAP is necessary to prepare the way for a successful outcome to the pending base negotiations.

I concur with the OMB proposal.

*[Handwritten signature]*

State/DOD Option (\$25 million MAP, \$12.4 million FMS) \_\_\_\_\_

OMB/NSC Option (\$19.6 million MAP, ~~\$12.4 million FMS~~) approved

*17.4 approved  
Change to 17.4*

Malaysia

State is now proposing an increase of FMS to Malaysia from \$10 million to \$17 million. The proposed increase stems from the report of a military team sent to Malaysia to assess counterinsurgency requirements. The Malaysians are looking to us for support in their efforts to upgrade their forces to meet both internal and external threats. OMB believes the military team report includes items not appropriately funded by the security assistance program.

I concur in the State recommendation.

\_\_\_\_\_

State/DOD/NSC Option (\$17 million FMS) \_\_\_\_\_

OMB Option (\$10 million FMS) \_\_\_\_\_

*President approved \$15 million for Malaysia*

Zaire

You earlier agreed to increase the budget request for Zaire from \$9.5 to \$19.0 million FMS as a means of assisting President Mobuto's Government to strengthen national security in the face of increasing unrest in southern Africa. OMB argues against the increase on budgetary grounds.

I believe you should reaffirm your decision to increase Zaire FMS.

State/DOD/NSC Maintain Agreed Level (\$19 million FMS)

approved

OMB Option (\$9.5 million FMS)

\_\_\_\_\_

Ethiopia

Ethiopia feels threatened internationally by a better armed Somalia and domestically by the Eritrean insurgency. State feels that an increase of MAP assistance from the budgeted \$9.4 million to \$16 million would help the new regime to restore internal stability and to build a credible military deterrent against Somalia.

OMB recommends against the increase, arguing that the Somali threat has diminished and that the new government is capable of meeting its needs for equipment through cash purchases.

I concur with the State option.

State Option (\$16 million MAP)

\_\_\_\_\_

OMB Option (\$9.4 million MAP)

*President approved \$11.7 million*

Greece and Turkey

approved

State recommends balanced program of grant MAP and FMS credit for Greece and Turkey to underline our impartial support for both while being responsive to their very real military requirements. State believes, in the case of Turkey, that increasing MAP from \$62.2 million to \$90.0 million and providing \$115 million FMS would emphasize strongly the Administration's commitment to our ongoing security relationship and compensate, in part, for the interruption of military deliveries. State also believes a \$70 million MAP program, a \$65 million security supporting assistance program and \$90 million FMS for Greece would balance aid to Turkey and be responsive to repeated Greek requests for both military and economic assistance. However, State feels that the Greek MAP request should be conditional on Congressional approval of Turkey MAP.

OMB would provide Greece with \$45 million MAP and \$30 million supporting assistance, and hold the Turkey MAP request at \$62.2 million. These levels would allow us to obtain our political objectives in OMB's view, while holding down budget outlays.

I strongly recommend that you choose the State option.

Greece

State/DOD/NSC Option (\$70 million MAP, \$90 million FMS  
\$65 million supporting assistance) \_\_\_\_\_

OMB Option (\$45 million MAP, \$90 million FMS,  
\$30 million supporting assistance) \_\_\_\_\_

*President approved \$50 million MAP and \$110 million FMS*

Turkey

State/DOD/NSC Option (\$90 million MAP, \$115 million FMS) \_\_\_\_\_

OMB Option (\$64.2 million MAP, \$115 million) \_\_\_\_\_

*President approved \$75 million MAP and \$130 million FMS*

Spain

As part of the ongoing base negotiations with Spain, the Spanish Foreign Minister and I have reached agreement on a basic framework of assistance calling for \$15.2 million MAP, \$120 million FMS and \$9 million supporting assistance annually for five years. In keeping with the longstanding policy that budget requests beyond approved budget levels be approved by the President, OMB requests your formal approval of these levels. The Spanish level will not be sent to Congress until the base negotiations are concluded and Congress has been presented with the resulting agreement.

State and NSC staff concur.

State/OMB/NSC recommendation (\$15.2 MAP,  
\$120 million FMS, \$9 million  
supporting assistance)

approved

Yemen

State proposes a one-time grant MAP allocation of \$1.5 million for Yemen to help pay shipping costs of Saudi-financed military sales to Yemen. OMB does not concur, on budgetary grounds.

Our efforts to assist the Yemenis in their efforts to become independent of Soviet arms supplies should be supported by this modest outlay. I recommend you decide in favor of the State option.

State/NSC Option (\$1.5 million MAP for Yemen)

approved

OMB Option (no MAP for Yemen)

The Middle East

The State Department supports a total Middle East assistance package of \$3.4 billion, composed of the following major elements:

- \$1.5 billion FMS and \$740 million supporting assistance for Israel, with a provision that repayment of two-thirds the FMS amount will be forgiven, making these in effect grant funds
- \$750 million supporting assistance for Egypt
- \$100 million MAP, \$75 million FMS, and \$77.5 million supporting assistance for Jordan
- \$90 million supporting assistance for Syria

OMB proposes the following options as a means of achieving budgetary savings:

- Decreasing supporting assistance for Israel from \$740 to \$540 million and for Egypt from \$750 to \$600 million
- Alternatively, decreasing the amount of waiver authority for Israeli FMS debts from \$1 billion to \$500 million
- Alternatively, a combination of both of the above

OMB claims outlay savings will range from \$141 to \$381 million. OMB does not question the levels for Jordan or Syria.

I believe strongly that you should change neither the overall levels of \$2.3 billion for Israel and \$750 million for Egypt nor the grant/credit mix proposed by the Department of State. I have already informed the Israeli government, with your approval, that we will request this figure. The Egyptians have also been informed that we will be requesting about \$700 million and we have used these approximate figures in private talks with key Congressional leaders.

These levels of assistance represent a vital factor not only in the successful conclusion of the Sinai Agreement, but in the continuation of our close relationship with Egypt and Israel, which will be needed to carry on to the next stage of our strategy for moving toward peace in the Middle East. They can also be justified in terms of the vital economic/security needs of the two countries. The budget savings proposed by OMB seem to me of relatively little consequence compared to the goals our assistance in the Middle East will hopefully achieve.

State wishes to withhold any public announcement of Egyptian levels during President Sadat's visit, until after formal presentation of the proposal to the Congress.

Israel

*President approved*  
*① \$740 million supporting assistance*  
*② \$1.5 billion FMS with waiver of repayment of \$750 million.*

State/NSC Option (\$1.5 billion FMS with waiver of repayment for \$1 billion, \$740 supporting assistance) \_\_\_\_\_

OMB Option #1 (\$1.5 billion FMS with waiver of repayment of \$1 billion, \$540 supporting assistance) \_\_\_\_\_

OMB Option #2 (\$1.5 billion FMS with waiver of repayment of \$500 million, \$740 million supporting assistance) \_\_\_\_\_

OMB Option #3 (\$1.5 billion FMS with waiver of repayment of \$500 million, \$540 million supporting assistance) \_\_\_\_\_

Egypt

State/NSC Option (\$750 million supporting assistance) \_\_\_\_\_

*approved*

OMB Option (\$600 million supporting assistance) \_\_\_\_\_

There would be no public announcement to Sadat of these aid levels prior to submission of your budget proposals to Congress.

Syria

State/OMB/NSC Option (\$90 million supporting assistance) Approve approved

Disapprove \_\_\_\_\_

Jordan

State/OMB/NSC Option (\$100 million MAP, \$75 million FMS,  
\$77.5 million supporting assistance) Approve approved

Disapprove \_\_\_\_\_

CENTO

The State Department wishes to include \$5 million MAP for CENTO in the Security Assistance budget as a means to assist CENTO to upgrade its communications system. The NSC staff concurs. OMB has taken no position on this issue.

State/NSC Option (\$5 million MAP) Approve \_\_\_\_\_

*Issue was not discussed*

Disapprove \_\_\_\_\_

Transition Quarter Problem

The January budget requested \$115 million MAP for the transition quarter to cover Indochina requirements and other ongoing costs, an FMS program of \$55 million to cover multi-year credit commitments due in that quarter, and a supporting assistance program of \$146 million largely for the Middle East. State now proposes that transition quarter MAP funds originally intended for Indochina be reallocated to other countries, and that the FMS request be increased to provide substantial funding for the major country programs. State argues that the amounts involved could then be deducted from the FY 77 request.

OMB believes that it is indefensible to undertake a transition quarter program largely on the basis of advance funding requirements for 1977, and recommends that the transition quarter budget be amended to delete the Indochina funds and those portions of the supporting assistance request earlier allocated to the Middle East.

I concur with the OMB position. It is illogical to plan transition quarter expenditures, deducting the funds from FY 77 levels which will not be known for some months.

State Option (Request \$102 million MAP and \$204 million FMS in transition quarter as advance funding for FY 77) \_\_\_\_\_

OMB/NSC Option (Hold to budget request level less Indochina of \$32 million MAP and \$55 million FMS) approved

THE WHITE HOUSE  
WASHINGTON

November 5, 1975

Brent Scowcroft:

As you know, decisions concerning the 1976 Foreign Aid Budget were made at a meeting with the President.

Don Ogilvie, at our request, indicated on a copy of Secretary Kissinger's memorandum on this subject the decisions made by the President at this meeting.

We would appreciate your confirmation of the decisions indicated by Don Ogilvie.

Thanks.

Jim Connor

11/5/75



Jim -  
Don is correct.  
Brent

November 5, 1975

**Brent Scowcroft:**

**As you know, decisions concerning the 1976 Foreign Aid Budget were made at a meeting with the President.**

**Don Ogilvie, at our request, indicated on a copy of Secretary Kissinger's memorandum on this subject the decisions made by the President at this meeting.**

**We would appreciate your confirmation of the decisions indicated by Don Ogilvie.**

**Thanks.**

**Jim Connor**

CONFIDENTIAL ATTACHMENT



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

November 4, 1975

MEMORANDUM FOR: JIM CONNOR  
FROM: DON OGILVIE  
SUBJECT: 1976 Foreign Aid Decisions

For your records, attached is a copy of Kissinger's memo to the President on the 1976 Security Assistance Budget Amendments. The President's decisions are marked. Please be sure to reconfirm these decisions with Brent Scowcroft.

Attachment

CONFIDENTIAL ATTACHMENT

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

CONFIDENTIAL

October 27, 1975

MEMORANDUM FOR: THE PRESIDENT  
FROM: HENRY A. KISSINGER *K*  
SUBJECT: OMB FY '76 Security Assistance  
Budget Submission

The Office of Management and the Budget has submitted to you the FY 1976 Security Assistance Budget Amendments (Tab A). In light of your decision to limit expenditures in FY '77 to \$395 billion, OMB recommends that you reconsider your earlier decisions on MAP and FMS levels for some country programs and amend the State Department proposals for others to lower the grant (MAP) component of Security Assistance and raise the credit component (FMS). Since the full amount of grant assistance, but only about one-third of the program level of credit assistance, is reflected in future outlays, OMB argues that their recommendations could lower predicted FY '77 outlays for security assistance by as much as \$430 million.

OMB's recommendations for individual country programs are discussed below. Before addressing them, however, you should be aware of the background to the OMB proposals. These proposals are based on the tacit assumption that one dollar of grant aid is interchangeable with one dollar of credit assistance. In fact, lowering grant aid and increasing credit increases the budgetary burden which our assistance imposes on the recipient nations, and lowers the overall level of security support we provide. Recipient governments are, of course, aware of this and will perceive any change toward credit in the grant/credit mix correctly as an overall decrease in our aid.

Accordingly, I believe that any change in the grant/credit mix of a particular country program is primarily a political decision, and should be made on the basis of a careful assessment of our foreign policy interests on a case-by-case

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December 31, 1981.

CONFIDENTIAL - GDS

KR 4-20-88

basis. Unfortunately, the OMB submission presents neither arguments nor options for individual country programs. Because of this, I recommend you address the issues individually as presented below, rather than in the context of the OMB paper.

It must be acknowledged that any increases in total non-Middle East assistance over your budget proposals of January will meet with resistance in the Congress. In determining whether there is such an increase, Congress will discount the sizeable Indochina component of the January figures. Particular Congressional criticisms of MAP increases can be expected.

The following are the country programs for MAP, FMS and supporting assistance where there is now disagreement as a result of the OMB proposal for reductions. Agency positions are noted in all cases.

Korea

In August you decided on a program level of \$100 million MAP and \$100 million FMS for Korea as a clear indication of our commitment to Korea in the wake of Indochina events. Assistance at these levels would also help make up for past shortfalls which have delayed the Korean military modernization programs. OMB recommends \$74 MAP and \$126 FMS, which they argue would reduce budget outlays \$21 million in FY '77 and still meet Korean needs. I agree.

State/DOD Option (\$100 million MAP and \$100 million FMS) \_\_\_\_\_

OMB/NSC Option (\$74 million MAP and \$126 million FMS) approved

Indonesia

In August you decided on a grant MAP level of \$30.0 million for Indonesia. This would help Indonesia -- a poor country notwithstanding its oil earnings -- acquire vitally needed new equipment to replace outmoded Soviet arms, and bolster security in the wake of the fall of Indochina. OMB recommends you reconsider your decision on budgetary grounds, increasing FMS credit (from \$12.5 to \$21.3 million) and decreasing MAP. I concur.

State/DOD Option (\$30 million MAP and \$12.5 million FMS) \_\_\_\_\_

OMB/NSC Option (19.4 million MAP and \$23.1 million FMS) approved

Philippines

You earlier decided to accept the OMB recommendation of \$19.6 million MAP and \$12.4 million FMS for the Philippines. The State Department feels strongly, however, that an additional \$5 million MAP is necessary to prepare the way for a successful outcome to the pending base negotiations.

I concur with the OMB proposal.

*[Handwritten signature]*

State/DOD Option (\$25 million MAP, \$12.4 million FMS) \_\_\_\_\_

OMB/NSC Option (\$19.6 million MAP, ~~\$12.4 million FMS~~) approved  
*17.4 approved*  
*Change to 17.4*

Malaysia

State is now proposing an increase of FMS to Malaysia from \$10 million to \$17 million. The proposed increase stems from the report of a military team sent to Malaysia to assess counterinsurgency requirements. The Malaysians are looking to us for support in their efforts to upgrade their forces to meet both internal and external threats. OMB believes the military team report includes items not appropriately funded by the security assistance program.

I concur in the State recommendation.

\_\_\_\_\_

State/DOD/NSC Option (\$17 million FMS) \_\_\_\_\_

OMB Option (\$10 million FMS) \_\_\_\_\_

*President approved \$15 million for Malaysia*

Zaire

You earlier agreed to increase the budget request for Zaire from \$9.5 to \$19.0 million FMS as a means of assisting President Mobuto's Government to strengthen national security in the face of increasing unrest in southern Africa. OMB argues against the increase on budgetary grounds.

I believe you should reaffirm your decision to increase Zaire FMS.

State/DOD/NSC Maintain Agreed Level (\$19 million FMS)

approved

OMB Option (\$9.5 million FMS)

\_\_\_\_\_

Ethiopia

Ethiopia feels threatened internationally by a better armed Somalia and domestically by the Eritrean insurgency. State feels that an increase of MAP assistance from the budgeted \$9.4 million to \$16 million would help the new regime to restore internal stability and to build a credible military deterrent against Somalia.

OMB recommends against the increase, arguing that the Somali threat has diminished and that the new government is capable of meeting its needs for equipment through cash purchases.

I concur with the State option.

State Option (\$16 million MAP)

\_\_\_\_\_

OMB Option (\$9.4 million MAP)

*President approved \$11.7 million*

Greece and Turkey

approved

State recommends balanced program of grant MAP and FMS credit for Greece and Turkey to underline our impartial support for both while being responsive to their very real military requirements. State believes, in the case of Turkey, that increasing MAP from \$62.2 million to \$90.0 million and providing \$115 million FMS would emphasize strongly the Administration's commitment to our ongoing security relationship and compensate, in part, for the interruption of military deliveries. State also believes a \$70 million MAP program, a \$65 million security supporting assistance program and \$90 million FMS for Greece would balance aid to Turkey and be responsive to repeated Greek requests for both military and economic assistance. However, State feels that the Greek MAP request should be conditional on Congressional approval of Turkey MAP.

OMB would provide Greece with \$45 million MAP and \$30 million supporting assistance, and hold the Turkey MAP request at \$62.2 million. These levels would allow us to obtain our political objectives in OMB's view, while holding down budget outlays.

I strongly recommend that you choose the State option.

Greece

State/DOD/NSC Option (\$70 million MAP, \$90 million FMS  
\$65 million supporting assistance) \_\_\_\_\_

OMB Option (\$45 million MAP, \$90 million FMS,  
\$30 million supporting assistance) \_\_\_\_\_

*President approved \$50 million MAP and \$110 million FMS*

Turkey

State/DOD/NSC Option (\$90 million MAP, \$115 million FMS) \_\_\_\_\_

OMB Option (\$62 million MAP, \$115 million <sup>FMS</sup>) \_\_\_\_\_

*President approved \$75 million MAP and \$130 million FMS*

Spain

As part of the ongoing base negotiations with Spain, the Spanish Foreign Minister and I have reached agreement on a basic framework of assistance calling for \$15.2 million MAP, \$120 million FMS and \$9 million supporting assistance annually for five years. In keeping with the longstanding policy that budget requests beyond approved budget levels be approved by the President, OMB requests your formal approval of these levels. The Spanish level will not be sent to Congress until the base negotiations are concluded and Congress has been presented with the resulting agreement.

State and NSC staff concur.

State/OMB/NSC recommendation (\$15.2 MAP,  
\$120 million FMS, \$9 million  
supporting assistance)

approved

Yemen

State proposes a one-time grant MAP allocation of \$1.5 million for Yemen to help pay shipping costs of Saudi-financed military sales to Yemen. OMB does not concur, on budgetary grounds.

Our efforts to assist the Yemenis in their efforts to become independent of Soviet arms supplies should be supported by this modest outlay. I recommend you decide in favor of the State option.

State/NSC Option (\$1.5 million MAP for Yemen)

approved

OMB Option (no MAP for Yemen)

The Middle East

The State Department supports a total Middle East assistance package of \$3.4 billion, composed of the following major elements:

- \$1.5 billion FMS and \$740 million supporting assistance for Israel, with a provision that repayment of two-thirds the FMS amount will be forgiven, making these in effect grant funds
- \$750 million supporting assistance for Egypt
- \$100 million MAP, \$75 million FMS, and \$77.5 million supporting assistance for Jordan
- \$90 million supporting assistance for Syria

OMB proposes the following options as a means of achieving budgetary savings:

- Decreasing supporting assistance for Israel from \$740 to \$540 million and for Egypt from \$750 to \$600 million
- Alternatively, decreasing the amount of waiver authority for Israeli FMS debts from \$1 billion to \$500 million
- Alternatively, a combination of both of the above

OMB claims outlay savings will range from \$141 to \$381 million. OMB does not question the levels for Jordan or Syria.

I believe strongly that you should change neither the overall levels of \$2.3 billion for Israel and \$750 million for Egypt nor the grant/credit mix proposed by the Department of State. I have already informed the Israeli government, with your approval, that we will request this figure. The Egyptians have also been informed that we will be requesting about \$700 million and we have used these approximate figures in private talks with key Congressional leaders.

These levels of assistance represent a vital factor not only in the successful conclusion of the Sinai Agreement, but in the continuation of our close relationship with Egypt and Israel, which will be needed to carry on to the next stage of our strategy for moving toward peace in the Middle East. They can also be justified in terms of the vital economic/security needs of the two countries. The budget savings proposed by OMB seem to me of relatively little consequence compared to the goals our assistance in the Middle East will hopefully achieve.

State wishes to withhold any public announcement of Egyptian levels during President Sadat's visit, until after formal presentation of the proposal to the Congress.

Israel

*President approved*  
*① \$740 million supporting assistance*  
*② \$1.5 billion FMS with waiver of repayment of \$750 million.*

State/NSC Option (\$1.5 billion FMS with waiver of repayment for \$1 billion, \$740 supporting assistance) \_\_\_\_\_

OMB Option #1 (\$1.5 billion FMS with waiver of repayment of \$1 billion, \$540 supporting assistance) \_\_\_\_\_

OMB Option #2 (\$1.5 billion FMS with waiver of repayment of \$500 million, \$740 million supporting assistance) \_\_\_\_\_

OMB Option #3 (\$1.5 billion FMS with waiver of repayment of \$500 million, \$540 million supporting assistance) \_\_\_\_\_

Egypt

State/NSC Option (\$750 million supporting assistance) \_\_\_\_\_

*approved*

OMB Option (\$600 million supporting assistance) \_\_\_\_\_

There would be no public announcement to Sadat of these aid levels prior to submission of your budget proposals to Congress.

Syria

State/OMB/NSC Option (\$90 million supporting assistance) Approve approved

Disapprove \_\_\_\_\_

Jordan

State/OMB/NSC Option (\$100 million MAP, \$75 million FMS,  
\$77.5 million supporting assistance) Approve approved

Disapprove \_\_\_\_\_

CENTO

The State Department wishes to include \$5 million MAP for CENTO in the Security Assistance budget as a means to assist CENTO to upgrade its communications system. The NSC staff concurs. OMB has taken no position on this issue.

State/NSC Option (\$5 million MAP)

Approve \_\_\_\_\_

*Issue was not discussed*

Disapprove \_\_\_\_\_

Transition Quarter Problem

The January budget requested \$115 million MAP for the transition quarter to cover Indochina requirements and other ongoing costs, an FMS program of \$55 million to cover multi-year credit commitments due in that quarter, and a supporting assistance program of \$146 million largely for the Middle East. State now proposes that transition quarter MAP funds originally intended for Indochina be reallocated to other countries, and that the FMS request be increased to provide substantial funding for the major country programs. State argues that the amounts involved could then be deducted from the FY 77 request.

OMB believes that it is indefensible to undertake a transition quarter program largely on the basis of advance funding requirements for 1977, and recommends that the transition quarter budget be amended to delete the Indochina funds and those portions of the supporting assistance request earlier allocated to the Middle East.

I concur with the OMB position. It is illogical to plan transition quarter expenditures, deducting the funds from FY 77 levels which will not be known for some months.

State Option (Request \$102 million MAP and \$204 million FMS in transition quarter as advance funding for FY 77)

\_\_\_\_\_

OMB/NSC Option (Hold to budget request level less Indochina of \$32 million MAP and \$55 million FMS)

approved

**THE WHITE HOUSE**  
**WASHINGTON**

Jim -

This is back in the OUTBOX

I believe you will want to study before  
we write the memo --- President  
used the NSC memo -- but did not  
answer in all places???

Trudy

THE WHITE HOUSE  
WASHINGTON

October 27, 1975

MR PRESIDENT:

The attached memorandum from Jim Lynn proposes amendments to the 1976 Foreign Aid Budget.

The memorandum has been staffed to NSC and Jack Marsh. Marsh concurs in the OMB proposal - Secretary Kissinger has submitted an extensive commentary attached at Tab C. He concurs with OMB recommendations in the case of Korea, Indonesia and the Philippines. He supports State proposals in the case of Malaysia, Zaire, Ethiopia, Greece and Turkey, Yemen, Egypt, Israel, Syria and Jordan.

In addition the Secretary concurs with OMB's recommendations for handling the transition Quarter.

Jim Connor



~~THE PRESIDENT HAS SEEN~~  
**EXECUTIVE OFFICE OF THE PRESIDENT**  
**OFFICE OF MANAGEMENT AND BUDGET**  
WASHINGTON, D.C. 20503

CONFIDENTIAL - GDS

OCT 23 1975

MEMORANDUM FOR: THE PRESIDENT  
FROM: JAMES R. LYNN  
SUBJECT: 1976 Foreign Aid (Security Assistance) Budget Amendments

The State Department is requesting increases for security assistance in 1976. In addition to the large Middle East programs, the State request would increase assistance to Greece, Turkey, and a number of other countries of importance to the United States.

The proposed State increases must be viewed in the context of the January budget and the changes which have occurred since then. The 1976 budget included \$2.7 billion for Indochina aid programs. In your formal budget amendments you will be deleting the request for those funds and will therefore show a large offsetting budget reduction. However, you should be aware that Congress has already deleted those funds from its budget scorekeeping exercise and the Administration has excluded Indochina from its current budget estimates. Thus, both Congress and the press will view the State request in terms of the increases over the 1976 budget adjusted to exclude Indochina programs-- an increase of \$2.9 billion.

The table below shows the program levels and budget authority associated with the State request.

|                             | (\$ in millions) |              |
|-----------------------------|------------------|--------------|
|                             | <u>Program</u>   | <u>B.A.</u>  |
| 1976 Budget:                | 4,738            | 4,230        |
| Less Indochina amendments   | <u>2,732</u>     | <u>2,719</u> |
| Adjusted Budget             | 2,006            | 1,511        |
| Proposed additions          | 2,891            | 2,293        |
| Non Middle East             | ( 531 )          | ( -- )       |
| Middle East                 | ( 2,360 )        | ( -- )       |
| Revised Budget              | 4,897            | 3,804        |
| Change from 1976 Budget     | + 159            | - 426        |
| Change from Adjusted Budget | +2,891           | +2,293       |

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The following presentation is in terms of the proposed increases over the 1976 budget adjusted to exclude the Indochina programs.

The State Request: The State request would increase the 1976 adjusted budget levels for all of the security assistance accounts. The major increases would be to provide FMS military grants and credits to Israel and supporting assistance to Israel and Egypt.

(\$ in millions)

|                        | 1976<br>Budget<br>Adjusted | State<br>Request | Increase over 1976<br>Budget Adjusted |             |
|------------------------|----------------------------|------------------|---------------------------------------|-------------|
|                        |                            |                  | Program                               | B.A.        |
| MAP grants             | 348                        | 519              | + 171                                 | + 171       |
| Training               | 26                         | 31               | + 5                                   | + 5         |
| FMS grants and credits | 1,021                      | 2,420            | +1,399                                | + 802       |
| Supporting assistance  | 586                        | 1,877            | +1,291                                | +1,290      |
| Special fund           | <u>25</u>                  | <u>50</u>        | <u>+ 25</u>                           | <u>+ 25</u> |
| Total                  | 2,006                      | 4,897            | +2,891                                | +2,293      |

The OMB Alternative: OMB is fully aware of the important foreign policy interests the United States has in most of the major security assistance recipient countries. However, the proposed security assistance budget amendments will generate large budget outlays, particularly in 1977. In order to stay within the outlay ceiling of \$395 billion, you have made tentative decisions to reduce some programs in 1976 and substantial reductions in most agencies in 1977, including even defense. If these reductions are to be credible, they must be applied in an evenhanded manner, including foreign assistance.

Large budget amendments for the Middle East and numerous other foreign countries may undermine your ability to hold the line on domestic spending. All programs must appear to be subjected to equal pressure. Accordingly, OMB has prepared an alternative package of security assistance amendments designed to provide maximum budgetary relief, while attempting to minimize the foreign policy disruptions.

PROGRAM INCREASES OUTSIDE THE MIDDLE EAST

You have already approved increases over budget levels totalling \$282 million (including \$35 million in supporting assistance just announced for Portugal) for security assistance programs outside the Middle East. The State proposal would further increase these programs by \$248 million over adjusted budget levels.

The OMB alternative would limit the growth in MAP and supporting assistance for the non-Middle East programs and would hold to the original budget level of \$30 million for training.

(Program in \$ millions)

|                       | 1976<br>Budget<br>Adjusted | Current<br>State<br>Proposal | Increase over Budget |             |
|-----------------------|----------------------------|------------------------------|----------------------|-------------|
|                       |                            |                              | State Rec.           | OMB Rec.    |
| MAP                   | 248                        | 419                          | +171                 | + 68        |
| FMS                   | 692                        | 845                          | +153                 | +173        |
| Training              | 26                         | 31                           | + 5                  | + 4         |
| Supporting assistance | <u>18</u>                  | <u>219</u>                   | <u>+201</u>          | <u>+166</u> |
| Total                 | 984                        | 1,514                        | +530                 | +381        |

#### MAP Increases

On the basis of my memorandum to you in August, you redistributed some of the MAP savings from Cambodia and Laos to Korea, Indonesia, and Ethiopia. You decided to hold at your original MAP budget levels for the Philippines and Thailand, while permitting some increases in FMS credits. The primary reason for proposing the increases was to reassure our Asian allies after the fall of Indochina. State is now proposing further increases for Turkey, Greece, Philippines, Yemen, and Spain.

In view of your recent decisions on budget policy, you may now want to reconsider some of these earlier decisions as well as the State proposals (see Tab B for country-by-country comparison of State and OMB recommendations).

OMB now recommends that MAP levels for Korea and Indonesia, which you earlier agreed to increase, be held at the budget levels, while offering FMS increases that would bring the grant and credit totals to the same levels recommended by State. Thus, with the exceptions of Spain and Greece, the OMB alternative is consistent with your original MAP budget.

OMB agrees with State that MAP to Spain should be increased as part of an explicit quid pro quo for continued U.S. use of the bases. OMB also agrees that a MAP program should be started for Greece. However, OMB would limit the Greece MAP to \$45 million rather than the \$70 million in the State request. This lower level would be more consistent with the decision to hold Turkey MAP at the \$62 million budget level rather than the State request of \$90 million.

FMS Credits

OMB agrees with State's recommended increases in FMS credits over the January budget and proposes additional increases for Korea and Indonesia where OMB recommends against increased grant MAP. These increases provide an alternative means for assisting countries that are hoping for larger grant MAP programs. Because a portion of the FMS program is financed through the off-budget Federal Financing Bank (FFB), both the budget authority and the outlay impact of these increases is reduced.

Supporting Assistance

State is proposing a \$219 million program for supporting assistance including: \$55 million for Portugal; \$23 million for Zaire; \$9 million for Spain; and \$65 million for Greece. OMB agrees with all the proposed increases except the revised State request for supporting assistance to Greece.

State originally proposed a \$30 million supporting assistance program to Greece. However, after discussion with the Greek government, the State Department was informed that the Greeks hoped the U.S. would increase the amount from \$30 million to \$100 million. State then decided to split the difference and increased the request to \$65 million (see revised request, October 17, Tab A). OMB does not believe that any supporting assistance to Greece is warranted on programmatic grounds in view of Greece's high per capita income and the fact that no economic aid is planned for Turkey, a much poorer country and equally critical to the Cyprus negotiations. Nonetheless, because of the congressional requirement to propose economic and military assistance programs to Greece, OMB recommends the earlier State request of \$30 million.

Arguments for the OMB alternative:

- Smaller increases would reduce 1977 outlays by \$59 million.
- Restraining the growth of these programs would be more consistent with an evenhanded approach in meeting the 1977 budget problem.
- Highest priority new program requirements are met through increased MAP and/or FMS credits.

- Delaying a further increase in supporting assistance to Greece would permit an evaluation of the pros and cons of a higher program level and would reduce unfavorable reaction by Turkey.

Arguments for the higher State alternative:

- State has already discussed the possibility of higher programs with some countries, and would be forced to explain smaller increases in terms of budget stringency.
- Recipient countries would prefer higher grant MAP programs rather than increased credits.

Decision

Approve the State request (\$530 million above the budget level).

\_\_\_\_\_

Approve the OMB alternative (\$149 million less than the State request, reducing 1977 outlays by \$59 million).

\_\_\_\_\_

THE MIDDLE EAST

The State Department is recommending a total Middle East program of \$3.6 billion (including about \$250 million in P.L. 480 and other programs which are separately authorized and appropriated). The bulk of the increase is for Israel and Egypt.

(Program in \$ millions)

|                                  | <u>1975</u><br><u>Actual</u> | <u>1976</u><br><u>Budget</u> | <u>1976</u><br><u>State</u><br><u>Proposal</u> | <u>Increase</u><br><u>over</u><br><u>Budget</u> |
|----------------------------------|------------------------------|------------------------------|--|---|
| <u>Israel</u>                    |                              |                              |  |   |
| FMS credits                      | 300                          | 300                          | 1,500  | +1,200  |
| Supporting assistance            | 324                          | 100                          | 740  | + 640   |
| P.L. 480 and other*              | <u>74</u>                    | <u>40</u>                    | <u>60</u>                                      | <u>+ 20</u>                                     |
|                                  | 698                          | 440                          | 2,300  | +1,860  |
| <u>Egypt</u>                     |                              |                              |  |   |
| Supporting assistance            | 250                          | 300                          | 750  | + 450   |
| P.L. 480*                        | <u>76</u>                    | <u>81</u>                    | <u>150</u>                                     | <u>+ 69</u>                                     |
|                                  | 326                          | 381                          | 900  | + 519   |
| <u>Jordan</u>                    |                              |                              |  |   |
| MAP grants                       | 69                           | 100                          | 100  | -   |
| FMS credits                      | 30                           | 30                           | 75   | + 45  |
| Supporting assistance            | 78                           | 78                           | 78   | -   |
| P.L. 480*                        | <u>7</u>                     | <u>3</u>                     | <u>9</u>                                       | <u>6</u>  |
|                                  | 184                          | 211                          | 262  | + 51  |
| <u>Syria</u>                     |                              |                              |  |   |
| Supporting assistance            | -                            | 90                           | 90   | -   |
| P.L. 480*                        | <u>7</u>                     | <u>20</u>                    | <u>20</u>                                      | <u>-</u>  |
|                                  | 7                            | 110                          | 110  | -   |
| <u>Special Requirements Fund</u> | <u>100</u>                   | <u>25</u>                    | <u>50</u>                                      | <u>+ 25</u>                                     |

\*Separately authorized and appropriated

In order to reduce the budgetary impact of the Middle East package, OMB has developed two ways to reduce outlays, while still providing for essential needs. Any restraint on Middle East funding could result in some risk to achieving overall U.S. political objectives in the region, but in view of the major cutbacks being forced on all other foreign and domestic programs, some discipline must be placed on this critical aspect of the foreign aid program.

In essence, the OMB proposals entail both a real program reduction and a tightening of the terms of the Israeli military aid which would considerably reduce the budget authority and outlay impact in comparison to the State request. These two options could be chosen either singly or together.

(Outlays in \$ million)

| <u>Options</u>   | <u>1976 and TQ</u><br><u>Outlay Savings</u> | <u>1977</u><br><u>Outlay Savings</u> |
|--|---|--------------------------------------|
| #1. Reduce supporting assistance to Israel and Egypt   | 148   | 141                                  |
| #2. Reduce the grant component of Israeli military aid | <u>109</u>                                  | <u>240</u>                           |
| Total  | 257   | 381                                  |

#1. Reducing request levels for supporting assistance. In early September you and Secretary Kissinger discussed with the congressional leadership ranges of possible aid levels which subsequently became public. These were \$2.1 to \$2.3 billion for Israel (including \$540-740 million in economic supporting assistance) and \$600 million or more for Egypt. The OMB option would reduce the State request from the high end of the range to the low end. The remaining economic supporting assistance of over \$1.1 billion would still permit both the Israelis and Egyptians to meet essential import requirements.

Arguments for Alternative #1:

- Savings in budget outlays would be \$141 million in 1977.
- A request at the lower end of the range would demonstrate that the Government is exerting restraint on these foreign aid programs along with all others.

- A lower request "base" for calculating 1977 and subsequent programs should yield future budget savings and additional leverage for further negotiations.

Arguments against:

- The countries are expecting high levels of aid as a sign of U.S. commitment and as part of a quid pro quo for the recent agreement.
- The higher request could serve as insurance against possible congressional cuts (although cuts might be made up in the transition quarter).

#2. Reducing the grant component on Israeli military sales. The State proposal for \$1.5 billion in FMS credits seeks waiver authority for repayments on \$1 billion, effectively converting two-thirds of the program to a grant. This waiver authority is similar to that for the \$2.2 billion special emergency assistance package to Israel in 1974 which converted almost two-thirds of the program to a grant.

The OMB alternative would seek waiver authority for only \$500 million, thereby reducing the grant component to one-third and substantially tightening the terms. The immediate budgetary advantage of this approach would be to increase the FMS credit component which can be financed through the "off-budget" Federal Financing Bank (FFB).

Arguments for Alternative #2:

- Savings in budget outlays would be \$240 million in 1977.
- The Israelis would get the same immediate increase in military imports, while the United States would ultimately be repaid an additional \$500 million.
- The Israelis might be encouraged to review their military import requirements estimates somewhat more critically.
- Congress may increase the waiver authority anyway.

Arguments against:

- The Israelis may already be expecting a higher grant component, although the grant proportion does not affect their immediate ability to import.
- Off-budget FFB lending reduces reported budget outlays, but has the same immediate impact on credit markets and economic recovery as direct grants or credits.

- The higher future Israeli repayment requirements may reduce future Israeli import capacity.

Decision

- Approve State request at higher program level with \$1 billion waiver (\$381 million higher in 1977 outlays). \_\_\_\_\_
- Approve the OMB alternative to:
  - . Reduce supporting assistance program levels to Egypt and Israel (\$141 million 1977 outlay savings). \_\_\_\_\_
  - . Reduce waiver authority to cover only one-third of the military imports (\$240 million 1977 outlay savings). \_\_\_\_\_
  - . Reduce both the program level and the waiver authority (\$381 in outlay savings). \_\_\_\_\_

THE TRANSITION QUARTER PROBLEM

The January budget requested \$115 million MAP for the transition quarter to cover Indochina requirements and other ongoing costs, an FMS program of \$55 million to cover multi-year credit commitments due in that quarter, and a supporting assistance program of \$146 million largely for the Middle East. State has now proposed in a separate memorandum (Tab A) that the MAP transition quarter funds originally requested for Indochina be reallocated to other countries and that the FMS request be increased to provide substantial funding for the major country programs. However, State justifies the MAP and FMS transition quarter amounts largely as advance funding for 1977 which, if approved by the President, would be deducted from the 1977 request. Furthermore, the State request identifies only \$30 million in supporting assistance requirements outside the Middle East, and does not propose uses for the remaining \$116 million. A \$10 million request for the Middle East Special Requirements Fund would primarily pay costs for the Sinai monitoring force.

OMB believes it would be indefensible to undertake a transition quarter program largely on the basis of advance funding requirements for 1977. Accordingly, OMB recommends that the transition quarter budget be amended to delete the Indochina funds and the unidentified portions of the supporting assistance request (i.e., those earlier allocated to the Middle East).

(Program in \$ millions)

|                           | Transition Quarter |                    |                  | OMB<br>Rec. |
|---------------------------|--------------------|--------------------|------------------|-------------|
|                           | 1976<br>Budget     | Budget<br>Adjusted | State<br>Request |             |
| MAP                       | 120                | 32                 | 102              | 32          |
| FMS                       | 56                 | 56                 | 204              | 56          |
| Security assistance       | 146                | 146                | 30               | 30          |
| Special Requirements Fund | -                  | -                  | 10               | 10          |
|                           | 322                | 234                | 346              | 128         |

Finally, you should note that State has decided that it is not feasible to determine transition quarter requirements at this time for the Middle East, and no budget request has been submitted to OMB. If State later decides to seek a large budget request for the transition quarter (the transition quarter would total about \$800 million if continued at the same annual rate of 1976), it would substantially increase outlays in 1977.

The second concurrent resolution on the budget is now in the markup and is likely to go to the floor of the House as early as next week. In the absence of an Administration request, the concurrent resolution will probably exclude any transition quarter funding for the Middle East. A subsequent decision to seek additional transition quarter funds will require a supplemental request, separate authorization and appropriation hearings, and the breaking of the congressional spending targets.

Decision

Request \$102 million MAP and \$204 million FMS in transition quarter as advance funding for 1977.  
(State recommendation) \_\_\_\_\_

Hold to the budget request level (after deleting Indochina) for a MAP request of \$32 million and \$55 million for FMS. (OMB recommendation) \_\_\_\_\_

In view of the urgent need to transmit specific budget requests for security assistance prior to congressional action on the second concurrent resolution, we need your final decisions early next week.



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October 9, 1975

OFFICE OF  
MANAGEMENT & BUDGET

The Honorable  
James T. Lynn  
Director, Office of Management  
and Budget  
Executive Office Building  
Washington, D. C.

Dear Mr. Lynn:

Since my letter to you of July 8, 1975, we have reviewed our programs and are now in a position to transmit to you recommended security assistance funding levels for FY 1976. As you know, these levels in substantial measure are closely related to Secretary Kissinger's efforts to sustain the diplomatic progress that is essential for a negotiated settlement of the Arab-Israeli dispute.

With respect to Israel, we propose a total assistance program of \$2.3 billion. The economic component is to be \$800 million. This includes \$15 million under PL-480, \$20 million under the Migration and Refugee Act, and \$25 million for housing investment guarantees. Security supporting assistance funds under the Foreign Assistance Act include \$150 million in cash grants and a \$590 million commodity import program provided in part on a grant basis (\$350 million) and in part as a loan (\$240 million) on regular AID loan terms. The military component is to be \$1.5 billion which we suggest be presented to Congress as an FMS credit proposal with the proviso that the Administration be accorded sufficient flexibility to waive payment for up to two-thirds of the full amount.

With regard to Jordan, we are proposing supporting assistance totaling \$77.5 million, \$100 million in MAP funds and \$75 million in FMS credits.

We are proposing a \$750 million supporting assistance program for Egypt and \$90 million for Syria. In addition we are requesting an increase from \$25 million to \$50 million in the Special Requirements Fund to cover the cost of the Sinai Support Mission.

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EO 12958-2

MR 92-68, #9, State ltr. 2/5/93  
By KBH NARA, Date 3/19/93

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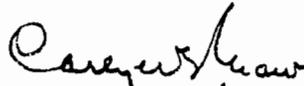
-2-

We also recommend that a one-year MAP program be established for Yemen. This assistance is to be provided Yemen as part of our contribution to bolster the stability of the Arabian Peninsula. In addition, this effort would serve as a useful catalyst in securing long-term financial and related support for Yemen by the Government of Saudi Arabia.

Our request for Greece is identical to that contained in my letter to you of July 8: that is, \$30 million in Security Supporting Assistance, \$70 million in MAP and \$90 million in Foreign Military Sales credits.

We have made other adjustments in our proposed program -- including an additional \$35 million in supporting assistance for Portugal for a total of \$55 million, an increase in FMS credit for Zaire, additional MAP training for Portugal and Morocco, a \$17 million FMS credit program for Malaysia and an increase in MAP for the Philippines -- all of which are reflected in the enclosed table. In addition to these country program figures, \$22.6 million for FY 1976 is included for the operating costs of administering the Security Supporting Assistance programs. I am including a chart detailing supporting assistance funding requests for FY 1976. I will provide you with our recommendations on transitional quarter funding requirements at a later date.

Sincerely,



Carlyle E. Maw

Enclosures:

Tab A - Security Assistance Revised Program Levels

Tab B - Supporting Assistance Funding Request

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SECURITY SUPPORTING ASSISTANCE  
(\$ MILLIONS)

|                                 | <u>FY 1976</u> |        |
|---------------------------------|----------------|--------|
| BAHRAIN                         | \$ .6          |        |
| CYPRUS                          | 25.0           |        |
| EGYPT                           | 750.0          |        |
| GREECE                          | 30.0           |        |
| ISRAEL                          | 740.0          |        |
| JORDAN                          | 77.5           |        |
| MALTA                           | 9.5            |        |
| PORTUGAL                        | 55.0           |        |
| SPAIN                           | 3.0            |        |
| SYRIA                           | 90.0           |        |
| ZAIRE                           | 22.75          |        |
| SER                             | -              |        |
| UNFICYP                         | 9.6            |        |
| OPERATING EXPENSES              | <u>22.6</u>    |        |
| TOTAL:                          | \$1,835.55     |        |
| MIDDLE EAST                     |                |        |
| SPECIAL REQUIREMENTS FUND       | 50.0           |        |
| (U.S. SINAI SUPPORT MISSION)    |                | (20.0) |
| (GRANTS TO WEST BANK PVO'S)     |                | ( 2.0) |
| (EGYPTIAN EARLY WARNING SYSTEM) |                | (13.0) |
| (OTHER SPECIAL REQUIREMENTS)    |                | (15.0) |

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SECURITY ASSISTANCE  
REVISED PROGRAM LEVELS  
(\$ MILLIONS)

October 9, 1975

|                         | FY 1976      |            |               |
|-------------------------|--------------|------------|---------------|
|                         | GRANT<br>MAP | TRAINING   | FMS<br>CREDIT |
| <u>EA</u>               | <u>184.2</u> | <u>9.1</u> | <u>258.6</u>  |
| REP. OF CHINA           | 0.9A/        | 0.5        | 80.0          |
| INDONESIA               | 30.0         | 3.1        | 12.5          |
| KOREA                   | 100.0        | 2.7        | 100.0         |
| MALAYSIA                | -            | 0.3        | 17.0          |
| PHILIPPINES             | 25.0         | 0.7        | 12.4          |
| THAILAND                | 28.3         | 1.8        | 36.7          |
| <hr/>                   |              |            |               |
| <u>NEA</u>              | <u>101.7</u> | <u>3.7</u> | <u>1625.0</u> |
| ISRAEL                  | -            | -          | 1500.0        |
| JORDAN                  | 100.0        | 0.8        | 75.0          |
| LEBANON                 | -            | 0.3        | 5.0           |
| MOROCCO                 | -            | 0.9        | 30.0          |
| TUNISIA                 | 0.2A/        | 0.4        | 15.0          |
| YEMEN                   | 1.5          | 0.5        | -             |
| TRAINING ONLY <u>1/</u> | -            | 0.8        | -             |
| <hr/>                   |              |            |               |
| <u>EUR</u>              | <u>175.5</u> | <u>4.4</u> | <u>325.0</u>  |
| GREECE                  | 70.0         | 0.8        | 90.0          |
| PORTUGAL                | 0.3          | 1.0        | -             |
| SPAIN                   | 15.2         | 0.7        | 120.0         |
| TURKEY                  | 90.0         | 1.8        | 115.0         |
| TRAINING ONLY <u>2/</u> | -            | 0.1        | -             |

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|                  | FY 1976     |             |              |
|------------------|-------------|-------------|--------------|
|                  | GRANT       | TRAINING    | FMS          |
|                  | MAP         |             | CREDIT       |
| <u>AF</u>        | <u>16.0</u> | <u>2.6</u>  | <u>31.5</u>  |
| ETHIOPIA         | 16.0        | 0.9         | 10.0         |
| KENYA            | -           | 1.0         | 2.0          |
| LIBERIA          | -           | 0.1         | 0.5          |
| ZAIRE            | -           | 0.4         | 19.0         |
| TRAINING ONLY 3/ | -           | 0.2         | -            |
| <br>             |             |             |              |
| <u>LA</u>        | <u>4.6</u>  | <u>11.4</u> | <u>180.0</u> |
| ARGENTINA        | -           | 0.9         | 34.0         |
| BOLIVIA          | 2.2         | 0.7         | 6.0          |
| BRAZIL           | -           | 1.1         | 60.0         |
| COLOMBIA         | -           | 0.8         | 16.0         |
| DOMINICAN REP.   | 0.2         | 0.7         | 1.0          |
| ECUADOR          | -           | 1.0         | 10.0         |
| EL SALVADOR      | 0.3         | 0.8         | 2.5          |
| GUATEMALA        | 0.2         | 0.4         | 1.5          |
| HAITI            | -           | 0.2         | -            |
| HONDURAS         | 0.3         | 0.8         | 2.5          |
| MEXICO           | -           | 0.1         | 5.0          |
| NICARAGUA        | 0.2         | 0.8         | 2.5          |
| PANAMA           | 0.2         | 0.4         | -            |
| PARAGUAY         | 0.4         | 0.4         | 0.5          |
| PERU             | -           | 0.9         | 20.0         |
| URUGUAY          | 0.6         | 0.5         | 2.5          |
| VENEZUELA        | -           | 0.8         | 16.0         |
| <br>             |             |             |              |
| GENERAL COSTS    | 37.1        | 0.2         | -            |

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|                  | FY 1976 |          |        |
|------------------|---------|----------|--------|
|                  | GRANT   | TRAINING | FMS    |
|                  | MAP     |          | CREDIT |
| TOTAL PROGRAM    | 519.1   | 31.4     | 2420.1 |
| FINANCING        | -28.3   | -        | 1058.6 |
| BUDGET AUTHORITY | 490.8   | 31.4     | 1361.5 |
| DRAWDOWN PAYBACK | 323.9   | -        | -      |
| APPROPRIATION    | 814.7   | 31.4     | 1361.5 |

NOTES:

A/ THESE MAP MATERIEL PROGRAMS INCLUDE SUPPLY OPERATIONS COSTS ONLY.

|                       | <u>FY 76</u> |
|-----------------------|--------------|
| <u>1/</u> AFGHANISTAN | .200         |
| INDIA                 | .200         |
| NEPAL                 | .035         |
| PAKISTAN              | .350         |
| SRI LANKA             | .015         |

|                   | <u>FY 76</u> |
|-------------------|--------------|
| <u>2/</u> AUSTRIA | .025         |
| FINLAND           | .025         |
| <u>3/</u> GHANA   | .100         |
| SENEGAL           | .035         |

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UNDER SECRETARY OF STATE  
FOR SECURITY ASSISTANCE  
WASHINGTON

7520601

October 15, 1975

LIMITED OFFICIAL USE

The Honorable  
James T. Lynn  
Director, Office of Management  
and Budget  
Executive Office Building  
Washington, D. C.

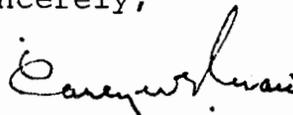
Dear Mr. Lynn:

Since my letter to you of October 9, 1975, we have reviewed our programs and are now in a position to transmit to you recommended security assistance funding levels for the transition quarter. Our proposed funding levels are in the attached tables.

With respect to the Middle East programs -- i.e., Israel, Egypt, Syria and Jordan -- the Secretary has determined that it is not feasible to project transition quarter funding requirements at this time. Consequently, we request that judgments with respect to these country programs be held in abeyance.

Finally, we should like to amend one funding proposal put forward to you in my letter of October 9. This relates to supporting assistance for Spain. The \$3 million shown in the charts forwarded in my earlier letter covered only the fifth and final tranche on non-military aid promised under the 1970 agreement. We now propose that the FY 1976 figure be increased to \$9 million to permit us to expand our scientific, educational and cultural cooperation. This new level will help to bring the negotiations we are currently conducting with the Government of Spain to an early and successful conclusion.

Sincerely,



Carlyle E. Maw

Attachments

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DATE 03/24

MR 92-68, #10, State ltr. 2/5/93

By KBH NARA, Date 3/19/93

Drafter: T:WHLewis:dls  
X-28074

Concurrences:

P - Mr. Sisco  
PM - Mr. Stern  
EUR - Mr. Rowell  
DSAA - Lt. Gen. Fish  
AID - Mr. White  
H - Mr. McCloskey  
AID/PPC - Mary Jane Heyl

CONFIDENTIAL

ESTIMATED NON-MIDDLE EAST SUPPORTING ASSISTANCE NEEDS

(\$ Millions)

|                           | <u>FY 1976</u> | <u>Interim<br/>Quarter</u> |
|---------------------------|----------------|----------------------------|
| Bahrain                   | 0.6            | 0.1                        |
| Cyprus                    | 25.0           | 5.0                        |
| Egypt                     | 750.0          | Pending                    |
| Greece                    | 30.0           | -                          |
| Israel                    | 740.0          | Pending                    |
| Jordan                    | 77.5           | Pending                    |
| Malta                     | 9.5            | 4.8                        |
| Portugal                  | 55.0           | 10.0                       |
| Spain                     | 9.0            | -                          |
| Syria                     | 90.0           | Pending                    |
| UNFICYP                   | 9.6            | 4.8                        |
| Zaire                     | 22.75          | - b/                       |
| Operating Expenses        | <u>22.6</u>    | <u>5.5</u>                 |
| TOTAL                     | 1,841.55       | 30.2                       |
| Special Requirements Fund | 50.0           | 10.0 a/                    |

a/ Includes some start-up and operating costs for surveillance station in IQ and \$10 million operating costs in FY 1977.

b/ Interim quarter for Zaire in Development Assistance Account.

CONFIDENTIAL

October 14, 1975

SECURITY ASSISTANCE  
REVISED PROGRAM LEVELS  
(\$ MILLIONS)

## TRANSITIONAL QUARTER

|                  | GRANT<br>MAP | TRAINING | FMS<br>CREDIT |
|------------------|--------------|----------|---------------|
| EA               | 37.1         | 2.1      | 53.0          |
| REP. OF CHINA    | 0.1 A/       | 0.1      | 15.0          |
| INDONESIA        | 7.0          | 0.7      | 3.0           |
| KOREA            | 20.0         | 0.5      | 20.0          |
| MALAYSIA         | -            | 0.1      | 4.0           |
| PHILIPPINES      | 5.0          | 0.2      | 3.0           |
| THAILAND         | 5.0          | 0.5      | 8.0           |
| NEA              | *            | 0.5      | 10.0          |
| LEBANON          | -            | -        | 1.0           |
| MOROCCO          | -            | 0.2      | 6.0           |
| TUNISIA          | * A/         | 0.1      | 3.0           |
| TRAINING ONLY B/ | -            | 0.2      | -             |
| EUR              | 37.0         | 1.0      | 101.0         |
| GREECE           | 15.0         | 0.2      | 46.0          |
| PORTUGAL         | *            | 0.2      | -             |
| SPAIN            | 2.0          | 0.1      | 30.0          |
| TURKEY           | 20.0         | 0.5      | 25.0          |
| TRAINING ONLY C/ | -            | *        | -             |
| AF               | 4.0          | 0.8      | 6.5           |
| ETHIOPIA         | 4.0          | 0.3      | 2.0           |
| KENYA            | -            | 0.2      | 0.5           |
| LIBERIA          | -            | *        | -             |
| ZAIRE            | -            | 0.2      | 4.0           |
| TRAINING ONLY D/ | -            | *        | -             |

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## TRANSITIONAL QUARTER

|                    | GRANT<br>MAP | TRAINING | FMS<br>CREDIT |
|--------------------|--------------|----------|---------------|
| LA                 | 0.9          | 2.9      | 33.0          |
| ARGENTINA          | -            | 0.2      | 8.0           |
| BOLIVIA            | 0.5          | 0.1      | 1.0           |
| BRAZIL             | -            | 0.2      | 10.0          |
| COLOMBIA           | -            | 0.2      | 4.0           |
| DOMINICAN REPUBLIC | * <u>A/</u>  | 0.1      | -             |
| ECUADOR            | -            | 0.1      | 2.0           |
| EL SALVADOR        | * <u>A/</u>  | 0.1      | -             |
| GUATEMALA          | * <u>A/</u>  | 0.1      | -             |
| HAITI              | -            | *        | -             |
| HONDURAS           | * <u>A/</u>  | 0.1      | -             |
| MEXICO             | -            | *        | 1.0           |
| NICARAGUA          | * <u>A/</u>  | 0.2      | -             |
| PANAMA             | * <u>A/</u>  | 0.2      | -             |
| PARAGUAY           | 0.1          | 0.2      | -             |
| PERU               | -            | 0.4      | 4.0           |
| URUGUAY            | 0.1          | 0.2      | -             |
| VENEZUELA          | -            | 0.4      | 3.0           |
| GENERAL COSTS      | 23.4         | 0.1      | -             |
| TOTAL PROGRAM      | 102.4        | 7.4      | 203.5         |
| FINANCING          | -5.1         | -        | 78.3          |
| BUDGET AUTHORITY   | 97.3         | 7.4      | 125.2         |
| DRAWDOWN PAYBACK   | -            | -        | -             |
| APPROPRIATION      | 97.3         | 7.4      | 125.2         |

NOTES: \* \$50 thousand or less

A/ These MAP materiel programs include supply operations costs only.

B/ AFGHANISTAN .050  
INDIA .030  
NEPAL .010  
PAKISTAN .080  
SRI LANKA .005

C/ AUSTRIA .010  
FINLAND .010  
D/ GHANA .020  
SENEGAL .010

UNDER SECRETARY OF STATE  
FOR SECURITY ASSISTANCE  
WASHINGTON

October 17, 1975

CONFIDENTIAL

Dear Mr. Lynn:

Since my letter to you of October 9, 1975, we have re-examined our programs, and we now wish to revise our proposals for Greece to increase the figure for Security Supporting Assistance from \$30 million to \$65 million. Our proposals for \$90 million in Foreign Military Sales credits and \$70 million in MAP remain the same.

Given the continuing uncertainties surrounding the Greek and Turkish MAP proposals resulting from the Cyprus problem and the existing partial ban on arms to Turkey, the Secretary has decided that we should request Congressional approval of a higher amount in supporting assistance for Greece. As I indicated to you in my letter of July 8, we believe that such assistance would help close the current Greek balance of payments gap, but more importantly, it would help strengthen our political leverage with Prime Minister Caramanlis at what we expect will be a critical period in our efforts to achieve progress both towards a Cyprus settlement and towards a successful conclusion of our base negotiations with the Greeks. Though \$65 million in supporting assistance would be considerably less than the amount the Greek Government would like to have us provide, we believe that it would have a positive impact in Athens and would enhance our ability to influence the Greeks on these issues.

Sincerely yours,

*Carlyle E. Maw*

Carlyle E. Maw

Honorable James T. Lynn,  
Director, Office of  
Management and Budget,  
Washington, D.C.

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GDS

DECLASSIFIED  
E.O. 12958, Sec. 3.4

MR 92-68 # 11, State Ltr. 2/5/93  
By KCH NARA, Date 3/19/93

RECEIVED  
OCT 17 12 05 PM '75  
IMMEDIATE OFFICE  
OF THE DIRECTOR  
OF THE BUDGET

356-4



SECURITY ASSISTANCE TO NON-MIDDLE EAST COUNTRIES  
WHERE STATE AND OMB RECOMMENDATIONS DIFFER

(\$ in millions)

|                       | 1975<br>Actual | 1976   |               |             |
|-----------------------|----------------|--------|---------------|-------------|
|                       |                | Budget | State<br>Rec. | OMB<br>Alt. |
| <u>Turkey</u>         | 89.8           | 177.2  | 205.0         | 177.2       |
| MAP                   | 14.8           | 62.2   | 90.0          | 62.2        |
| FMS                   | 75.0           | 115.0  | 115.0         | 115.0       |
| <u>Greece</u>         | 86.0           | 90.0   | 225.0         | 165.0       |
| MAP                   | --             | --     | 70.0          | 45.0        |
| FMS                   | 86.0           | 90.0   | 90.0          | 90.0        |
| Supporting assistance | --             | --     | 65.0          | 30.0        |
| <u>Indonesia</u>      | 18.0           | 31.9   | 42.5          | 42.5        |
| MAP                   | 13.0           | 19.4   | 30.0          | 19.4        |
| FMS                   | 5.0            | 12.5   | 12.5          | 23.1        |
| <u>Korea</u>          | 140.2          | 174.0  | 200.0         | 200.0       |
| MAP                   | 81.2           | 74.0   | 100.0         | 74.0        |
| FMS                   | 59.0           | 100.0  | 100.0         | 126.0       |
| <u>Malaysia</u>       | 4.7            | 10.0   | 17.0          | 10.0        |
| MAP                   | --             | --     | --            | --          |
| FMS                   | 4.7            | 10.0   | 17.0          | 10.0        |
| <u>Philippines</u>    | 34.5           | 26.6   | 37.4          | 32.0        |
| MAP                   | 20.5           | 19.6   | 25.0          | 19.6        |
| FMS                   | 14.0           | 7.0    | 12.4          | 12.4        |
| <u>Yemen</u>          | --             | --     | 1.5           | --          |
| MAP                   | --             | --     | 1.5           | --          |
| FMS                   | --             | --     | --            | --          |
| <u>Ethiopia</u>       | 36.7           | 19.4   | 26.0          | 19.4        |
| MAP                   | 11.7           | 9.4    | 16.0          | 9.4         |
| FMS                   | 25.0           | 10.0   | 10.0          | 10.0        |
| <u>Zaire</u>          | 3.5            | 9.5    | 42.0          | 32.5        |
| MAP                   | --             | --     | --            | --          |
| FMS                   | 3.5            | 9.5    | 19.0          | 9.5         |
| Supporting assistance | --             | --     | 23.0          | 23.0        |

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E.O. 12958, G.S. 552c

MR 92-68 #12, State Cr. 2/5/93

By KBH, NARA, Date 3/19/93



MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

CONFIDENTIAL

October 27, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER *K*

SUBJECT: OMB FY '76 Security Assistance  
Budget Submission

The Office of Management and the Budget has submitted to you the FY 1976 Security Assistance Budget Amendments (Tab A). In light of your decision to limit expenditures in FY '77 to \$395 billion, OMB recommends that you reconsider your earlier decisions on MAP and FMS levels for some country programs and amend the State Department proposals for others to lower the grant (MAP) component of Security Assistance and raise the credit component (FMS). Since the full amount of grant assistance, but only about one-third of the program level of credit assistance, is reflected in future outlays, OMB argues that their recommendations could lower predicted FY '77 outlays for security assistance by as much as \$430 million.

OMB's recommendations for individual country programs are discussed below. Before addressing them, however, you should be aware of the background to the OMB proposals. These proposals are based on the tacit assumption that one dollar of grant aid is interchangeable with one dollar of credit assistance. In fact, lowering grant aid and increasing credit increases the budgetary burden which our assistance imposes on the recipient nations, and lowers the overall level of security support we provide. Recipient governments are, of course, aware of this and will perceive any change toward credit in the grant/credit mix correctly as an overall decrease in our aid.

Accordingly, I believe that any change in the grant/credit mix of a particular country program is primarily a political decision, and should be made on the basis of a careful assessment of our foreign policy interests on a case-by-case

Subject to GDS of E.O. 11652  
Automatically Declassified  
December 31, 1981.

CONFIDENTIAL - GDS

KR 4-20-88

basis. Unfortunately, the OMB submission presents neither arguments nor options for individual country programs. Because of this, I recommend you address the issues individually as presented below, rather than in the context of the OMB paper.

It must be acknowledged that any increases in total non-Middle East assistance over your budget proposals of January will meet with resistance in the Congress. In determining whether there is such an increase, Congress will discount the sizeable Indochina component of the January figures. Particular Congressional criticisms of MAP increases can be expected.

The following are the country programs for MAP, FMS and supporting assistance where there is now disagreement as a result of the OMB proposal for reductions. Agency positions are noted in all cases.

Korea

In August you decided on a program level of \$100 million MAP and \$100 million FMS for Korea as a clear indication of our commitment to Korea in the wake of Indochina events. Assistance at these levels would also help make up for past shortfalls which have delayed the Korean military modernization programs. OMB recommends \$74 MAP and \$126 FMS, which they argue would reduce budget outlays \$21 million in FY '77 and still meet Korean needs. I agree.

State/DOD Option (\$100 million MAP and \$100 million FMS) \_\_\_\_\_

OMB/NSC Option (\$74 million MAP and \$126 million FMS) MAP

Indonesia

In August you decided on a grant MAP level of \$30.0 million for Indonesia. This would help Indonesia -- a poor country notwithstanding its oil earnings -- acquire vitally needed new equipment to replace outmoded Soviet arms, and bolster security in the wake of the fall of Indochina. OMB recommends you reconsider your decision on budgetary grounds, increasing FMS credit (from \$12.5 to \$21.3 million) and decreasing MAP. I concur.

State/DOD Option (\$30 million MAP and \$12.5 million FMS) \_\_\_\_\_

OMB/NSC Option (19.4 million MAP and \$23.1 million FMS) MR



I believe you should reaffirm your decision to increase Zaire FMS.

State/DOD/NSC Maintain Agreed Level (\$19 million FMS)

11.7

OMB Option (\$9.5 million FMS)

\_\_\_\_\_

Ethiopia

Ethiopia feels threatened internationally by a better armed Somalia and domestically by the Eritrean insurgency. State feels that an increase of MAP assistance from the budgeted \$9.4 million to \$16 million would help the new regime to restore internal stability and to build a credible military deterrent against Somalia.

OMB recommends against the increase, arguing that the Somali threat has diminished and that the new government is capable of meeting its needs for equipment through cash purchases.

I concur with the State option.

State Option (\$16 million MAP)

OMB Option (~~\$9.4~~ million MAP)

11.7

Greece and Turkey

State recommends balanced program of grant MAP and FMS credit for Greece and Turkey to underline our impartial support for both while being responsive to their very real military requirements. State believes, in the case of Turkey, that increasing MAP from \$62.2 million to \$90.0 million and providing \$115 million FMS would emphasize strongly the Administration's commitment to our ongoing security relationship and compensate, in part, for the interruption of military deliveries. State also believes a \$70 million MAP program, a \$65 million security supporting assistance program and \$90 million FMS for Greece would balance aid to Turkey and be responsive to repeated Greek requests for both military and economic assistance. However, State feels that the Greek MAP request should be conditional on Congressional approval of Turkey MAP.

OMB would provide Greece with \$45 million MAP and \$30 million supporting assistance, and hold the Turkey MAP request at \$62.2 million. These levels would allow us to obtain our political objectives in OMB's view, while holding down budget outlays.

I strongly recommend that you choose the State option.

Greece

State/DOD/NSC Option (\$70 million MAP, \$90 million FMS  
\$65 million supporting assistance) \_\_\_\_\_

OMB Option (\$45 million MAP, \$90 million FMS,  
\$30 million supporting assistance) \_\_\_\_\_

Turkey

State/DOD/NSC Option (\$90 million MAP, \$115 million FMS) \_\_\_\_\_

OMB Option (\$6.2 million MAP, \$115 million) \_\_\_\_\_

62.2

Spain

As part of the ongoing base negotiations with Spain, the Spanish Foreign Minister and I have reached agreement on a basic framework of assistance calling for \$15.2 million MAP, \$120 million FMS and \$9 million supporting assistance annually for five years. In keeping with the longstanding policy that budget requests beyond approved budget levels be approved by the President, OMB requests your formal approval of these levels. The Spanish level will not be sent to Congress until the base negotiations are concluded and Congress has been presented with the resulting agreement.

State and NSC staff concur.

State/OMB/NSC recommendation (\$15.2 MAP,  
\$120 million FMS, \$9 million  
supporting assistance)

Yemen

State proposes a one-time grant MAP allocation of \$1.5 million for Yemen to help pay shipping costs of Saudi-financed military sales to Yemen. OMB does not concur, on budgetary grounds.

Our efforts to assist the Yemenis in their efforts to become independent of Soviet arms supplies should be supported by this modest outlay. I recommend you decide in favor of the State option.

State/NSC Option (\$1.5 million MAP for Yemen)

OMB Option (no MAP for Yemen)

~~NY~~ - ?

The Middle East

The State Department supports a total Middle East assistance package of \$3.4 billion, composed of the following major elements:

- \$1.5 billion FMS and \$740 million supporting assistance for Israel, with a provision that repayment of two-thirds the FMS amount will be forgiven, making these in effect grant funds
- \$750 million supporting assistance for Egypt
- \$100 million MAP, \$75 million FMS, and \$77.5 million supporting assistance for Jordan
- \$90 million supporting assistance for Syria

OMB proposes the following options as a means of achieving budgetary savings:

- Decreasing supporting assistance for Israel from \$740 to \$540 million and for Egypt from \$750 to \$600 million
- Alternatively, decreasing the amount of waiver authority for Israeli FMS debts from \$1 billion to \$500 million
- Alternatively, a combination of both of the above

OMB claims outlay savings will range from \$141 to \$381 million. OMB does not question the levels for Jordan or Syria.

I believe strongly that you should change neither the overall levels of \$2.3 billion for Israel and \$750 million for Egypt nor the grant/credit mix proposed by the Department of State. I have already informed the Israeli government, with your approval, that we will request this figure. The Egyptians have also been informed that we will be requesting about \$700 million and we have used these approximate figures in private talks with key Congressional leaders.

These levels of assistance represent a vital factor not only in the successful conclusion of the Sinai Agreement, but in the continuation of our close relationship with Egypt and Israel, which will be needed to carry on to the next stage of our strategy for moving toward peace in the Middle East. They can also be justified in terms of the vital economic/ security needs of the two countries. The budget savings proposed by OMB seem to me of relatively little consequence compared to the goals our assistance in the Middle East will hopefully achieve.

State wishes to withhold any public announcement of Egyptian levels during President Sadat's visit, until after formal presentation of the proposal to the Congress.

Israel

State/NSC Option (\$1.5 billion FMS with waiver of repayment for \$1 billion, \$740 supporting assistance) \_\_\_\_\_

OMB Option #1 (\$1.5 billion FMS with waiver of repayment of \$1 billion, \$540 supporting assistance) \_\_\_\_\_

OMB Option #2 (\$1.5 billion FMS with waiver of repayment of \$500 million, \$740 million supporting assistance) \_\_\_\_\_

OMB Option #3 (\$1.5 billion FMS with waiver of repayment of \$500 million, \$540 million supporting assistance) \_\_\_\_\_

Egypt

State/NSC Option (\$750 million supporting assistance) \_\_\_\_\_

OMB Option (\$600 million supporting assistance) \_\_\_\_\_

There would be no public announcement to Sadat of these aid levels prior to submission of your budget proposals to Congress.

Syria

State/OMB/NSC Option (\$90 million supporting assistance) Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Jordan

State/OMB/NSC Option (\$100 million MAP, \$75 million FMS,  
\$77.5 million supporting assistance) Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

CENTO

The State Department wishes to include \$5 million MAP for CENTO in the Security Assistance budget as a means to assist CENTO to upgrade its communications system. The NSC staff concurs. OMB has taken no position on this issue.

State/NSC Option (\$5 million MAP) Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Transition Quarter Problem

The January budget requested \$115 million MAP for the transition quarter to cover Indochina requirements and other ongoing costs, an FMS program of \$55 million to cover multi-year credit commitments due in that quarter, and a supporting assistance program of \$146 million largely for the Middle East. State now proposes that transition quarter MAP funds originally intended for Indochina be reallocated to other countries, and that the FMS request be increased to provide substantial funding for the major country programs. State argues that the amounts involved could then be deducted from the FY 77 request.

OMB believes that it is indefensible to undertake a transition quarter program largely on the basis of advance funding requirements for 1977, and recommends that the transition quarter budget be amended to delete the Indochina funds and those portions of the supporting assistance request earlier allocated to the Middle East.

I concur with the OMB position. It is illogical to plan transition quarter expenditures, deducting the funds from FY 77 levels which will not be known for some months.

State Option (Request \$102 million MAP and \$204 million FMS in transition quarter as advance funding for FY 77) \_\_\_\_\_

OMB/NSC Option (Hold to budget request level less Indochina of \$32 million MAP and \$55 million FMS) \_\_\_\_\_

EMBARGOED FOR RELEASE  
UNTIL 1:30 P.M., E.S.T.  
THURSDAY, OCTOBER 30, 1975

October 30, 1975

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

I sent to the Congress on May 15 draft legislation to authorize foreign assistance programs for fiscal years 1976 and 1977, and for the transition period July 1, 1976, through September 30, 1976. At that time, because of uncertainties caused by changing events, particularly in the Middle East and Indochina, I was unable to propose specific amounts for security assistance programs. I said I would return to the Congress with specific proposals for these programs as soon as possible.

The review of security assistance programs now has been completed and my revisions to the draft legislation are being transmitted today. My initial legislative proposal was printed in the House of Representatives as House Document No. 94-158 and was introduced in the Senate as S. 1816. The revisions transmitted with this message will supersede sections 10, 11, 12, 15, 16, 17 and 18 of that proposal.

The world is different and far more complex than the world we knew in the 1950's. So are the problems confronting it. However, the United States Government still has a primary responsibility to take the lead in creating conditions which will insure justice, international cooperation and enduring peace. The program of security assistance I am transmitting today will contribute significantly toward meeting this responsibility.

Peace in the Middle East

Nothing so underscores how essential the American peacekeeping role is than our current efforts in the Middle East. Since the October 1973 War, our Middle East policy has been based on the following three principles.

- First, a firm resolution to work for a just and lasting settlement of the Arab-Israeli conflict taking into account the legitimate interests of all states and peoples in the area, including the Palestinians.
- Second, a commitment to the improvement of our relations with all the states of the Middle East on a bilateral basis, maintaining our support for Israel's security while strengthening our relations with the Arab countries.
- Third, continued dedication to avoiding great power confrontation in the Middle East.

more

The October 1973 War was the fourth, and most devastating, round of hostilities between Arab and Israeli forces. Moreover, the impact of this last collision between opposing forces was not confined to the Middle East. The spectre of armed confrontation between the United States and the Soviet Union hung over the crisis. Disruption of the economies of Western Europe, Japan and other nations was an important by-product of the conflict. In addition, the likelihood existed that the period immediately after October 1973 would merely represent a pause between the fourth and fifth rounds of conflict.

The quest for peace in the area was of the highest priority. Our most immediate objective was to encourage the disengagement of the contending military forces. Disengagement was accomplished in 1974. This year, we dedicated ourselves to the goal of withdrawal in the Sinai -- and an agreement was negotiated as a result of the efforts of Secretary of State Kissinger. We believe that the step-by-step approach to negotiations offers the best prospects for establishing an enduring peace in the region. We expect to proceed on an incremental basis to the next stage of negotiation within the near future.

I believe the hope for a lasting solution to the Arab-Israeli dispute is stronger today than at any time in the previous quarter century. A new era also is opening in our relations with Arabs and Israelis. This security assistance program will give substance to these new relationships and help preserve the momentum toward peace.

My proposals have three basic purposes:

- First, to provide Israel with the assistance needed to maintain security and to persevere in the negotiating process.
- Second, to give tangible expression to our new and fruitful relations with the Arab nations most directly involved and to encourage those which are seriously prepared to work for peace.
- Third, to encourage the peaceful development of the area, thereby reducing the incentives to violence and conflict.

The Security Assistance Program I am transmitting to Congress is heavily weighted with requirements to sustain the peace in the Middle East. Fully 70 percent of the program for fiscal year 1976 is to be concentrated in this region.

It proposes:

- For Israel, \$740 million in security supporting assistance and \$1,500 million in military credits. Israel's ability to defend herself and to relieve some of the burdens of her defense reduces the prospect of new conflict in the Middle East.
- For Egypt, \$750 million in supporting assistance. Egypt has made the bold decision to move from confrontation to negotiation as a means of resolving the Arab-Israeli dispute. Its leaders also must cope with serious economic problems whose resolution the United States is in a position to assist.

more

- For Jordan, \$100 million in military assistance grants, \$78 million in security supporting assistance, and \$75 million in military credit sales. This assistance will strengthen Jordan's ability to hold to the course of moderation it has consistently followed.
- For Syria, \$90 million in security supporting assistance. This assistance will enable our development cooperation with Syria to go forward, furthering our efforts to re-establish more normal bilateral relations.
- In addition, I am recommending a Special Requirements Fund this fiscal year of \$50 million. The fund is to be used to reinforce the peace process in the area and, in particular, to defray the costs of stationing American civilian technicians in the Sinai area.

All of this aid will contribute to the confidence that Middle Eastern nations must have in the United States if we are to maintain our momentum toward peace.

#### East Asia

The collapse of friendly governments in Indochina has necessitated a thorough review of the situation and of our policies and objectives throughout East Asia. The program I am proposing therefore recognizes the new realities as well as our enduring responsibilities as a leading participant in the affairs of the Asia Pacific region. For the first time, military sales credits exceed grants in our proposals for security assistance to Asian countries. These proposals include Foreign Military Sales credits in the amount of \$80 million for the Republic of China, \$126 million for Korea, and \$37 million for Thailand, with smaller but no less significant amounts for Indonesia, Malaysia, and the Philippines. Grant assistance programs include \$19 million for Indonesia, \$74 million for Korea, \$20 million for the Philippines, and \$28 million for Thailand. This funding pattern reflects the improved economic circumstances of several of our allies, their decreasing dependence on grant aid, and a greater ability to pay for defense purchases on a deferred basis.

#### Europe

The program that I am proposing for Europe is focussed primarily on two countries with whom the United States shares extraordinary mutual defense interests: Greece and Turkey. For Greece, I am proposing more than \$50 million in MAP and \$110 million in FMS credits. Over the same period, Turkey would receive \$75 million in MAP and \$130 million in FMS credits. These amounts take into consideration urgent needs for defense articles and services on the part of these two important NATO allies. Implementation of the respective programs would allow the United States to resume its traditional cooperative role following the unfortunate disruptions occasioned by the Cyprus crisis. In this traditional role, the United States can work more effectively to alleviate regional tensions and rectify recent misunderstandings which have had an adverse impact on the interests of all our European allies.

more

### Africa and Latin America

In these two geographic areas where there were widespread special development problems, I am proposing security assistance programs with emphasis on training as a common denominator. While the training programs are not individually costly, the fact that they are distributed among many countries should contribute to the strengthening of our regional relations well beyond the military sector. The only significant MAP proposal in either area involves a \$12 million program for Ethiopia, where we have been committed to an armed forces modernization program of reasonable dimensions. No other grant aid funds are envisioned elsewhere in Africa. MAP proposals throughout Latin America are confined to small sums, mainly for vehicles, communications equipment and spare parts. FMS credits for Latin America are proposed in amounts commensurate with the relative sizes of the recipients' armed forces, their repayment ability and overall development needs. In Africa, the only significant FMS credit proposals are \$10 million for Ethiopia and \$19 million for Zaire.

### Security Supporting Assistance

Aside from the special programs for the Middle East states which I have described previously, my proposals for security supporting assistance include \$35 million for Cyprus, including \$10 million for the United Nations Forces there, \$55 million for Portugal, \$65 million for Greece, and \$23 million for Zaire. Other small programs and administrative expenses will total \$33 million. In all instances, these programs reflect enlightened self-interest for the United States and a carefully documented need.

### Conclusion

While the extraordinary recent developments in Indochina and the Middle East have necessitated a re-examination of our policies and changes in the focus of our security assistance programs, there can be no doubt that bilateral and multilateral cooperation in the defense sector remains a vital and necessary component of American foreign policy. The proposals that I am now able to make after this reappraisal are addressed specifically to a new global situation and to the extraordinary challenges and opportunities confronting us in the international sphere. Just as it would be a grievous mistake to base our current and future security assistance programs on the precepts of the past, it would be an even greater error to ignore our enduring responsibilities as a major world power by failing to exploit these opportunities. After twenty-five years of seemingly irreconcilable differences, two parties to the Middle East dispute at last have taken a decisive stride toward settling their differences, in joint reliance on our good offices and continuing support. In the strategic Eastern Mediterranean, two of our long-standing NATO allies look to us for a tangible sign of renewed support and traditional friendship. In East Asia, friends and allies are anxiously awaiting evidence that the United States intends to maintain its stabilizing role in Pacific affairs.

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We must reaffirm our humanitarian commitment to some 800 million people in the Third and Fourth World, who live in poverty, facing the daily reality of hunger and malnutrition without access to adequate health and education services and with limited productive employment. Improving the quality of life for one-third of mankind living in conditions of despair has become a universal political demand, a technical possibility, and a moral imperative.

Our foreign assistance programs, both development and security, are essential for achieving world peace and for supporting an expanding international economy which benefits all nations. Our national security and economic well-being in a world more interdependent than ever before in the history of mankind warrant the fullest support of the American people and the Congress for our foreign assistance programs.

In regard to the impact of these proposals on overall federal budget levels, I fully recognize the proposed amounts are substantial. I should emphasize, however, that total fiscal year 1976 expenditures for all types of foreign aid including economic and military will still be roughly ten percent below the amounts originally contained in my January budget because of the withdrawal of the request for Indochina funding.

I am confident the Congress shares my desire to see the United States continue to manifest to all nations its determination to play a role in the search for a more secure international environment which is worthy of its greatness as a nation.

GERALD R. FORD

THE WHITE HOUSE,

October 30, 1975.

# # # # #



THE WHITE HOUSE  
WASHINGTON

October 30, 1975

Jack Marsh -

The attached was dexed to the President last evening. We are hoping to send it forward today if approved. Would appreciate your prompt review and approval. Thanks.

Jim Connor

THE WHITE HOUSE  
WASHINGTON

October 29, 1975  
8:30 AM

DEX TO DICK CHENEY WITH PRESIDENT IN LOS ANGELES  
FROM JIM CONNOR

Further my previous memo to you with Foreign Aid Budget message, Scowcroft and OMB now indicate that we must use special sheets of paper. This is only viable solution. Please indicate to us tomorrow (Thursday, October 30) a.m. how we may get access to such special paper. We will then handle from here. LOVE.

Trudy  
- let Room will they  
let us know if they  
have anything in the morning

6  
8:45

THE WHITE HOUSE

WASHINGTON

October 29, 1975

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Please advise.

*Trudy:  
dnl. at 8:00 pm*

*10/29*

*For Jim & contractors  
(did not send original - made  
a Xerox - original is  
on Jim's desk in case  
he comes back later  
tonight. 8:30  
E.*

THE WHITE HOUSE  
WASHINGTON

JIM -

I told Don Ogilvie that you  
will handle this in the A.M. -

He will try and find out the very  
latest that we can send it up -

★ i. e. when House Budget Com. meets  
The President returns at 1:25 A.M.  
on Friday, 10/31 --

I called Brent Scowcroft 's office  
to tell them the developments and  
he was speaking to Ogilvie at that  
time - so he was filled in on your  
feelings.

Trudy 10/29/75 7:05PM

TMM

PRECEDENCE

UNCLAS

CLASSIFICATION

FROM: JIM CONNOR  
TO: DICK CHENEY

DEX \_\_\_\_\_

DAC 009

GPS 1975 OCT 30 01

EDX 01 46

PAGES 1

TTY \_\_\_\_\_

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INFO:

DTG: 300146 Z OCT 75

RELEASED BY:

JP

TOR: 300158 Z Oct 75

SPECIAL INSTRUCTIONS:

TO C.A.

75 OCT 29 PM 9.03

COMMUNICATIONS CENTER

THE WHITE HOUSE

WASHINGTON

October 29, 1975

8:30 AM

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IMM

PRECEDENCE

UNCLAS

CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: SIM CONNOR  
TO: DICK CHENEY

INFO:

DEX \_\_\_\_\_  
DAC 008 GPS \_\_\_\_\_  
LDX \_\_\_\_\_ PAGES 13  
TTY \_\_\_\_\_ CITE \_\_\_\_\_

DTG: 300104 Oct '75

RELEASED BY: JP

TOR: 300148Z Oct 75

SPECIAL INSTRUCTIONS:

TO L.A.

75 OCT 29 PM 9:01

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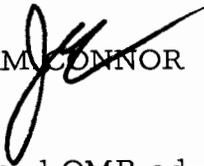
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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

MEMORANDUM: THE PRESIDENT  
FROM: JAMES T. LYNN  
SUBJECT: Transmittal Message for Foreign Aid Budget

Attached is the transmittal message for your Foreign aid budget amendments. The draft message was prepared by State and has been reviewed by Paul Theis and NSC staff.

I recommend that you approve the message tonight. Ron Nessen recommends that the full package of budget amendments, legislative changes, and transmittal message be transmitted tomorrow morning.

MESSAGE

from

THE PRESIDENT OF THE UNITED STATES

TO THE CONGRESS OF THE UNITED STATES:

I sent to the Congress on May 15 draft legislation to authorize foreign assistance programs for fiscal years 1976 and 1977, and for the transition period July 1, 1976, through September 30, 1976. At that time, because of uncertainties caused by changing events, particularly in the Middle East and Indochina, I was unable to propose specific amounts for security assistance programs. I said I would return to the Congress with specific proposals for these programs as soon as possible.

The review of security assistance programs now has been completed and my revisions to the draft legislation are being transmitted today. My initial legislative proposal was printed in the House of Representatives as House Document No. 94-158 and was introduced in the Senate as S. 1816. The revisions transmitted with this message will supersede sections 10, 11, 12, 15, 16, 17 and 18 of that proposal.

The world is different and far more complex than the world we knew in the 1950's. So are the problems confronting it. However, the United States Government still has a

primary responsibility to take the lead in creating conditions which will insure justice, international cooperation and enduring peace. The program of security assistance I am transmitting today will contribute significantly toward meeting this responsibility.

Peace in the Middle East

Nothing so underscores how essential the American peacekeeping role is than our current efforts in the Middle East. Since the October 1973 War, our Middle East policy has been based on the following three principles.

- First, a firm resolution to work for a just and lasting settlement of the Arab-Israeli conflict taking into account the legitimate interests of all states and peoples in the area, including the Palestinians.
- Second, a commitment to the improvement of our relations with all the states of the Middle East on a bilateral basis, maintaining our support for Israel's security while strengthening our relations with the Arab countries.
- Third, continued dedication to avoiding great power confrontation in the Middle East.

The October 1973 War was the fourth, and most devastating, round of hostilities between Arab and Israeli forces. Moreover, the impact of this last collision between opposing forces was not confined to the Middle East. The spectre of armed confrontation between the United States and the Soviet Union hung over the crisis. Disruption of the economies of Western Europe, Japan and other nations was an important byproduct of the conflict. In addition, the likelihood existed that the period immediately after October 1973 would merely represent a pause between the fourth and fifth rounds of conflict.

The quest for peace in the area was of the highest priority. Our most immediate objective was to encourage the disengagement of the contending military forces. Disengagement was accomplished in 1974. This year, we dedicated ourselves to the goal of withdrawal in the Sinai -- and an agreement was negotiated as a result of the efforts of Secretary of State Kissinger. We believe that the step-by-step approach to negotiations offers the best prospects for establishing an enduring peace in the region. We expect to proceed on an incremental basis to the next stage of negotiation within the near future.

I believe the hope for a lasting solution to the Arab-Israeli dispute is stronger today than at any time in the

previous quarter century. A new era also is opening in our relations with Arabs and Israelis. This security assistance program will give substance to these new relationships and help preserve the momentum toward peace.

My proposals have three basic purposes:

- First, to provide Israel with the assistance needed to maintain security and to persevere in the negotiating process.
- Second, to give tangible expression to our new and fruitful relations with the Arab nations most directly involved and to encourage those which are seriously prepared to work for peace.
- Third, to encourage the peaceful development of the area, thereby reducing the incentives to violence and conflict.

The Security Assistance Program I am transmitting to Congress is heavily weighted with requirements to sustain the peace in the Middle East. Fully 70 percent of the program for fiscal year 1976 is to be concentrated in this region.

It proposes:

- For Israel, \$740 million in security supporting assistance and \$1,500 million in military credits. Israel's ability to defend herself and to relieve some of the burdens of her defense reduces the prospect of new conflict in the Middle East.

- For Egypt, \$750 million in supporting assistance. Egypt has made the bold decision to move from confrontation to negotiation as a means of resolving the Arab-Israeli dispute. Its leaders also must cope with serious economic problems whose resolution the United States is in a position to assist.
- For Jordan, \$100 million in military assistance grants, \$78 million in security supporting assistance, and \$75 million in military credit sales. This assistance will strengthen Jordan's ability to hold to the course of moderation it has consistently followed.
- For Syria, \$90 million in security supporting assistance. This assistance will enable our development cooperation with Syria to go forward, furthering our efforts to re-establish more normal bilateral relations.
- In addition, I am recommending a Special Requirements Fund this fiscal year of \$50 million. The fund is to be used to reinforce the peace process in the area and, in particular, to defray the costs of stationing American civilian technicians in the Sinai area.

All of this aid will contribute to the confidence that Middle Eastern nations must have in the United States if we are to maintain our momentum toward peace.

#### East Asia

The collapse of friendly governments in Indochina has necessitated a thorough review of the situation and of our policies and objectives throughout East Asia. The program I am proposing therefore recognizes the new realities as well as our enduring responsibilities as a leading participant in the affairs of the Asia Pacific region. For the first time, military sales credits exceed grants in our proposals for security assistance to Asian countries. These proposals include Foreign Military Sales credits in the amount of \$80 million for the Republic of China, \$126 million for Korea, and \$37 million for Thailand, with smaller but no less significant amounts for Indonesia, Malaysia, and the Philippines. Grant assistance programs include \$19 million for Indonesia, \$74 million for Korea, \$20 million for the Philippines, and \$28 million for Thailand. This funding pattern reflects the improved economic circumstances of several of our allies, their decreasing dependence on grant aid, and a greater ability to pay for defense purchases on a deferred basis.

Europe

The program that I am proposing for Europe is focussed primarily on two countries with whom the United States shares extraordinary mutual defense interests: Greece and Turkey. For Greece, I am proposing more than \$50 million in MAP and \$110 million in FMS credits. Over the same period, Turkey would receive \$75 million in MAP and \$130 million in FMS credits. These amounts take into consideration urgent needs for defense articles and services on the part of these two important NATO allies. Implementation of the respective programs would allow the United States to resume its traditional cooperative role following the unfortunate disruptions occasioned by the Cyprus crisis. In this traditional role, the United States can work more effectively to alleviate regional tensions and rectify recent misunderstandings which have had an adverse impact on the interests of all our European allies.

Africa and Latin America

In these two geographic areas where there were widespread special development problems, I am proposing security assistance programs with emphasis on training as a common denominator. While the training programs are not individually costly, the fact that they are distributed among many countries should contribute to the strengthening of our regional relations well beyond the military sector. The only significant MAP proposal

in either area involves a \$12 million program for Ethiopia, where we have been committed to an armed forces modernization program of reasonable dimensions. No other grant aid funds are envisioned elsewhere in Africa. MAP proposals throughout Latin America are confined to small sums, mainly for vehicles, communications equipment and spare parts. FMS credits for Latin America are proposed in amounts commensurate with the relative sizes of the recipients' armed forces, their repayment ability and overall development needs. In Africa, the only significant FMS credit proposals are \$10 million for Ethiopia and \$19 million for Zaire.

Security Supporting Assistance

Aside from the special programs for the Middle East states which I have described previously, my proposals for security supporting assistance include \$35 million for Cyprus, including \$10 million for the United Nations Forces there, \$55 million for Portugal, \$65 million for Greece, and \$23 million for Zaire. Other small programs and administrative expenses will total \$33 million. In all instances, these programs reflect enlightened self-interest for the United States and a carefully documented need.

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The White House,

October , 1975.