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THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

1 JUN 1982

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Security Assistance in the FY 83 Budget (U)

~~LOT~~ I am absolutely convinced that we must obtain the increases in our security assistance budget in the amounts you requested for FY 83 and the FMS supplemental for FY 82. If we are to maintain deterrence and stability throughout the world while absorbing some cuts in our own Defense budget, requested levels of security assistance move, in my opinion, into the "must have" category.

~~LOT~~ The forces of many of our allies and friends are on the front line now, facing the Soviets or Soviet-supported threats or actual enemy forces. Moreover, we have firm commitments to several countries, some of which you have made personally. If we are not successful in obtaining the FY 83 request, we will be forced to renege on some of these commitments, which I do not believe is acceptable.

~~LOT~~ A key example is the commitment to Egypt for an additional \$400 million in credits, \$200 million of which could be forgiven. Additionally, if we do not get guaranteed credits for Pakistan, I think it likely that they will make some accommodation with the Soviets on Afghanistan. We could also lose the increase in guaranteed FMS credits I promised to South Korea. Finally, inadequate budget authority would prevent Kenya, Somalia, Sudan, Tunisia, Morocco, and others critical to regional stability and our security interests from fielding really essential defense capabilities without ruinous effects on their economies.

~~LOT~~ As an essential part of our overall budget strategy with the Congress, and considering our agreement to some defense cuts, we should obtain Congressional agreement that our security assistance request will be fully funded. It is already growing late. The Senate Budget Committee has cut \$700 million in budget authority from our request for \$4.7 billion. Senator Percy wants to restrict severely guaranteed credits, even though they are off-budget and only a tiny portion of overall government borrowing. Many on the Hill are saying there will be no bill this year and

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that we can have only a straightline of FY 82. Our legislative people must move now with vigor to reverse this situation. I believe that your personal involvement may eventually be necessary to ensure that we protect needed security assistance levels.

Jap

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