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Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 03 Aug 2018 Authority: EO 13526
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MDR: 18 -M- 1212

THE SECRETARY OF STATE
WASHINGTON

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: AUG 03 2018

MEMORANDUM FOR: THE PRESIDENT
From: Alexander M. Haig, Jr.
Subject: Security Assistance to Egypt and Sudan

We have reviewed with DOD our security assistance program for Egypt and the Sudan in the light of the Sadat assassination. Our primary objectives in this review were to ensure that the programs were adequate 1) to deal with a heightened Libyan threat against both countries, 2) to demonstrate the continuing strong commitment of the US to the front line states in the peace process, and 3) to strengthen Mubarak's and Nimeiri's hand domestically during this unstable transition period. Our recommendations are set forth below.

Egypt. The FY 82 security assistance program for Egypt consists of \$900 million in Foreign Military Sales (FMS) credits and \$750 million in Economic Support Funds (ESF).

Virtually all of the \$900 million FMS credits are already committed to pay for earlier orders of equipment that will be delivered over the next year or two. Egypt has an urgent and as yet unfunded requirement for additional aircraft and armor.

We recommend, therefore, that Egypt's FY 82 program be increased by \$400 million which the Egyptians could use to start ordering additional M-60 tanks, F-16's, APC's or other urgently needed material.

We further recommend that in FY 83 (and FY 84) we allocate \$1.5 billion in FMS credits to complete payments on the new equipment above.

We would not inform the Egyptians of these new figures until after our discussions with Mubarak in Cairo.

Because of the size of these increases, reprogramming in FY 82 is infeasible, as is reallocation of funds in our proposed FY 83 program. In short, we will have to look to an FY 82.

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-2-

supplemental to cover both Egypt and the Sudan (see below) and plan in FY 83 (and FY 84) to seek new money over our base-line programs.

The only way these large new sums can be accommodated in our security assistance program will be to separate Egypt and Sudan out into a special multi-year program that can be justified on its own merits and without regard to our overall foreign assistance request. As part of the decision process it must be understood that we cannot take offsetting reductions in other assistance programs. Otherwise other countries will, in effect, end up paying for Egypt and Sudan, and we will have made no net gain.

We have examined also the utility of increasing the Egyptian \$750 million ESF program, but believe that the existing \$2.5 billion obligated but unexpended ESF in Egyptian hands argues strongly against any increase. We can, however, redirect the program in ways that would have a substantial short term economic and political impact.

Sudan. The FY 82 and proposed FY 83 security assistance program for Sudan consists of \$100 million in FMS and \$50 million in ESF. DOD has proposed an augmentation package of F-5 aircraft, armor, artillery and air defense equipment which would require an increase in the FMS level to \$150 million in both FY 82 and 83. We believe the increase is fully justified on military grounds and should be approved. Sudan's economy is extremely precarious and is on the verge of default of its external debt. Any increase in FMS must be on highly concessional terms or in the form of forgiven credits.

RECOMMENDATIONS:

That you approve the FY 82 FMS increases described above (\$50 million for Sudan; \$400 million for Egypt) and that we present them to Congress in the form of a supplemental request.

Approve _____ Disapprove _____

We also recommend that we request that both be in the form of credits on concessional terms (either half grant and half guaranteed loans, or, alternatively, loans at 8 to 3% interest rates).

Approve _____ Disapprove _____

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-3-

That you also approve FY 83 programs for Egypt and Sudan at \$1.5 billion and \$150 million respectively with the incremental increases of \$200 million and \$50 million over our proposed base line FY 83 programs for both countries be considered as add-ons, not requiring reduction in other country programs.

Approve _____ Disapprove _____

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