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THE WHITE HOUSE  
WASHINGTON

January 6, 1976

SECRET

MEMORANDUM FOR:

BRENT SCOWCROFT

FROM:

JAMES E. CONNOR *JEC*

SUBJECT:

Security Assistance Decisions for  
Transition Quarter and 1977

The President reviewed your memorandum of January 2 on the above subject and approved the following:

"Increase of the FY 77 supporting assistance for the Middle East by an amount equal to one-quarter the supporting assistance for FY 76."

The following notation was also made:

"Please communicate this immediately to Jim Lynn, Paul O'Neill and Don Ogilvie. Also, I believe we should agree with Secretary of Defense on the Minuteman proposal as an add on."

It is my understanding that this decision has already been transmitted to Jim Lynn.

cc: Dick Cheney  
Jim Lynn

SECRET

DECLASSIFIED

E.O. 12356, Sec. 3.4.

*NR 92-66 #18 NSC Mr. 9/19/95*  
By *KBH* NARA, Date *10/30/95*

THE WHITE HOUSE  
WASHINGTON

Brent

Please communicate

This immediately to Jim L,  
Paul O' & Don O.

Also, I believe we  
should agree with Sec Def.  
on the Munsterman proposal  
as an add-on.


MEMORANDUM

THE WHITE HOUSE

WASHINGTON

SECRET

January 2, 1976

MEMORANDUM FOR: THE PRESIDENT  
FROM: BRENT SCOWCROFT   
SUBJECT: Security Assistance Decisions for Transition  
Quarter and 1977

I have reviewed your tentative decisions on Security Assistance for the Middle East and Latin America with Don Ogilvie, as you suggested.

In view of the fact that the State appeal of your tentative decisions with respect to 1977 was disallowed except for such increases as might represent Transition Quarter funding, I recommend that the calculation of equivalent funds for the Transition Quarter be made from FY 76 rather than FY 77 levels. Calculating from the 1976 base would result in supporting assistance funds for the TQ equivalent of \$185 million for Israel (vice \$150), \$20 million for Jordan (vice \$16), \$178 for Egypt (vice \$137), and \$23 million for Syria (vice \$17).

It is obvious that we are operating in an area of great uncertainty pending Congressional decisions on FY 76 Security Assistance and your decisions on Israeli military equipment. Pending resolution of these uncertainties, I feel that my recommendation better preserves our flexibility than would that represented by the "NSC alternative".

I concur in the increase in Latin American FMS credits by \$10 million, to \$195 million.

RECOMMENDATION:

That you approve increase of the FY 77 supporting assistance for the Middle East by an amount equal to one-quarter the supporting assistance for FY 76.

APPROVE 

DISAPPROVE \_\_\_\_\_

SECRET

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E.O. 12356, Sec. 3.4.

MR 92-66, #19 NSC Ltr. 9/19/95

By KSH NARA, Date 10/30/95



THE WHITE HOUSE  
WASHINGTON

Jim -

The original of this was sent up  
on December 30th but has not come  
back yet. OMB (Jim Jura)  
said they need answer by tomorrow.  
Can you check this out with Dick  
Cheney as to where it might be?

*Lynn has  
answered  
CH*

Trudy  
1/5/76

12-30-75

SECRET

## MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: Security Assistance Decisions for Transition Quarter and 1977

In addition to appealing your decisions on 1977 security assistance levels, the State Department is now requesting an \$313 million budget amendment for the Transition Quarter budget to provide additional security assistance funding for the Middle East at one-fourth the level requested for 1976. Your decision on the Transition Quarter should be made in conjunction with your pending decision on State's appeal of the 1977 Middle East programs and the FMS credit level for Latin America.

Middle East

	1976	(Programs in \$ millions)			1977	
		Transition Quarter	State	NSC	Presidential	State
		Budget	Amendment	Alt.	Decision	Appeal
Israel	2,240	---	564	150	1,600	2,000
(FMS)	(1,500)	---	(375)	---	(1,000)	(1,300)
(Economic)	(740)	---	(189)	(150)	(600)	(650)
Jordan	253	---	38	16	210	250
(IAP)	(100)	---	---	---	(75)	(75)
(FMS)	(75)	---	(19)	---	(70)	(100)
(Economic)	(78)	---	(19)	(16)	(65)	(75)
Egypt	750	---	183	137	550	650
(Economic)						
Syria	90	---	23	17	70	75
(Economic)						
Total a/	3,333	---	813	320	2,430	2,975

DECLASSIFIED

E.O. 12958 Sec. 3.6

SECRET

MR 92-69, #20; NSC 3/4/98 letter

By Lt NARA, Date 4/13/98

Transition Quarter

The basic issue is the level of assistance to Israel. The recommended increases for Jordan, Egypt, and Syria are designed to balance the proposed increases for Israel.

State request. State argues that additional FMS credit is needed in the Transition Quarter to avoid a cash deficit position in 1977 based on purchases already approved and a "conservative" estimate of new purchases. Available Defense Department data do not support this claim; they indicate that, even if the full 1976 MATMON increment were approved, an estimated \$250 million of the \$1.5 billion 1976 FMS program would be carried over into 1977. Adding \$375 million in the Transition Quarter would, therefore, increase the carry-over to \$625 million.

State's argument for Transition Quarter economic aid to Israel is essentially political--that Israel is expecting some additional foreign exchange relief from Transition Quarter funding and would be disappointed not to get it. OMB believes that the \$1.4 billion which you recently approved for economic aid to Israel (\$800 million for FY 1976 and \$600 million in FY 1977) will enable Israeli GNP to grow moderately throughout calendar years 1976 and 1977 and that further economic aid could discourage Israel from undertaking required economic reforms.

The increased amounts for the other countries would not have been requested in the absence of the increased request for Israel.

If approved, the additional Transition Quarter funding would increase Transition Quarter outlays by an estimated \$120 million and 1977 outlays by an estimated \$400 million. This increase would be in addition to a \$200 million increase in 1977 outlays if you approve the State appeal level for the Middle East.

HSC alternative. We understand that HSC will recommend that Israel, Jordan, Egypt, and Syria each receive one-quarter of the economic supporting assistance level which you approved for 1977. No FMS credit would be requested to avoid appearing to support Israel's exaggerated military force goals.

OMB recommendation. OMB believes that the current levels of aid are already above levels which can be justified programmatically. Seeking budget amendments of \$313 million for additional aid to the Middle East is likely to generate considerable congressional resistance and will force offsetting reductions in other programs.

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The additional FMS credits for Israel would increase the unused carryover military credits into 1977 from about \$250 million to \$625 million. This increase is clearly unnecessary unless the Israeli's are going to be permitted to purchase more than the MATMON request--a level which NSSM 231 determined to be already in excess of demonstrable needs and likely to promote a destabilizing Arab arms buildup.

OMB estimates that the already approved level of economic assistance will permit Israeli imports about \$300 million above the level necessary to maintain the real imports at the 1976 level. The proposed Transition Quarter funding would permit an increase in imports of almost \$500 million above the 1976 level in real terms.

Finally, in order to maintain a balance with the Israelis, aid to the three Arab countries would have to be increased by almost \$250 million. This would provide aid far in excess of their needs when added to the already approved 1977 levels. These increases would simply add to the unused backlog of aid funds in Egypt and the build up of Syrian and Jordanian foreign exchange reserves, thereby raising the likelihood of adverse U.S. public and congressional reaction.

#### 1977 Appeal of Middle East Programs

I am not aware of any new factors that would affect your decision on State's 1977 appeal beyond those set forth in the attached appeal memorandum. OMB and NSC continue to support your original decision.

If you decide to increase funding in the Transition Quarter, OMB recommends that you decrease the 1977 level by an equal amount since calendar year 1977 import requirements are already adequately provided for.

#### 1977 Latin America FMS Credits

State has appealed your decision to provide \$185 million in FMS credit to Latin America in 1977 and recommends \$238 million. The arguments for and against the higher level are set forth in the attached appeal memorandum.

We understand NSC now recommends a more modest increase to \$200 million. OMB continues to support the \$185 million level.

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Decisions:

1. Transition Quarter - Middle East

- Approve State request (\$375 million FMS and \$438 million SA) \_\_\_\_\_
- Approve NSC alternative (no FMS; \$320 million SA) \_\_\_\_\_
- Reconfirm budget (no FMS or SA for Middle East) (OMB recommendation) \_\_\_\_\_

2. 1977 Middle East

a. Israel

- Accept State appeal (\$2 billion) \_\_\_\_\_
- Reconfirm original decision (\$1.6 billion) (OMB/NSC recommendation) \_\_\_\_\_

b. Jordan

- Accept State appeal (\$250 million) \_\_\_\_\_
- Reconfirm original decision (\$210 million) (OMB/NSC recommendation) \_\_\_\_\_

c. Egypt

- Accept State appeal (\$650 million) \_\_\_\_\_
- Reconfirm original decision (\$550 million) (OMB/NSC recommendation) \_\_\_\_\_

d. Syria

- Accept State appeal (\$75 million) \_\_\_\_\_
- Reconfirm original decision (\$70 million) (OMB/NSC recommendation) \_\_\_\_\_

- e. Reduce above decision levels by amount of increase in Transition Quarter \_\_\_\_\_

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3. Latin America FMS

- Accept State appeal (\$238 million) \_\_\_\_\_
- Approve NSC alternative (\$200 million) \_\_\_\_\_
- Reconfirm original decision (\$185 million)  
(ONB recommendation) \_\_\_\_\_

Attachment

cc: Official File - DO Records

Director

Director's chron

Deputy Director

Mr. Ogilvie

Mr. Sanders

Mr. Shaw

Gen. Scowcroft, NSC

Return - Room 8201, NEOB

Return - Room 8236, NEOB ✓

IAD:EGSanders/HJShaw:bjl 12/23/75

~~SECRET~~ - GDS

MEMORANDUM FOR: THE PRESIDENT  
FROM: JAMES V. LYNN and HENRY A. KISSINGER  
SUBJECT: Budget Appeal on Foreign Aid

The State Department is appealing your decisions on: (1) the Middle East; (2) FMS credits to Latin America; and (3) military assistance to the Philippines. OMB recommends that you reconfirm your earlier decisions.

(1) Middle East

(Program in \$ millions)

		1977			
	1976	Original Request	OMB Recomm.	Presidential Decision	State Appeal
Israel	2,240	2,240	700	1,600	2,000
(FMS)	(1,500)	(1,500)	(400)	(1,000)	(1,350)
(Economic)	( 740)	( 740)	(300)	( 600)	( 650)
Jordan	253	253	180	210	250
(FAP)	( 100)	( 100)	( 50)	( 75)	( 75)
(FMS)	( 75)	( 75)	( 80)	( 70)	( 100)
(Economic)	( 78)	( 78)	( 50)	( 65)	( 75)
Egypt	750	750	400	550	650
(Economic)					
Syria	90	90	60	70	75
(Economic)					
Total <sup>a/</sup>	<u>3,333</u>	<u>3,333</u>	<u>1,340</u>	<u>2,430</u>	<u>2,975</u>

<sup>a/</sup> Excludes P.L. 480

The basic issue concerns the level of assistance to Israel. We understand that your primary concern is to avoid creating the expectation of continued aid at the very high 1976 levels, while at the same time avoiding the appearance of a punitive reduction in aid levels to Israel. The assistance levels to the other countries are largely based on the perceived balance with Israeli aid.

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E.O. 12958 Sec. 3.6

~~SECRET~~ - GDS

MR 92-69, #21; NSC LHM 3/4/98

By let NARA, Date 4/13/98

Arguments for the State Appeal

- The \$700 million reduction in total aid to Israel from the 1976 level of \$2.3 billion would be interpreted by the Israelis as punitive.
- It would also be viewed by Israel as further evidence of lack of U.S. support at a time when we are not supporting them on other issues (e.g., PLO participation in UN debates).
- The State appeal program of \$2.0 billion, a \$400 million increase over your earlier decision, is judged to be the minimum necessary to substantially ease these Israeli concerns and continue the flow of military equipment perceived as essential by the Israelis.
- The State proposed increase in aid to the Arab countries is primarily required to balance the increase for Israel.
- The \$1.35 billion in military financing is needed to assure financing for military imports at the full MATMON level in both 1976 and 1977.

Arguments for Maintaining Your Initial Decision

- The \$1.6 billion level should provide adequate psychological assurance of U.S. support in view of the high level of military imports, without encouraging Israeli intransigence.
- The \$1.6 billion aid level for Israel meets essential economic import needs and provides for high levels of military imports (full MATMON in 1976 and 1/3 MATMON in 1977), whereas the \$2.0 billion level would more than cover full MATMON in both years.
- Military imports even approaching the MATMON B levels for 1976-1980 will be highly destabilizing and are likely to force an escalation of the Arab military buildup. (The draft NSSM 231 study indicates that the MATMON B level of Israeli military purchases should be rejected and the level held to the minimum needed for essentially political purposes since Israel's defense capabilities are fully adequate through 1980 without any new orders from the U.S.)
- Increases in aid to the other countries are programatically unjustified and would merely increase excessive Syrian foreign exchange reserves and add to the large pipeline in the Egyptian aid program and further encourage the Egyptian refusal to follow IMF and U.S. Government recommendations for essential economic reform.



- Finally, the State appeal would raise the "base" from which future aid levels will be calculated and would increase 1977 outlays by about \$200 million.

(2) Latin America FMS Credit Levels

(Program in \$ millions)

	1976	1977			
		Original Request	OMB Recom.	Presidential Decision	State Appeal
FMS Credits	180	238	180	185	238

State recommends reconsideration of your decision to request \$185 million in 1977. Principal increases within the \$238 million regional program would be in Brazil (up from \$60 million in 1976 to \$90 million), Argentina (up from \$34 million in 1976 to \$50 million), and Chile (up from nothing in 1976 to \$20 million). These and some smaller increases for Bolivia and Colombia would be partially offset by dropping Venezuela, Mexico, and the Bahamas.

Arguments for the State Appeal

- The increase for Brazil is necessary to preserve our position as the primary source of military equipment for Brazil's forces.
- The Argentine program must be increased to accommodate Argentina's force modernization plans and maintain our overall relations with a country where the military is taking increasing responsibility for government.
- The \$6 million increase for Bolivia is needed to offset the phaseout of grant MAP.

Arguments for Your Earlier Decision

- The \$185 million already provides a small increase over the 1976 request, and is substantially above the \$134 million the region was able to utilize in 1975.
- The \$185 million level is adequate to cover desired increases for Bolivia and Colombia, allow up to \$20 million for Chile, and permit funding Brazil and Argentina at the 1975-76 levels.
- Secretary Simon opposes increases for Argentina as a poor credit risk.
- Congress is likely to delete funds for Chile for human rights reasons and may question a 50% increase for Brazil on similar grounds.

(3) Philippines

(Program in \$ millions)

		1977			
	1976	Original Request	OMB Recom.	Presidential Decision	State Appeal
Grant MAP	19.6	20	15	15	20
FMS Credits	17.4	20	25	25	20
	37.0	40	40	40	40

Arguments for the State Appeal

- We are about to enter negotiations with the Philippines on the status of our military bases and on the entire range of our bilateral economic relations. A reduction in our MAP level would probably toughen Philippine positions on both these issues.
- It is Ambassador Sullivan's judgment that if our MAP level falls much below \$20 million, the Philippines will demand rent for continued use of the bases.
- You already approved a MAP level of \$19.6 million for Indonesia in FY 1977. We should not have a lower MAP figure for the Philippines, which permits us to have bases on its soil, than for Indonesia. The Philippines is highly sensitive to such comparisons.

Arguments for Your Earlier Decision

- The MAP phasedown for the Philippines is part of a gradual worldwide substitution of FMS credits for grant MAP.
- The Philippines may request large increases in aid as part of the base negotiations, and the going-in position should not be increased above the minimum necessary.

Decisions1. Israel

- Accept State appeal (\$2 billion) \_\_\_\_\_
- Reconfirm original decision (\$1.6 billion)  
(OMB recommendation) \_\_\_\_\_

2. Jordan

- Accept State appeal (\$250 million) \_\_\_\_\_
- Reconfirm original decision (\$210 million)  
(OMB recommendation) \_\_\_\_\_

3. Egypt

- Accept State appeal (\$650 million) \_\_\_\_\_
- Reconfirm original decision (\$550 million)  
(OMB recommendation) \_\_\_\_\_

4. Syria

- Accept State appeal (\$75 million) \_\_\_\_\_
- Reconfirm original decision (\$70 million)  
(OMB recommendation) \_\_\_\_\_

5. Latin America FMS

- Accept State appeal (\$238 million) \_\_\_\_\_
- Reconfirm original decision (\$185 million)  
(OMB recommendation) \_\_\_\_\_

6. Philippines

- Accept State appeal (\$20 million MAP, \$20 million  
FMS) \_\_\_\_\_
- Reconfirm original decision (\$15 million MAP, \$25  
million FMS) (OMB recommendation) \_\_\_\_\_

CC: Official File - DO Records

Director

Director's chron

Deputy Director

Mr. Ogilvie

Mr. Sanders

Mr. Shaw

Mr. Sisco - State Department

Return - Room 8201, NEOB

Return - Room 8236, NEOB

IAD:EGSanders/HJShaw:neh 12/11/75