

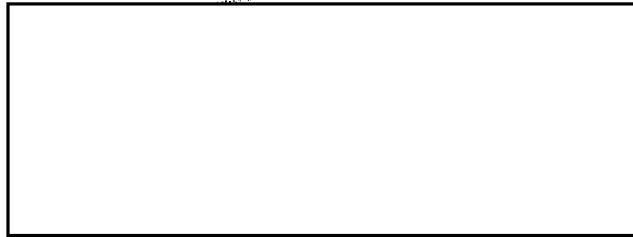
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*Home For Off's Center
Briefing papers
from 20 Nov
Journal*

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*about weapons
purchase payments*

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MEMORANDUM FOR:
Chief, Executive Staff, DDI

Attached is the material you requested this morning for the Legislative Counsel. If you have any questions, please call on . He has fielded requests for Senator Fulbright and other members of Congress on this topic.

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30 November 1973

(DATE)

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Ability of the Major Oil-Producing Arab States to Support the War Costs of Syria and Egypt

The foreign exchange reserve position of all the major oil-producing Arab states was in excellent condition prior to the recent round of hostilities. In the case of Saudi Arabia, for example, reserves were equal to some two years imports. Foreign exchange revenues from oil are running well in excess of expenditures adding to the level of foreign exchange reserves. Known reserves prior to the outset of the October 6 conflict are shown in Table 1.

We estimate direct losses to Egypt and Syria from recent military action at \$1.3 billion worth of military and economic facilities and equipment as shown in Table 2. Most of these losses were military equipment which the Soviets probably will resupply, largely under liberal credit provisions.

Cash payments for some of arms supplied to Egypt and Syria reportedly were made by other Arab countries. Algeria alone is said to have transferred \$200 million to Moscow for arms payments. The other Arab states are in a financial position to underwrite Egypt's and Syria's wartime costs.

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Most, if not all, of this financial aid probably will be in the form of outright gifts to Egypt and Syria. In addition, Egypt and Syria have received private financial donations, food, medical supplies, clothing and related items from the other Arab countries.

Table 1

International Reserves of Arab Countries
Prior to 6 October Conflict

		Million US\$
		<u>Date</u>
Major oil producers:		
Algeria	577	31 Aug 1973
Abu Dhabi	300	July 1973
Iraq	1,159	31 Aug 1973
Kuwait	4,000-4,500*	31 Aug 1973
Libya	2,480	31 Aug 1973
Saudi Arabia	3,690	31 Aug 1973
Belligerents:		
Egypt	191	30 June 1973
Syria	130	30 June 1973

* Estimated

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Table 2

Direct Costs of the War to Egypt and Syria

Million US \$

	<u>Military</u>		<u>Economic</u>	<u>Total</u>
	<u>Equipment*</u>	<u>Facilities</u>	<u>Facilities</u>	
Egypt	500	minimal	minimal	500
Syria	400	200	225	<u>825</u>
				1,325

* At Soviet export list prices.

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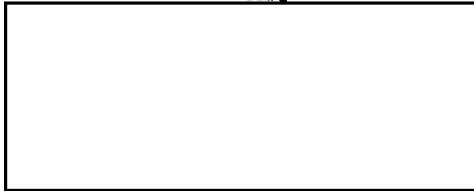
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Arabs Pay Cash for Some Recent Arms Deliveries

The Arab states are paying cash for some Soviet arms supplied to Egypt and Syria since 6 October. These payments, a departure from previous arms supply arrangements, were made possible by substantial aid from the oil rich Arab countries. 

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 cash payments have been made for emergency supplies. Other military items, delivered on an accelerated schedule from pre-6 October contracts, reportedly carried the usual liberal Soviet credit terms.

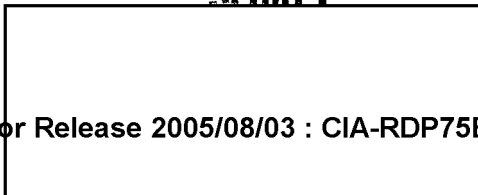
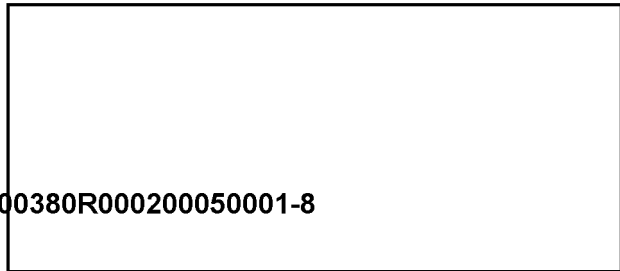
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The total amount of hard currency payments is not known. Algerian President Boumediene alone reportedly forwarded \$200 million for arms shipped to Egypt and Syria. Other Arab oil states have pledged an estimated \$2.6 billion to Egypt and Syria for war aid, some of which will undoubtedly be used to pay for arms. Military losses by the Arabs may have amounted to some \$900 million, at Soviet export list prices.

These large cash payments for Soviet arms indicate Arab desire to minimize dependence on Moscow. Moves in this direction were already underway by Sadat and Assad prior to hostilities, and both Libya and Saudi

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Arabia were offering financial backing to Cairo. For its part, the USSR undoubtedly welcomes the cash payments which not only will reduce the cost to it of the Mideast conflict but also will help cover this year's record payments deficit, estimated at \$2 billion.

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