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THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

April 8, 1976

MR PRESIDENT:

Possible Compromise on the
1976 Security Assistance Legislation

The attached memorandum was reviewed by Jack Marsh. He commented as follows:

"I do not approve of this approach."

Max Friedersdorf agreed with his comment.

Jim Lynn plans to discuss this with you later today.

Brent Scowcroft concurs in Jim Lynn's memorandum.

Jim Connor

~~CONFIDENTIAL~~

SENSITIVE



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

THE PRESIDENT HAS REVIEWED

April 8, 1976

DECISION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Possible Compromise on the 1976
Security Assistance Legislation

I believe we should maintain the current Administration position on additional security assistance in the transition quarter for the Middle East. If, however, you reach a point where you believe a compromise is necessary, there are two options you might consider:

- Option #1. Restore the cuts (\$135 million) in your 1976 budget request and indicate your willingness to consider increases to the 1977 budget if required at that time (TAB A).
- Option #2 Restore the \$135 million in 1976 cuts and add an arbitrary additional amount (\$100 million). These increases would be subtracted from the proposed Senate increase for the Middle East for the transition quarter of \$776 million, leaving a net increase of \$541 million. The \$541 million left in the TQ would then be subtracted from the Administration's 1977 budget request through a downward amendment (TAB B). A variant would be to reduce the \$541 million in the TQ to some lower amount, say, \$200 million, but with the same subtraction principle for 1977.

If either compromise were adopted, it should not be a Presidential proposal. It should come from the Hill.

At TAB C is a table comparing the options with the Conference's position. Similar figures for the Option #2 variant could be prepared if you need them.

DECLASSIFIED
E.O. 12958 Sec. 3.6

MR 92-69, #14; NSC Letter 3/4/98

~~CONFIDENTIAL~~

SENSITIVE

By Wt NARA, Date 4/13/98

Under both options there would be no increase in your budget request over the combined 1976, TQ, and 1977 period. Under the first option, the Israelis would not have the opportunity to get additional aid in 1976 or the TQ. Under the second option, the Israelis would get a substantial increase in 1976 and the TQ, and would be in a good position to seek restoration of the reductions in 1977.

Under both options, we could also seek restoration of other reductions in development assistance (such as the cut in the Fourth IDA replenishment). The possible increases would be limited to the areas at issue before the Conference.

Option #1 would minimize the upward pressures on the budget and delay increases in aid until 1977 at which time Israel might have a more convincing case for additional aid. This option will not be particularly attractive to the Israelis, because it would increase their aid by only \$55 million (compared to \$70 million for the Arab countries).

Option #2 would be more attractive to the Israelis, because it would increase 1976 and TQ funding for them by \$495 million or, under the variant example, by \$154 million. The higher 1976 and TQ aid levels would almost certainly generate a shortfall in 1977, because the Israelis would use the additional 1976 and TQ funds to increase imports and they would also have a smaller amount of aid to cover these imports in 1977. Thus, the second option would result in substantial pressures for a subsequent large 1977 budget increase (following the downward amendment) as well as raise the 1976 and TQ totals by \$650 million or, under the variant example, by \$309 million.

Attachments

Leanne B

OPTION #1

First, add \$135 million to the House appropriation figure for the transition quarter. This would restore the reductions made by the House in the President's budget requests for the Middle East for 1976 and the transition quarter.

Second, rather than adding any more to the 1976 or the TQ, the Administration would work with Congress to review the 1977 requirements where there is greater uncertainty.

The rationale for this approach is that Israel will have a surplus at the end of the TQ even without additional aid but might conceivably have a deficit at the end of 1977. If we provide a higher level of aid in 1976 and the TQ, Israel will increase its imports, thereby using up the aid. It will then have a higher import level in 1977 and the prophecy of a shortfall in that year will become self-fulfilling. By limiting the level of aid availability to Israel in 1976 and the TQ, the need for additional funding in 1977 will be reduced.

TAB B

OPTION #2

First, restore in 1976 the \$135 million cut by both Houses from the President's request for security assistance for the Middle East for that year. In addition, add \$100 million to the original 1976 President's Budget request as a concession to those seeking higher aid levels for Israel.

Next reduce the \$776 million in the Senate transition quarter appropriation for the Middle East by the \$235 million added to 1976. This would leave \$541 million in the transition quarter. Under a variant, the \$541 million could also be reduced -- for example, to \$200 million.

Finally, reduce the President's 1977 request by \$541 million (or the variant amount), the amount which was added to the transition quarter.

This approach would please Israel by front-end loading its aid receipts (and increasing the likelihood of additional 1977 upward amendments). It would almost certainly result in a larger budget for the full 1976-1977 period for the Middle East.

TAB C

CHANGES FROM PRESIDENT'S BUDGET

(Programs in \$ Millions)

	Conferees' Position				Option #1				Option #2			
	<u>1976</u>	<u>TQ</u>	<u>1977</u>	<u>Total</u>	<u>1976</u>	<u>TQ</u>	<u>1977</u>	<u>Total</u>	<u>1976</u>	<u>TQ</u>	<u>1977</u>	<u>Total</u>
1. <u>Middle East</u>												
<u>Israel</u>	-55.0	+550.0	-	+495.0	-55.0	+55.0	-	-	+69.4	+425.6	-495.0	-
FMS	-	+375.0a/	-	+375.0	-	-	-	-	+46.2	+328.8	-375.0	-
SA	-55.0	+175.0a/	-	+120.0	-55.0	+55.0	-	-	+23.2	+96.8	-120.0	-
<u>Egypt</u>												
SA	-55.0	+173.8a/	-	+118.8	-55.0	+55.0	-	-	+23.1	+95.7	-118.8	-
<u>Jordan</u>												
FMS	-5.0	+31.9	-	+26.9	-5.0	+5.0	-	-	+4.7	+22.0	-26.9	-
MAP	-	+13.8a/	-	-	-	-	-	-	+2.3	+11.5	-13.8	-
SA	-5.0	+18.1a/	-	+13.1	-5.0	+5.0	-	-	+2.4	+10.7	-13.1	-
<u>Syria</u>												
SA	-10.0	+20.0a/	-	+10.0	-10.0	+10.0	-	-	+2.8	+7.2	-10.0	-
2. <u>All other</u>	-170.3	+129.4	-	-49.9	-179.3	-5.2	-	-184.5	-169.5	-15.0	-	-184.5
FMS	-	-149.4a/	-	+149.4	-	-	-	-	-	-	-	-
MAP	-169.5	-15.0	-	-184.5	-169.5	-15.0	-	-184.5	-169.5	-15.0	-	-184.5
SA	-9.8	-5.0a/	-	-14.8	-9.8	+9.8	-	-	-	-	-	-
<u>TOTAL</u>	-304.3	+905.1	-	+600.8	-304.3	+119.8	-	-184.5	-69.5	+535.7	-650.7	-184.5
FMS	-	+538.2a/	-	+538.2	-	-	-	-	+48.5	+340.3	-388.8	-
MAP	-169.5	-15.0	-	-184.5	-169.5	-15.0	-	-184.5	-169.5	-15.0	-	-184.5
SA	-134.8	+381.9a/	-	+247.1	-134.8	+134.8	-	-	+51.5	+210.4	-261.9	-

a/ Senate levels

SECURITY ASSISTANCE PROGRAMS

(\$ in Millions)

	President's Budget Amended				Conferees' Position			
	<u>1976</u>	<u>TQ</u>	<u>1977</u>	<u>Total</u>	<u>1976</u>	<u>TQ</u>	<u>1977 a/</u>	<u>Total</u>
1. <u>Middle East</u>								
<u>Israel</u>	2,255.0	-	1,785.0	4,040.0	2,200.0	550.0	1,785.0	4,535.0
FMS	1,500.0	-	1,000.0	2,500.0	1,500.0	375.0 _{b/}	1,000.0	2,875.0
SA	755.0	-	785.0	1,540.0	700.0	175.0 _{b/}	785.0	1,660.0
<u>Egypt</u>								
SA	750.0	-	750.0	1,500.0	695.0	173.8	750.0	1,618.8
<u>Jordan</u>	252.5	-	222.5	475.0	247.5	31.9	222.5	501.9
FMS	75.0	-	75.0	150.0	75.0	13.8 _{b/}	75.0	163.8
MAP	100.0	-	70.0	170.0	100.0	-	70.0	170.0
SA	77.5	-	77.5	155.0	72.5	18.1 _{b/}	77.5	168.1
<u>Syria</u>								
SA	90.0	-	90.0	180.0	80.0	20.0 _{b/}	90.0	190.0
2. <u>All Other</u>	1,284.9	127.4	1,304.8	2,717.1	1,105.6	256.8	1,304.8	2,667.2
FMS	799.7	55.5	984.6	1,839.8	799.7	204.9 _{b/}	984.6	1,989.2
MAP	322.8	42.2	235.7	600.7	153.3	27.2	235.7	416.2
SA	162.4	29.7	84.5	276.6	152.6	24.7 _{b/}	84.5	261.8
<u>TOTAL</u>	4,632.4	127.4	4,152.3	8,912.1	4,328.1	1,032.5	4,152.3	9,512.9
FMS	2,374.7	55.5	2,059.6	4,489.8	2,374.7	593.7 _{b/}	2,059.6	5,028.0
MAP	422.8	42.2	305.7	770.7	253.3	27.2	305.7	586.2
SA	1,834.9	29.7	1,787.0	3,651.6	1,700.1	411.6 _{b/}	1,787.0	3,898.7

a/ Congressional position is assumed at the Administration budget request level for purpose of comparison.

b/ Senate Foreign Relations Committee level.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 8, 1976

Time:

FOR ACTION:

cc (for information):

Jack Marsh - EYES ONLY

FROM THE STAFF SECRETARY

DUE: Date: Immediate Turnaround

Time:

SUBJECT:

Lynn memo 4/8/76 re Possible Compromise on the 1976 Security Assistance Legislation

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

X

For Your Comments

Draft Remarks

REMARKS:

The attached memorandum has to go into the President prior to Jim Lynn's meeting with the President later today (5:45) Brent Scowcroft concurs in the memorandum -- We would like your comments before we send it forward.

I do not approve of this approach.
Jim

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President