

DECLASSIFIED

Authority EO 12958
By CH NARA Date 2/1/06

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MEMORANDUM

NATIONAL SECURITY COUNCIL

URGENT ACTION

October 17, 1973

MEMORANDUM FOR: SECRETARY ~~KISSINGER~~
FROM: DONALD J. STUKEL
SUBJECT: Financing Arms for Israel

The DOD proposal (Tab A) prepared as a result of WSAG direction provides:

- \$2.2 billion for grant military assistance for Israel
- \$200 million for grant military assistance for Cambodia
- \$500 million for additional military assistance to other countries

The primary question is whether additional assistance to Israel should be grant or credit.

If the assistance is grant, we will be under tremendous pressure to provide the full \$2.2 billion even if the conflict were to terminate shortly. The \$2.2 billion level assumes a long war in which we provide everything on the Israeli list of requests, which go beyond one for one replacement. A Congressional request of \$2.2 billion for Israel would signal a massive rebuilding of the Israeli military forces well beyond the current crisis.

From our point of view, it is preferable to provide Israel with credits. If financing is the only concern, legislation already exists ("Jackson Amendment") to permit extension of credit to Israel.

Since the outbreak of the war, about \$600 million of supplies and equipment have been delivered or are in the pipeline to Israel. Part of this has been funded under unused credits and the remainder by signing "dependable undertakings" (no payment for 120 days). Israel owes the U.S. about \$1.7 billion on cash and credit purchases (20-30 year repayment periods) made prior to the war. At the present they still have \$300 million in FY 74

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FMS credits plus a limited amount of FMS credits from previous years. Their financial picture was very good before the war. If it becomes necessary, debt forgiveness or rescheduling could be addressed later.

As to piggy-backing Cambodian needs and some other shortfalls on an Israeli request, we must recognize that a Conference Committee is currently considering our FY 74 MAP request of \$652 million. Any new request would be referred to the same committees and would be considered in light of our previous request. A case can be made for additional funds for Cambodia in light of the continued fighting but a case for \$500 million additional grant assistance to other countries can not be supported convincingly.

If the DOD proposal were submitted in its current form, I believe we would get the amount requested for Israel but the other requests would be deleted, or if granted, would be offset by cuts from FY 74 request of \$652 million.

Options

1. Go forward with the DOD proposal. [This option is counter-productive in terms of the current crisis and will probably not get us additional resources for Cambodia or other countries.]
2. Do not send a proposal to the Congress, but provide additional credit to Israel under the Jackson Amendment. [This option satisfies all needs arising out of the crisis and does not have adverse side effects with the Israelis, Arabs or Soviets. However, it does nothing for our other MAP funding problems.]
3. Send a proposal to Congress requesting \$500 million in grant assistance for Israel and \$200 million in grant assistance for Cambodia to meet emergency needs arising from the conflicts. The remainder of Israel's needs could be handled by credits under the Jackson Amendment. [This option limits the adverse side effects of the DOD proposal and might provide funds for Cambodia.]

RECOMMENDATION:

- That you reject the DOD proposal at the WSAG meeting.
- That you direct DOD to pursue Option 3 (\$500 million for Israel and \$200 million for Cambodia).

Lehman concurs.

Tab A

H. R. _____

A Bill to provide additional foreign assistance authorization,
to be enacted by the Senate and House of Representatives of the
United States of America in Congress assembled. That this Act may be
 cited as the "Special Foreign Assistance Act of 1973."

Sec. 2. In addition to such amounts as may be otherwise authorized
 to be appropriated to the President for military assistance for the fiscal
 year 1974, there are hereby authorized to be appropriated to the
 Pres. for the fiscal year 1974 not to exceed—

- ~~\$2,000,000~~ ^{\$2,200,000}
- (1) ~~\$2,000,000~~ for military assistance for Israel;
 - (2) \$200,000,000 for additional military assistance for Cambodia;
 and
 - (3) \$500,000,000 for additional military assistance to such other
 friendly foreign countries and in such amounts as the
 President may determine.

Sec. 3. Military assistance furnished out of funds appropriated
 under section 2 of this Act shall be furnished in accordance with all of
 purposes and limitations applicable to military assistance under the
 Foreign Assistance Act of 1961 (75 Stat. 424; P.L. 87-195), as amended.

Sec. 4. Israel is hereby released from its contractual liability
 to pay for defense articles and defense services purchased under the Foreign
 Military Sales Act (82 Stat. 1520; P.L. 90-629), as amended, during the
 period beginning October 6, 1973 and ending on the date of enactment of
 this Act, and funds appropriated under section 2 of this Act for military
 assistance for Israel shall be used to reimburse current applicable

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Appropriations, funds, and credits of the Department of Defense for
the value of such defense articles and defense services.