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FM CAIRO 25X1

ON-FILE NSC RELEASE INSTRUCTIONS  
APPLY

TO THE WHITE HOUSE

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MORI C05141655

FEBRUARY 1, 1974

IMMEDIATE

TO: SECRETARY KISSINGER  
FROM: AMBASSADOR EILTS, CAIRO 104

State Dept. review completed

1. CAIRO'S 528 REPORTED INCONCLUSIVE OUTCOME OF BECHTEL/SUMED TALKS. BECHTEL MUST NOW CONSIDER HOW TO REPLY TO EGYPTIAN (AMIN) REQUEST TO ACCEDE TO EXTENSION OF EXISTING CONTRACT, DESPITE FACT BECHTEL VICE PRESIDENT O'CONNELL PUT SUMED ON NOTICE THAT AS OF MIDNIGHT JANUARY 31 PRESENT CONTRACT INVALIDATED BECAUSE OF EGYPTIAN/SUMED NON-COMPLIANCE. WHILE IT MAY BE HARD TO BELIEVE, THE FACT IS THAT EGYPT AND SUMED ARE AT THE MOMENT TOTALLY INCAPABLE OF ANY DECISION-MAKING PENDING THE ORGANIZATION OF SUMED LATER THIS MONTH. NEVERTHELESS, THEY WANT PRESENT CONTRACT EXTENDED TO OBTAIN ALL BENEFITS OF ADVANTAGEOUS PRICES NEGOTIATED EARLIER. VARIOUS OUTSTANDING ISSUES, SUCH AS ADEQUATE LETTERS OF GUARANTEE, BECHTEL MANAGEMENT AUTHORITY, ETC., HAVE YET BE RESOLVED WHEN A SUMED MANAGEMENT ADMINISTRATION IS ORGANIZED AND AVAILABLE TO NEGOTIATE.

2. O'CONNELL AND HIS GROUP HAVE UNDERSTANDABLY FOUND THEIR DEALINGS OF THE LAST FEW DAYS WITH THE EGYPTIANS TRAUMATIC. I SENSE SOME STRONGLY DIVIDED VIEWS AMONG THEM WHETHER TO CONTINUE ALONG PRESENT COURSE BY EXTENDING CONTRACT AS EGYPTIANS HAVE REQUESTED OR WHETHER TO DROP THE WHOLE AFFAIR. THEY ARE CONSCIOUS OF IMPLICATIONS OF A BECHTEL PULLOUT AT THIS LATE DATE, BUT ARE EQUALLY CONCERNED THAT SUMED WILL FAIL TO HONOR ITS FINANCIAL OBLIGATIONS AND INTERFERE IN BECHTEL'S MANAGEMENT AUTHORITY TO A POINT WHERE BECHTEL INCURS LOSSES. THEIR FEAR IS A PROPER ONE. I BELIEVE THEY SHOULD HOLD OUT FOR ADEQUATE FINANCIAL GUARANTEES AND MANAGEMENT RIGHTS. O'CONNELL AND HIS COLLEAGUES HAVE DECIDED TO PUT THE WHOLE MATTER

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HAK, SCOWCROFT, MCFARLANE, RODMAN

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BEFORE STEVE BECHTEL, JR., FOR A DECISION ON WHETHER TO ACCEDE TO AMIN'S REQUEST TO EXTEND CONTRACT. I DO NOT KNOW HOW STEVE BECHTEL, JR., FEELS ABOUT THE PIPELINE PROJECT.

3. SINCE PROJECT IS OF MAJOR IMPORTANCE IN STRENGTHENING US-GOE RELATIONS, YOU MAY WISH TO CONSIDER TELEPHONING OR HAVING UNDERSECRETARY FOR ECONOMIC AFFAIRS TELEPHONE STEVE BECHTEL, JR., IN CALIFORNIA TO EXPRESS OUR INTEREST IN BECHTEL'S CONTINUING ITS EFFORTS TO RESOLVE OUTSTANDING PROBLEMS AND TO FINALIZE CONTRACT. THE BECHTEL DIALOGUE WITH SUMED SHOULD BE PURSUED. I WOULD HOPE THAT STEVE BECHTEL, JR. MIGHT BE ASKED TO SHOW REASONABLE FLEXIBILITY IN DOING SO.

4. I WILL OF COURSE DO ALL THAT I CAN TO TRY TO MAKE EGYPTIANS AWARE OF THE NEED TO FULFILL THEIR OBLIGATIONS IF BECHTEL IS TO BE PERSUADED TO EXTEND THE CONTRACT.

5. AS A MATTER OF INTEREST, EXIM LOAN TO SUMED WAS APPARENTLY NEVER BROACHED IN ANY OF THE BECHTEL TALKS OF THIS WEEK WITH EGYPTIAN OFFICIALS.

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