

The original documents are located in Box C30, folder “Presidential Handwriting, 11/7/1975 (1)” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

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~~ ^{17.4} 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
WASHINGTONCONFIDENTIAL

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 4-2088

CONFIDENTIAL

- 2 -

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

CONFIDENTIAL

CONFIDENTIAL

- 3 -

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.

[Signature]

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

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

17.4 approved
Change to 17.4
approved

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.

CONFIDENTIAL

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.

CONFIDENTIAL

- 5 -

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.

CONFIDENTIAL

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
\$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



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

MEMORANDUM

THE WHITE HOUSE
WASHINGTONCONFIDENTIAL

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

CONFIDENTIAL

- 2 -

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

CONFIDENTIAL

CONFIDENTIAL

- 3 -

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.

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

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

CONFIDENTIAL

CONFIDENTIAL

- 4 -

I believe you should reaffirm your decision to increase Zaïre 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.

CONFIDENTIAL

CONFIDENTIAL

- 5 -

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 ^{FMS}) _____

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.

CONFIDENTIAL

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.

CONFIDENTIAL

- 7 -

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 _____

CONFIDENTIAL

CONFIDENTIAL

- 8 -

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

CONFIDENTIAL

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	<u>(2,360)</u>	<u>(--)</u>
Revised Budget	4,897	3,804
Change from 1976 Budget	+ 159	- 426
Change from Adjusted Budget	+2,891	+2,293

CONFIDENTIAL - GDS

KR 4-20-58

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 Budget Adjusted	State Request	Increase over 1976 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	25	50	+ 25	+ 25
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 Budget Adjusted	Current State 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 Actual</u>	<u>1976 Budget</u>	<u>1976 State Proposal</u>	<u>Increase over 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>	<u>1977</u>
	<u>Outlay Savings</u>	<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 Rec.
	1976 Budget	Budget Adjusted	State 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.

DECLASSIFIED

OCT 9 11 00 AM '75

CONFIDENTIAL

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.

CONFIDENTIAL

DECLASSIFIED
EO 12812, 12864

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

CONFIDENTIAL

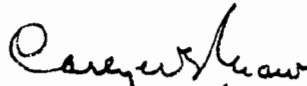
-2-

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

CONFIDENTIAL

CONFIDENTIAL

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)

CONFIDENTIAL

CONFIDENTIAL

SECURITY ASSISTANCE
REVISED PROGRAM LEVELS
(\$ MILLIONS)

October 9, 1975

	FY 1976		
	GRANT MAP	TRAINING	FMS CREDIT
EA	184.2	9.1	258.6
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
NEA	101.7	3.7	1625.0
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 1/		0.8	-
EUR	175.5	4.4	325.0
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 2/	-	0.1	-

CONFIDENTIAL

CONFIDENTIAL

	FY 1976		
	GRANT	TRAINING	FMS
	MAP		CREDIT
AF	16.0	2.6	31.5
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	-
LA	4.6	11.4	180.0
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
GENERAL COSTS	37.1	0.2	-

CONFIDENTIAL

CONFIDENTIAL

	FY 1976		
	GRANT MAP	TRAINING	FMS 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

CONFIDENTIAL

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.

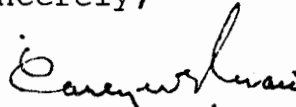
Dear Mr. Lynn:

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

LIMITED OFFICIAL USE

DECLASSIFIED
DATE 10/10/84

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 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

~~CONFIDENTIAL~~

October 14, 1975

SECURITY ASSISTANCE
REVISED PROGRAM LEVELS
(\$ MILLIONS)

TRANSITIONAL QUARTER

	GRANT MAP	TRAINING	FMS 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/	-	*	-

~~CONFIDENTIAL~~

TRANSITIONAL QUARTER

	GRANT MAP	TRAINING	FMS 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	*A/	0.1	-
ECUADOR	-	0.1	2.0
EL SALVADOR	*A/	0.1	-
GUATEMALA	*A/	0.1	-
HAITI	-	*	-
HONDURAS	*A/	0.1	-
MEXICO	-	*	1.0
NICARAGUA	*A/	0.2	-
PANAMA	*A/	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	-
<hr/>			
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.

CONFIDENTIAL
GDS

DECLASSIFIED
E.O. 12958, Sec. 3.4

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

RECEIVED
OCT 17 12 05 PM '75
IMMEDIATE OFFICE
OF THE DIRECTOR
ONR2

356-4

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

(\$ in millions)

	1975 Actual	1976 Budget	1976 State Rec.	1976 OMB 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

CONFIDENTIAL

DECLASSIFIED

EX-100-010-004

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

By KSH NARA, Date 3/19/93

C

MEMORANDUM

THE WHITE HOUSE
WASHINGTONCONFIDENTIAL

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

CONFIDENTIAL

- 2 -

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)

WRA

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)

WRA

CONFIDENTIAL

CONFIDENTIAL

- 3 -

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.

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

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

17.4

ME

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)

15

ME

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.

CONFIDENTIAL

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

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

11/27

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)

11/27

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.

CONFIDENTIAL

- 5 -

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)

MAC

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.

CONFIDENTIAL

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

OMB Option (no MAP for Yemen)

NY-1 - ?

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

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.

more

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.

#



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 me know if the morning
have anything in the morning

6.
8:45

THE WHITE HOUSE
WASHINGTON

October 29, 1975

DEX TO

DICK CHENEY WITH PRESIDENT IN CALIFORNIA

FROM: JIM CONNOR

Scowcroft and OMB advise that this message on Foreign Aid Budget may need to be signed tomorrow and sent to Hill. I will inform you later tonight if that is correct.

If it does need to be signed and sent, can you have last page of message typed there on legal size paper, get it signed by the President and return to us by courier in time for us to get it to the Hill before they close down. We would have rest of message typed here and ready to go as soon as we received last page from courier. Alternatively, would you approve using special sheets of paper for this purpose?

Please advise.

Trudy:
dnl. at 8:00 pm
10/29

For Jim & contractors
(did not send original - model
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

JMM
PRECEDENCE

UNCLAS
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: JIM CONNOR
TO: DICK CHENEY

DEX _____

DAC 009

GPS 1975 OCT 30 01

EDX 01 46

PAGES 1

TTY _____

CITE _____

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

HOUSE
ROBIN

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.

IMM
PRECEDENCE

UNCLAS
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: SIM CONNOR
TO: DICK CHENEY

DEX _____

DAC 008

GPS _____

LDX _____

PAGES 13

TTY _____

CITE _____

INFO:

DTG: 300104 Oct '75

RELEASED BY: JP

TOR: 300148Z Oct 75

SPECIAL INSTRUCTIONS:

TO C.A.

75 OCT 29 PM 9:01

WHITEHOUSE
SECURITY ROOM

1975 OCT 30 01 04

THE WHITE HOUSE

WASHINGTON

October 29, 1975

DEX TO

DICK CHENEY WITH PRESIDENT IN CALIFORNIA

FROM: JIM CONNOR 

Scowcroft and OMB advise that this message on Foreign Aid Budget may need to be signed tomorrow and sent to Hill. I will inform you later tonight if that is correct.

If it does need to be signed and sent, can you have last page of message typed there on legal size paper, get it signed by the President and return to us by courier in time for us to get it to the Hill before they close down. We would have rest of message typed here and ready to go as soon as we received last page from courier. Alternatively, would you approve using special sheets of paper for this purpose?

Please advise.

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.

October 29, 1975

DEX TO

DICK CHENEY WITH PRESIDENT IN CALIFORNIA

FROM: JIM CONNOR

SGowcroft and OMB advise that this message on Foreign Aid Budget may need to be signed tomorrow and sent to Hill. I will inform you later tonight if that is correct.

If it does need to be signed and sent, can you have last page of message typed there on legal size paper, get it signed by the President and return to us by courier in time for us to get it to the Hill before they close down. We would have rest of message typed here and ready to go as soon as we received last page from courier. Alternatively, would you approve using special sheets of paper for this purpose?

Please advise.

Shu E 1-0 d G. 27 ?
u an b 9 1 2 6 0 0
L - 1
L - 2
S + 0 M b p a t a s n -
E. G b a n a b 9
47:9 E 17.



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.

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.

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 Ford

The White House,

October , 1975.