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BACKGROUND

You submitted your FY 1976 Security Assistance Program to Congress on October 30. The overall program levels were as follows:

MAP Material	422.8
MAP Training	30.0
FMS	2374.7
Supporting Assistance	<u>1867.6</u>
Total	4695.1

This total is slightly below the total program figure included in your January budget (\$4.7 billion), but it is significantly higher than the \$2.2 billion program of FY 1975. In addition, the composition of the assistance program has changed significantly. Assistance to Indochina, a major factor in past years, is no longer included. Assistance to the Middle East, on the other hand, has grown significantly and now constitutes about 70% of the entire program.

Moreover, the FMS credit sales and Security Supporting Assistance accounts together make up a greater portion of the total budget figure (up from 75% in '75 to 90% in '76); the MAP grant program a correspondingly smaller portion (down from 25% in '75 to 10% in '76).

The major elements of your Security Assistance proposal include:

- Middle East: \$3.4 billion of which:
 - \$1.5 billion FMS and \$740 million supporting assistance for Israel (with a provision that \$750 million of Israel's FMS indebtedness will be forgiven)
 - \$750 million supporting assistance for Egypt
 - \$100 million MAP, \$75 million FMS, and \$77.5 million supporting assistance for Jordan
 - Syria: \$90 million supporting assistance
- Turkey: \$75 million MAP, \$130 million FMS
- Greece: \$50 million MAP, \$110 million FMS

- Portugal: \$65 million supporting assistance
- Korea: \$74 million MAP, \$126 million FMS
- Thailand: \$28.3 MAP, \$36.7 FMS
- Philippines: \$19.6 MAP, \$17.4 FMS
- Zaire: \$19 million FMS

Initial reaction in Congress to the overall size of the program has been negative. We can expect strong criticism of the proposal to "double" foreign assistance spending at a time of fiscal austerity; deceptive but persuasive comparisons will doubtless be made between generous foreign aid levels and the Administration's unwillingness to aid New York in avoiding default; pressures to reduce program levels, especially MAP grant levels, will be heavy. Our response should be that in setting foreign assistance levels we have been mindful of the need to restrain spending, but also of our worldwide responsibilities and the legitimate security needs of our friends and allies in the light of the far-reaching events of the last year. Substantial Congressional reductions in the program would hamper seriously our ability to work for peace in areas of potential conflict, particularly the Middle East and the Aegean.

LIMITATIONS ON EXECUTIVE ACTION

Congress has taken several steps in recent years to limit Executive discretion in the allocation of security assistance funds and the administration of the MAP and FMS programs. The major limitations placed on Executive action by the Congress include:

- Section 36b of the Foreign Military Sales Act of 1973 requires that the Congress be notified of the intention to transmit a Letter of Offer for any FMS sale over \$25 million. Congress then has twenty calendar days to prohibit the sale by concurrent resolution
- Section 502b of the Foreign Assistance Act expresses the sense of Congress that security assistance should be reduced or terminated to any government which engages in a "consistent pattern of gross violations of human rights.."
- Section 17 of the FAA of 1974 expresses the sense of Congress that the MAP program be "reduced and terminated as rapidly

Security Assistance Legislation
Reservations

The security assistance bill for FY 1976 reported out by the Senate Foreign Relations Committee includes several provisions which, if enacted, impact adversely on constitutional precepts concerning the separation of powers and/or would be harmful to our foreign policy. The significant objectionable provisions of the bill are described below:

(1) Legislative Veto of Proposed Arms Transfers.

The bill retains the requirement of existing law for reports to Congress, and possible Congressional disapproval by concurrent resolution, of proposed sales under the Foreign Military Sales Act of \$25 million or more. Further, it extends this requirement to sales of major defense equipment irrespective of amount and also imposes identical restrictions on the issuance of export licenses for commercial sales of military items.

This provision adds a new element of uncertainty to decisions on military supply relationships and erodes the separation of powers concept that execution of the law is properly a function of the Executive Branch.

(2) Discrimination.

The bill requires termination of any grant military assistance transaction, FMS sale, or commercial export license with respect to which a U.S. person (natural or corporate) is prevented from participating by a foreign government on grounds of race, religion, sex or national origin. Before termination would be required, the Executive Branch would have an opportunity under this provision to try to resolve the matter through diplomatic channels.

(3) Turkey.

The bill will permit the resumption of FMS cash sales to Turkey, which have been prohibited since last February. However, military grants and credits for Turkey would remain suspended pending a Cyprus settlement. Moreover, the embargo on FMS cash sales would be reimposed on July 1.

The Turks will resent the continued denial of FMS credit while credit is being extended to Greece and the imposition of a new deadline. This will certainly not contribute to a settlement on Cyprus, and could further attenuate our defense cooperation relationship with Turkey.

(4) MAP and MAAG Phaseout.

The bill prohibits grant military assistance (other than training) or the continuation of military assistance advisory groups after FY 1977 "unless specifically authorized by Congress." This would establish a presumption against such programs, although the exception for specifically authorized programs appears adequate to accommodate special situations such as countries where assistance is furnished in exchange for U.S. base rights.

(5) Human Rights.

The bill would require a human rights report for each country in the annual Congressional Presentation Document, beginning with FY 1977. A more detailed statement for any particular country would be required upon the request of either House. Congress, after assessing such statement, could terminate or restrict assistance and/or sales to the country concerned.

(6) Angola.

The bill would require an immediate suspension of all forms of assistance to or for Angola, but would allow such assistance to be resumed after thirty days while Congress is in session following the submission of a public report to Congress describing and justifying

such assistance. However, Congress can veto the proposed assistance by vote of either House.

Contact -
Ed Sanders
10-30-75 X 4770

FACT SHEET

1976 Foreign Assistance Budget Amendments

The President transmitted budget amendments today to provide funds for the Middle East and other security assistance programs and to formally withdraw the request for funds which are no longer needed for Indochina.

Economic sup (Appropriation Request in \$ Millions)
Assistance

	<u>Amounts in 1976 Budget</u>	<u>Revised Request</u>	<u>Resulting Amendments</u>
Indochina	2,715	-0---	-2,715
Middle East <u>a/</u>	875	2,416	+1,541
Other security assistance	892	1,082	+ 190
Other assistance	*	*	<u>+ 11</u>
Total			- 973

a/ Includes funds for Israel, Egypt, Syria, Jordan and the Middle East Special Requirements Fund

* Amendments only are shown in development accounts

The amendments for the Middle East and other programs are estimated to increase budget outlays by \$480 million in 1976. The budget outlays associated with the Indochina programs will be reduced by \$1,624 million from the level originally estimated in the 1976 budget.

The major components of the resulting 1976 security assistance programs are:

(\$ in millions)

	<u>Program</u>	<u>BA</u>	<u>Outlays</u>
Military assistance			
MAP	423	394 ^{a/}	800
FMS	2,375	840	312
Training	30	30	17
Economic supporting assistance	1,868	1,858	1,035
Mid-East Special Requirements Fund	<u>50</u>	<u>50</u>	<u>24</u>
TOTAL	4,746	3,172	2,188

^{a/} Excludes \$324 million appropriation to liquidate contract authority for MAP drawdown payback.

THE WHITE HOUSE

WASHINGTON

October 30, 1975

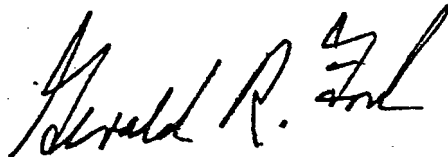
The Speaker of the
House of Representatives

Sir:

I ask the Congress to consider decreases to the request for appropriations transmitted in the budget for fiscal year 1976 in the amount of \$972,387,000 for the fiscal year 1976 and in the amount of \$790,300,000 for the transition quarter for foreign economic and military assistance. The decreases result from the withdrawal of funding requests for Indochina of \$2,715 million for fiscal year 1976 which are largely offset by increased requests for the Middle East and other programs of \$1,743 million.

The details of these proposals are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

A handwritten signature in black ink, appearing to read "Gerald R. Ford". The signature is written in a cursive style with a large, sweeping "F" and "D".

Enclosure



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

October 30, 1975

The President

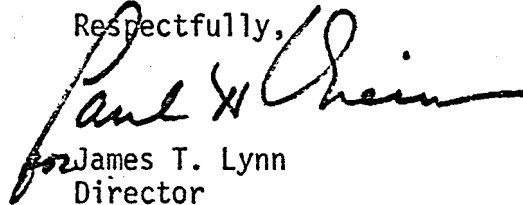
The White House

Sir:

I have the honor to submit for your consideration amendments to the requests for appropriations transmitted in the budget for the fiscal year 1976, involving decreases totalling \$972,387,000 for the fiscal year 1976 and decreases totalling \$790,300,000 for the transition quarter for foreign economic and military assistance. The details of these proposals are contained in the enclosure to this letter.

I have carefully reviewed the proposals for appropriations contained in this document and am satisfied that these requests are necessary at this time. I recommend, therefore, that these proposals be transmitted to the Congress.

Respectfully,



for James T. Lynn
Director

Enclosure

FUNDS APPROPRIATED TO THE PRESIDENT

Foreign Assistance

International Security Assistance

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
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84	Military assistance	\$1,040,000,000	\$-321,587,000	\$718,413,000
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(In the first paragraph under the above heading delete "\$1,040,000,000:" and insert the following:)

\$394,500,000; and, for liquidation of obligations incurred pursuant to the authority of section 506 of the Foreign Assistance Act of 1961, as amended, \$323,913,000:

(At the end of the first paragraph under the above heading, change the period to a colon and add the following:)

Provided further, that the authority of Section 506(a) of the Foreign Assistance Act of 1961, as amended, is effective for the fiscal year 1976 only to the extent of \$150,000,000.

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
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84	Military assistance	115,000,000	-87,800,000	27,200,000
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(Delete the second paragraph under this heading and insert in lieu thereof the following:)

For "military assistance" for necessary expenses to carry out the provisions of section 503 of the Foreign Assistance Act of 1961, as amended, for the period July 1, 1976, through September 30, 1976, \$27,200,000. (Additional authorization legislation to be proposed for fiscal year 1976 and for the period July 1, 1976, through September 30, 1976.)

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
86	Military assistance, South Vietnamese forces	355,000,000	-355,000,000	---

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
86	Foreign military credit sales	560,000,000	280,000,000	840,000,000

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
86	Security supporting assistance	580,400,000	1,277,900,000	1,858,300,000

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
86	Security supporting assistance	146,400,000	-116,200,000	30,200,000

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
89	Indochina postwar reconstruction assistance	952,000,000	-952,000,000	---

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
89	Indochina postwar reconstruction assistance	241,300,000	-241,300,000	---

These proposed amendments delete requested funds for Indochina and certain other nations and request funds for grant military assistance programs to the Middle East and additional amounts for certain other nations.

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
92	International organizations and programs	213,500,000	16,000,000	229,500,000

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
92	International organizations and programs	20,000,000	3,700,000	23,700,000

These amendments provide funds for the U.S. contribution to the Organization of American States and the Indus Basin Development Fund.

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
92	Functional development assistance program	1,011,700,000	-4,700,000	1,007,000,000

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
92	Functional development assistance program	290,000,000	-3,700,000	286,300,000

These proposed amendments would provide a net decrease of \$8.4 million, covering a program increase for Indonesia, a decrease for Zaire, and a decrease to offset the increases for the Indus Basin Development Fund.

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
107	Middle East special requirements fund	25,000,000	25,000,000	50,000,000

Budget Appendix Page	Heading	Transition Quarter Request Pending	Transition Quarter Proposed Amendment	Transition Quarter Revised Request
107	Middle East special requirements fund	---	10,000,000	10,000,000

(Add the following paragraph after the first paragraph under this heading:)

For "Middle East special requirements fund" for the period July 1, 1976, through September 30, 1975, \$10,000,000 to remain available until expended.

These proposed amendments would provide additional funds to meet needs in the Middle East.

DEPARTMENT OF DEFENSE - MILITARY
Military Assistance, South Vietnamese Forces

Budget Appendix Page	Heading	1976 Request Pending	1976 Proposed Amendment	1976 Revised Request
324	Military assistance, South Vietnamese forces	1,293,000,000	-1,293,000,000	---

This proposed amendment withdraws a request for appropriations to aid South Vietnamese forces.

SECTION-BY-SECTION ANALYSIS
OF REVISIONS TO
PRESIDENT'S LEGISLATIVE PROPOSAL OF MAY 15, 1975

I. INTRODUCTION

The draft legislation transmitted to Congress on May 15 (hereinafter referred to as "the Bill") was accompanied by a section-by-section analysis of its provisions. The provisions of the Bill consisted primarily of amendments to the Foreign Assistance Act of 1961, as amended (hereinafter referred to as "the Act"), and the Foreign Military Sales Act (hereinafter referred to as "the FMSA"). Most of the changes made in the current revisions of sections 10, 11, 12, 15, 16, 17 and 18 of the Bill involve the substitution of specific amounts for authorizations of "such amounts as may be necessary" for security assistance programs. However, a few substantive revisions are also included. The changes to the Bill are described below.

II. PROVISIONS OF THE BILL

Section 10. Military Assistance.

This section, consisting of three paragraphs, amends chapter 2 of part II of the Act, which contains authority for military assistance.

(1) This paragraph amends section 504(a) to authorize appropriations for military assistance of \$394,500,000 for fiscal year 1976 and such amounts as may be necessary for fiscal year 1977. These authorizations do not include military education and training, which is provided for in a new chapter established by section 12 of the Bill.

(2) This paragraph extends for fiscal years 1976 and 1977 the President's special authority under section 506 (a) of the Act to draw down Department of Defense stocks and defense services to meet unforeseen emergency needs for military assistance. Section 401 of the Congressional Budget Act of 1974 provides that proposed legislation to authorize new spending authority shall not be in order after the adjournment of the first session of the 94th Congress, unless such proposed legislation also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts. Consequently, section 506(a) of the Act is also amended to make its provisions effective for any fiscal year only to the extent so provided in appropriations Acts. The Executive Branch will propose that the paragraph in the fiscal year 1976 Foreign Assistance and Related

Programs Appropriation Act which appropriates funds for military assistance contain a proviso confirming that the authority of section 506(a) of the Act "is effective for the fiscal year 1976 only to the extent of \$150,000,000." Any use of such authority will continue to require a Presidential determination that it is in the security interests of the United States. This authority is not to be used routinely to supplement MAP funds, but is necessary to meet unforeseen, emergency requirements for military assistance which might arise in the course of the specified fiscal year.

(3) This paragraph, which amends the funding restrictions contained in section 514 of the Act, is unchanged from the Bill transmitted on May 15.

Section 11. Security Supporting Assistance.

This section amends section 532 of the Act, which authorizes assistance to friendly countries and organizations to support or promote economic or political stability. The amendment authorizes the appropriation for these purposes of \$1,858,300,000 for fiscal year 1976 and such amounts as may be necessary for fiscal year 1977.

Section 12. International Military Education and Training.

This section, which adds a new chapter 5 to part II of the Act and makes conforming amendments, is unchanged from the Bill transmitted on May 15, except with respect to the amount of authorization. As revised, section 543 of the Act authorizes the appropriation of \$30,000,000 for fiscal year 1976 and such amounts as may be necessary for fiscal year 1977 to carry out the purposes of the new chapter.

Section 15. Indochina Assistance.

Subsection (a) of this section, which repeals part V of the Act and sections 34 through 40 of the Foreign Assistance Act of 1974 relating to Indochina assistance, is unchanged from the Bill transmitted on May 15. The current revision adds subsections (b) and (c) to this section.

Subsection (b) authorizes, but does not require, the President to adopt and assume the liabilities of the South Vietnamese, Cambodian or Laotian Governments under any contract of such government which was financed or approved for financing by the Agency for International Development before the end of fiscal year 1975. This will permit the Agency for International Development to provide compensation to contractors who have rendered

performance or incurred costs in carrying out AID projects financed under the Act or the Foreign Assistance Act of 1974, but have not been paid because of the termination of assistance programs in Indochina.

Subsection (c) authorizes funds appropriated for economic assistance in Indochina to remain available for purposes of subsection (b) and meeting other costs arising from the termination of the programs for which the funds were appropriated. This subsection does not authorize the appropriation of any additional funds for these purposes.

Section 16. Middle East Special Requirements Fund.

This section, consisting of two paragraphs, amends section 903 of the Act as follows:

(1) This paragraph authorizes the appropriation for the Middle East Special Requirements Fund of \$50,000,000 and such amounts as may be necessary for fiscal year 1977.

(2) This paragraph repeals section 903(c) of the Act, which earmarked \$6,000,000 of the Special Requirements Fund as a contribution to the United Nations Relief and Works Agency in fiscal year 1975. This provision of law has been fully executed and is no longer necessary. In its place, this paragraph specifically

authorizes use of the Special Requirements Fund for assistance to Egypt and Israel in carrying out activities under the Sinai Agreement, and makes the Fund available for paying the costs of implementing the United States Proposal for the Early Warning System in Sinai. Normally, intended uses of the Special Requirements Fund cannot be identified with sufficient particularity to enable detailed justification in the authorization and appropriation process. In lieu of such justification, section 903(b) requires proposed obligations from the Fund to be reported to Congress in advance, and permits Congress to disapprove proposed obligations by concurrent resolution. In the case of the Sinai Agreement and related U.S. Proposal, Executive Branch plans have been developed to a degree that will permit justification of the proposed obligations prior to the enactment of authorizing legislation and appropriations. Accordingly, the new section 903(c) exempts obligations which have been so justified from the duplicative justification procedures of section 903(b).

Section 17. Foreign Military Sales.

This section, consisting of three paragraphs, amends the Foreign Military Sales Act as follows:

(1) This paragraph amends section 31(a) of the Foreign Military Sales Act to authorize the appropriation of \$840,000,000 for fiscal year 1976 and such amounts as may be necessary for fiscal year 1977 to carry out a program of credits and guaranties.

(2) This paragraph amends section 31(b) of the Foreign Military Sales Act to establish an aggregate ceiling of \$2,374,700,000 on credits and the principal amount of guaranteed loans for fiscal year 1976.

(3) This paragraph amends section 31 of the Foreign Military Sales Act by adding a new subsection (c) which authorizes favorable terms and conditions with respect to credits for Israel. The new section 31(c) exempts fiscal year 1976 credits for Israel from the limitations on interest rates and duration contained in section 23 of the Foreign Military Sales Act and authorizes the President to relieve Israel from up to one-third of its liability to repay the United States with respect to such credits.

(4) This paragraph repeals section 33 of the Foreign Military Sales Act, the annual ceiling on military assistance, credits and guaranties to African countries. This paragraph is unchanged from the Bill transmitted on May 15.

Section 18. Transition Amendments.

This section responds to requirements created by the enactment of the Congressional Budget Act of 1974 (P.L. 93-344), which changes the commencement of the fiscal year from July 1 to October 1 beginning with fiscal year 1977. This section authorizes the appropriation of such sums as may be necessary to carry out during the transition period, July 1, 1976 through September 30, 1976, the programs and activities for which other provisions of the Bill authorize funding for fiscal year 1976. Under the Congressional Budget Act the transition period is neither a fiscal year nor a fraction of a fiscal year.

This section is unchanged from section 18(a) of the Bill transmitted on May 15. The May 15 proposal had included a section 18(b) modifying the President's special authority under section 506 of the Act in light of the requirements of section 401 of the Congressional Budget Act. This subsection has been deleted in the current revision because the necessary modification has been included in section 10(2) of the revised Bill.

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

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.

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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.

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- 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.

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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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Development Assistance

I am also pleased to note the progress made by the Congress on H.R. 9005, the International Development and Food Assistance Act of 1975, which authorizes funds for our development and disaster assistance programs. Although we have minor differences with the Congress on the formulation of this legislation, I expect these to be resolved in the legislative process. The 244-155 vote in the House clearly indicates that the Congress and the Executive Branch jointly endorse the current reorientation of our bilateral development assistance program focusing on basic human problems in the poor countries.

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.

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