



INTERNATIONAL SECURITY AFFAIRS

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ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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SECRETARY OF DEFENSE

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MEMORANDUM FOR THE SECRETARY OF DEFENSE

Through: Under Secretary of Defense for Policy **71** 23 APR 1983

SUBJECT: Disturbing Signs in US-Egyptian Relations ~~(S)~~ INFORMATION MEMORANDUM

~~(S)~~ There have recently been several disturbing developments in our relationship with Egypt, no one of which is particularly alarming, but which when viewed in total may indicate a serious trend. This memo will briefly cover these developments and outline the actions in progress to counter or rectify the situations. As Egypt remains a vital country to our interests in the Middle East, I did think it advisable to provide you this summary and the current efforts on which we are embarked.

EGYPT

~~(S)~~ Troubling indications of potential problems affecting US-Egyptian relations include:

- a. FMS Loan Arrearage. As the Director, DSAA, indicated to you recently in a memo on this subject (Tab A), Egypt has been in arrears on payment of interest on one of her outstanding FMS loans. Egypt has suffered economically, as have other countries, because of the drop in both oil prices and demand, but the explanation offered by the Egyptian Minister of Economy that the GOE decision had been to delay FMS payments so as not to delay repayment of commercial credits seems to portend similar problems in the future. The GOE does not appear to have any real appreciation of the political cost if we must notify Congress of an arrearage by them on an FMS debt. There is also a potentially troublesome situation evolving for the USG as the signing date for an LOA for the purchase of E20 aircraft nears. We could be criticized for allowing the GOE to enter into a long term, cash flow financed program of over \$700M when they appear to be having a problem in making interest payments on current loans.
- b. Construction and Future Use at Ras Banas. The late Egyptian President Anwar Sadat suggested that the US build up the facility and airfield at Ras Banas on the Red Sea. After several years of US efforts to secure MILCON funding for such an effort, we now are being presented some unacceptable conditions regarding the method of construction and limitations on US access when the facility is completed. In a series of meetings to date, the GOE has insisted

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on, among other things, transfer of funds to the GOE for construction; heavy involvement of the Egyptian Army Corps of Engineers in the project, and actual joint management (US and GOE) of the construction. Aside from our problems with these requests from a quality and control aspect, we are restricted legally and by Congressional intent as to how far we may go in answering the Egyptian desires. We seem to be at a point where Ras Banas is in the balance. The facility at Ras Banas is to receive close scrutiny in the NSC directed IG/SIG review this month.

- c. Egyptian relations with the USSR. Relations between Egypt and the Soviets have progressed since the expulsion of the Russian Ambassador by Sadat less than a month before his assassination. There are multiple reports of impending resumption of an ambassadorial exchange, and Egyptian diplomats have said that there will likely be a return to normality between the two countries in the near future. Such a move would fit with Mubarak's obvious desire to steer a more neutral course. It is disturbing, however, when viewed in the context of a cooling of the US relationship and even more so when renewed Soviet activism in the Middle East under Andropov is considered. Additionally, any movement towards the USSR by Egypt works to the disadvantage of Field Marshal Abu Ghasala, the leading proponent of closer Egyptian ties with the US.
- d. USN Nuclear Powered Warship Transit of Suez Canal. Our efforts to secure the use of the Suez Canal for NPWs seem to be no closer to success today than five years ago. We are being told by the technicians that it is a political problem, and by the politicians that it is a technical problem. Recent US efforts to break the logjam have been unsuccessful, including a turndown by President Mubarak of President Reagan's invitation for him to visit USS NIMITZ, as a means of acquainting him with the safety features of USN nuclear power plants. Despite such high level attention, the GOE does not show any inclination to allow access, and continued rebuffs by them will eventually begin to adversely affect the relationship.

~~Several~~ Several things could occur which would further complicate and frustrate efforts to revitalize US relations with Egypt. The failure to reach accommodation on implementation of construction at Ras Banas will become known to opponents of that project on Capitol Hill and the result will likely mean loss or severe cuts in outyear funding, effectively killing the facility. Knowledge of Egypt's arrearage on current FMS loan payments will doubtlessly reduce support for future FMS guarantees. There has been great reluctance on our part to link FMS levels to any strategic cooperation quids, but the relationship between the two cannot be lost on Mubarak or his advisors.

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(S) The outlook for the near term is not optimistic, barring an unforeseen shift in Egyptian positions. Even though the US and Egypt have many similar views of the politics and strategy of the area, the combination of historic Egyptian xenophobia and lack of appreciation on their part as to the limits of US patience or capability to respond to all their requests could result in a period of gradually deteriorating relations. Whether or not the deterioration will result in serious or permanent damage is impossible to assess at this time. The next few months will be important, however, and we will keep you advised.



NOEL R. KOCH

Acting Assistant Secretary of Defense  
International Security Affairs

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