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# JUSTIFICATION FOR A PROPOSED CREDIT SALE GOVERNMENT OF URUGUAY

1. Country: Uruguay

#### 2. Major Items and Estimated Cost:

<u>Item</u>	Estimated Cost (\$ Million)	
Air Force	(\$ MITITOH)	
8 A37B Aircraft	\$ 5.20	\$ 5.20
Army		*
Vehicles & Maintenance Equipment Weapons & Riot Control Equipment Misc Field Equipment	.72 .38 30	\$ 1.40
Navy	16 Taxes -	\$ 1.40
Commo Equipment Navigational Aids Teaching Aids	.43 .40 .02	and the second
Teaching Mius		\$ .85
Ministry of Defense Hospital Equip	oment .05	.05
Total:		7.50

### 3. Financing:

This will be a USG guaranteed credit from the Federal Financing Bank. Terms of repayment will be determined at the time of negotiation of the loan. The interest rate will be determined after final drawdown of the credit. The commitment period is 24 months from the date of signature of the loan agreement.

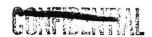
## 4. Military Justification:

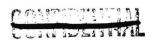
a. Does the sale meet a military requirement derived from a U.S. approved force goal?

There is no U.S. approved force goal for Uruguay.

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b. Are there other military justifications?

The items being provided will increase the capability of the Uruguayan armed forces in maintaining internal security.

c. If there is a Grant military assistance program, how does the sale relate to the program?

The Grant materiel program is designed to support equipment already in Uruguay. This program is complementary to the sales program but is insufficient for the acquisition of major items.

d. Does a major item under consideration represent an important advance in weapons sophistication?

No.

e. Is this a multi-year program?

The funds requested for the A37B aircraft will complete the payments due on aircraft sold in 1974, which were partially funded from FY 1974 credit. The other items are single year programs.

#### 5. Political Justification:

a. What are the relevant policy considerations affecting the sale?

Urban and rural terrorist groups in Uruguay, assisted by infiltration from Argentina, pose a threat to the democratic government and a handicap to economic development. Materiel furnished under this credit will contribute to the capability of the Uruguayan armed forces in the internal security field.

b. How does the sale support U.S. objectives in the country and in the region?

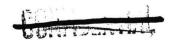
This sale is consistent with the U.S. objective of maintaining political stability and democratic institutions in Uruguay.

c. Will the sale affect the regional arms balance or contribute to an arms race?

No.

d. Is this the sale of a sophisticated weapons system within the meaning of the Conte Amendment?





Is the country run by a military dictatorship which denies social progress to its citizens?

No.

#### 6. Economic Justification:

Is there a demonstrable need for credit assistance?

Yes. Uruguayan financial resources are not adequate to cover the force modernization program without the provision of credit.

- Is the purchasing country on the "green list"? Yes.
- c. If a sale, how large is the annual repayment obligation in relation to available foreign exchange resources? Will it place an undesirable burden on these resources?

Uruguay is experiencing balance of payment problems resulting from the increased price of oil. However, it is believed that the Government of Uruguay will be able to make the necessary adjustments to enable it to meet the payments on this credit.

What is the value of other arms purchases that Uruguay is making or expected to make?

Uruguay has not made any other large arms purchases.

Will the U.S. refusal to make this transfer result in Uruguay's turning to other sources of supply? then will be the economic implications?

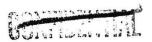
Uruguay has already purchased the A37B aircraft for which funds are being requested. It is doubtful that Uruguay would turn to other sources of supply for the remainder of the items proposed herein.

7. Congressional Implications:

No adverse Congressional reaction to this sale is anticipated.

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1.6273/75 10 June 1975 OASD/IS A INTRAOFFICE CONTROL SHEET NAME, DIRECTORATE, EXTENSION, AND SIGNATURE OF ORIGINATING OFFICIAL: SUBJECT: Request for the Use of FY 1975 FMS Credit Funds for the Mr. Billings/DSAA(TS)/79324 Government of Uruguay (U) Allul Billings INITIAL DATE INITIAL DATE ASSISTANT SECRETARY DASD NE, AF&SA AFF 3 EXECUTIVE OFFICER XO DIR, NE&SA REG NE ASST FOR ADMINISTRATION AO DIR, AFRICAN REG NA RECORDS & CONTROL RC DASD-P/PL&NSC AFF TO P DEP FOR MC&TO SA PD PRINCIPAL ASSISTANT DIR, P/PL&NSC AFF PW SP ADV (POW AFF) NSC COORD PN CONF ASST TO ASD CA DIR, MBFR TF PF LS DIR, LAW OF SEATE SPEC ASST (NUCLEAR POLICY) RS PRINCIPAL DASD D DASD FOR SA DM MILITARY ASST DIR, SA PLANS & POLICY MD DS SPEC ASST FOR CONG REL MP PLANS & PROGRAMS DIV SPEC ASST TO PDASD DT POLICY DIV MN DASD FOR EA&PAC AFF DEF SCTY ASST AGCY DIR, EA&PAC REG AD DIRECTOR DEP DIR W TD SPEC ASST TB DASD EUR&NATO AFF COMPTROLLER TC DIR, EURANATO AFF ED DIR FOR MIL ASST TM DIR FOR SALES NEG TS DASD I-A, FTD&MR AFF 1 DASD - INT'L ECON AFFAIRS DIR, I-A REGION IA DIR, FMR AFFAIRS IF DIRECTOR, IEA BD IT DIR, ST&D COORDINATION OUTSIDE ISA ACTIVITY NAME AND TITLE INITIAL DATE GENERAL COUNSEL Mr. Hero THE JOINT STAFF DEPT OF STATE REMARKS (Including Coordination Outside ISA Not Shown Above) Request signature of Mr. Ellsworth **DECLASSIFIED IN FULL** (Signed) Authority: EO 13526 Robert Ellsworth

1 3 JUN 1975

Assistant Secretary of Defense

SUSPENSE DATE

Chief, Records & Declass Div, WHS

Date: SEP 0 1 2017

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