

MEMORANDUM

THE WHITE HOUSE

1424 - Add-on

WASHINGTON

CONFIDENTIAL (GDS)

REFER TO DOS

INFORMATION

OSD REVIEWED 08-Mar-2011: NO OBJECTION TO DECLASSIFICATION

MEMORANDUM FOR: SECRETARY KISSINGER  
 FROM: BRENT SCOWCROFT  
 SUBJECT: C-130s for Egypt

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As you know, several members of Congress have suggested that the C-130 question be handled commercially rather than by FMS so that the State Department could issue an export license and members of Congress would not be forced to take a position. This idea was considered some time ago at a working level by State and ourselves (at a meeting with Joe Sisco, McClosky, Atherton and Vest) but rejected for several reasons, partly because it would have appeared to be going behind the back of Congress -- thereby opening us up to still more criticism -- but primarily because we had been told by Defense that the only C-130s available within the desired time frame were those being built for USAF with US military equipment which would require use of FMS procedures. Also, it was felt to be important to our relations with Egypt and other moderate Middle East countries that the symbolism of an official military relationship between the United States and Egypt be established, particularly since there is likely to be so little content.

After careful rechecking with Defense as a result of the latest Congressional suggestions about commercial sales, we have been told by DSAA (Fish) and ISA (Noyes) that the C-130s being manufactured for USAF and destined for Egypt via FMS can be made available for sale by Lockheed to Egypt on a commercial basis. This will require some minor modifications and replacement of equipment and the negotiation of a contract between Egypt and Lockheed. Lockheed tells us it could send a team to Cairo at any time to negotiate a contract. If all went smoothly, a contract could be concluded in about three weeks' time. However, given the likely problems (including Lockheed's current image, slowness of Egyptian bureaucracy and the need for Egypt to assure Lockheed on the financing), it would probably take quite a bit longer. The cost per aircraft would probably be roughly the same as that which the Air Force currently plans to charge (about \$8 million each).

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In deciding whether or not to shift to the commercial route there are several issues which need to be considered:

-- While many members of Congress would be relieved not to confront the issue directly, the Administration has a very strong argument on the C-130s, one which has already received editorial support from the New York Times (twice) and Washington Post and which will be strengthened still further by the tough anti-Soviet, anti-Libyan speech which Sadat has just made. The current peak of Congressional embarrassment and reluctance is likely to fade as the Jewish propaganda campaign runs its course and the Administration arguments are given wider dissemination.

(The new Foreign Assistance Legislation will probably extend Congressional oversight to commercial weapons sales. If the C-130 commercial contract is not signed before the Foreign Assistance Act is enacted -- probably by the end of March -- we will have to submit the sale to the Hill for approval in spite of the commercial character.)

-- Israel would be relieved at a decision not to go the FMS route, since it wishes to block the symbolism of an apparent military relationship.

-- Sadat, for the same reasons of symbolism, would be unhappy, particularly because the extensive publicity would be likely to make it appear to him that we have weakened on the issue by switching to the commercial route under Israeli pressure.

-- The FMS approach also offers Egypt the considerable advantages of DOD assistance in negotiations, the use of DOD short-term credit facilities, and continuing DOD administrative and logistical support (including spare parts and technical assistance) for the aircraft. Also, DOD can accelerate delivery via FMS procedures over regular commercial delivery.

-- Finally, the decisive question is whether or not the Administration can win the fight with Congress over an FMS sale. If the battle can be won, we will have strengthened our position with both the Arabs and -- although they will not like it -- Israel by demonstrating that the President has the will to move ahead over opposition and prevail on a Middle East issue during an election

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year. This could make it easier for us to pursue our diplomatic strategy for getting through 1976. On the other hand, were the President to suffer a defeat, it could damage the prospects for this diplomatic strategy.

Should the decision be taken to switch to a commercial sale procedure for the C-130s, there are two related issues which also need to be considered.

Presidential Determination: If the C-130s are sold commercially, it will relieve Congress of the pressure of having to support or oppose an FMS sale to Egypt. However, there remains the question of our commitment to Sadat (made a year ago) to provide limited military training by enrolling some Egyptian officers in United States schools and occasionally sending teams of United States officers to Egypt for training purposes. This cannot be done legally without a Presidential Determination of Egyptian eligibility for FMS sales, although Congressional approval would not be required for either the PD or the training. The President could submit a PD with an explanation that the only FMS transaction intended would be a limited military training program. Or the President could decide to postpone the training and not submit the PD. Egypt would obviously much prefer the former since it would preserve some symbolism of a formal military relationship and indicate the validity of USG commitments. Israel would obviously much prefer the latter for the same reason.

Munitions Control Licenses: One reason for the category approach was to provide guidelines for action on the fifty or so applications for export licenses being held by State (Munitions Control). These license applications cover items in the gray area between civilian and military equipment (like the jeeps, trucks and ITEK camera previously approved for sale to Egypt). Neither the license issuance or eventual commercial sale of such items requires a PD nor do they need to go to Congress.

The first three categories of sales we discussed in consultations with Congress were largely made up of items of this sort. The general impression was that there is not much concern on the Hill over such sales, but this issue has not been clearly focussed on during the consultation.

If we are forced to either delay or scrap a PD for Egypt, we may wish to consider whether we can soften the blow to our bilateral relations and to Sadat personally by being forthcoming in the area of license issuance. We doubt that the Israelis would oppose so vociferously the sale of non-lethal, non-FMS items (especially if they achieve their major goal of stopping the PD and FMS sale of C-130s). Congress

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would doubtless be relieved not to have to take a position and we could count on business support. We could either decide to go ahead without further Congressional consultation, or we could clarify this with Congress in the process of resolving the C-130 issue so that we cannot be accused by either the Congress or the business community of failing to give interests due considerations.

Whatever we do with regard to the PD and C-130 issues, we will have to decide in a comprehensive way how these license cases should be handled.

A list of pending Egyptian export license requests is attached at Tab A.

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TAB "A"

A

<u>License/ Case No.</u>	<u>Date</u>	<u>Advisory Opinion/Application</u>	<u>Description</u>	<u>Applicant</u>
CC-1369	1/21/76	x	Mobile Floating Assault Bridge-Ferry to Egypt and Israel	Consolidated Diesel Electric Co.
CC-1404	2/18/76	x	Mini-Tat Helicopter Armament System to Egypt	Aeromaritime, Inc.
00128	7/15/75	x	9mm Cal. Smith and Wesson Pistols to Egypt	Smith and Wesson
99518	7/7/75	x	Photographic Reconnaissance Equipment for Egyptian Air Force	Fairchild Space & Defense Systems (Division of Fairchild Camera & Instr. Corp.)
98406	6/13/75	x	Radio and Signal Equipment to Egypt	Columbia Electronics Int'l
90061	1/29/75	x	Photographic Systems for Tactical Reconnaissance to Egypt	Bourns, Inc., CAI Division
03673	9/17/75	x	Electronic Flash System to Egypt	Bourns, Inc., CAI Division
03703	9/16/75	x	Photographic Reconnaissance Equipment to Egypt	Cubic Corporation
05120	10/7/75	x	Mine Detecting Equipment to Egypt	Sahara Petroleum Services Co.
05367	10/20/75	x	Photographic Systems for Tactical Reconnaissance to Egypt	Bourns, Inc., CAI Division
10543	1/23/76	x	Target Drone Equipment/Manuals to Egypt	Teledyne Ryan Aeronautical
10557	1/21/76	x	Instruction Manual for KJ-8333 Receivers	Fairchild Space and Instrument Corporation

<u>License/ Case No.</u>	<u>Date</u>	<u>Advisory Opinion/Application</u>	<u>Description</u>	<u>Applicant</u>
10559	1/19/76	x	Long-range Photo Equipment for Egypt	Bourns Inc/CAI Division
00005	7/11/75	x	Concept proposal Defense System and Integration (Egypt)	Gilcron Corporation, ITT
99676	7/7/75	x	For manufacture and deployment of camouflage nets (Egypt)	Sullivan International
98799	6/20/75	x	Tactical Situation Display (Egypt)	The Singer Company
95112	4/17/75	x	Photographic Reconnaissance System Equipment (Egypt)	Cubic Corporation
91396	2/11/75	x	Material Management System (Egypt)	Computer Sciences Corp.
87137	11/11/74	x	Basic Training Target Systems Egypt	Northrop Corporation
8342	6/16/75	x	Demonstration - Mine Detectors to France and Egypt	Intermatco, Ltd.
T-08818	12/3/75	x	Demonstration - Radar Equipment to Egypt	General Dynamics Electronics
T-8616	10/7/75	x	Demonstration - Night Driver's Viewer to Egypt	Aeromaritime, Inc.
T-8159	7/7/75	x	Demonstration - Radio Equipment to Egypt	E-Systems, Inc. Memcor Division
T-08787	11/17/75	x	Demonstration - Facsimile Scrambler to Egypt	Datotek, Inc.

<u>License/ Case No.</u>	<u>Date</u>	<u>Advisory Opinion/Application</u>	<u>Description</u>	<u>Applicant</u>
* 01626	8/25/75	x	RMI Indicator Dual Pointer for ICAO Civil Aviation Training Adviser/Egypt	Columbia Electronics Int'l
T-8105	6/3/75	x	Geophysical Surveys/Egypt	Aero Service Division Litton Industries
T-8104	6/3/75	x	Geophysical Surveys/Egypt	Aero Service Division Litton Industries
T-8866	1/29/76	x	Used Amtron, Demonstration for Ministry Defense, Cairo, Egypt	Amtron, Division of Sippican Corporation
T-8273	6/19/75	x	Test and Evaluation by Public Security Administration/Cairo Airport, Egypt	Crawford Internat'l Inc. Military Armament Corp.
C-2678	6/16/75	x	Radar Signal Detector and Descriptive Technical Literature to Egypt	General Instrument Corp. Electronic Systems Division
GC-1152	8/29/75	x	British Commando helicopters S-61 to Egypt	Westland, Ltd (British Co.)
GC-1082	6/17/75	x	Air Traffic Control Tower AN/TSW-7 and Air Navigation Aid AN/2RN-26 to Egypt	Ray Adams. ATC Consultant Barton ATC, Inc.
GC-1024	5/5/75	x	Supersonic Miss. Jk. Target and Target Drones to Govt of Egypt	Beech Aircraft Corporation



<u>License/ Case No.</u>	<u>Date</u>	<u>Advisory Opinion/Application</u>	<u>Description</u>	<u>Applicant</u>
GC-985	5/12/75	x	Sale of Aircraft C-9A, C-9B and VC-9C to Egypt, Iraq and Syria	McDonnell Douglas
GC-922	1/29/75	x	Integrated Reconnaissance System and related support for Egypt	Cubic Corporation
GC-883	12/10/74	x	Sales of CH-47C helicopters/Egypt	not legible
GC-879	12/2/74	x	Sale of telephone equipment/Egypt	Amtron, Inc.
GC-836A	3/18/75	x	Egyptian co-production &/or purchase S-61 helicopters and S-76	United Aircraft Int'l
GC-1201	9/24/75	x	Mobil Spectrum Search System to Govts of Egypt and Iraq	Kuras-Alterman Corp
GC-1112	7/23/75	x	Radio monitoring equipment to Egypt	Stanford Technology Corp
286-69K	10/24/75	x	Anti-tank missiles with Cast Double Base Propellantia (sale and possible manufacture) in Egypt	British Aircraft Corp
GC-936	2/10/75	x	Mini-Tat armament systems/Egypt	Aeromaritime, Inc.
GC-1030	4/30/75	x	Firebee I and II Target Drone Systems Telecyne and reconnaissance version to Egypt	
161-70E	12/27/74	x	Amendment to sales territory for the Standfarcous Labic Comparison Accoustic Guidance System to include Egypt	General Electric Co The Plessey Co., Ltd. (UK)

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