



REFER TO DOS

Department of State

TELEGRAM

AID REVIEWED 05-May-2011: NO OBJECTION TO DECLASSIFICATION

CONTROL: 1 2 2 5Q
RECD: 04 APR '74, 213P

O 041737Z APR 74
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC IMMEDIATE 6029
BT
SECRET SECTION 1 OF 3 CAIRO 1839

Egypt

NODIS/CHEROKEE

DOS REVIEWED 19-May-2011: NO OBJECTION TO DECLASSIFICATION

EO 11652: XGDS
TAGS: EAID EG
SUBJECT: EGYPTIAN REQUEST FOR ECONOMIC AID

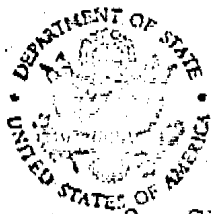
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1. SUMMARY: I SPOKE AT LENGTH WITH FAHMY ABOUT US ECONOMIC AID TO EGYPT ALONG LINES REFTTEL. IN DOING SO, I EMPHASIZED OUR DESIRE TO BE RESPONSIVE AND HIGH PRIORITY WE GIVE TO EGYPT, BUT THAT THIS COULD ONLY BE DONE THROUGHOUT CONSTITUTIONAL PROCESSES. I LAID OUT APPROVED AND CONTEMPLATED ITEMS OF ECONOMIC AND OTHER ASSISTANCE, INCLUDING SECRETARY'S INTENTION TO DISCUSS FY '75 PROGRAM WITH FAHMY WHEN HE SEES HIM. FAHMY'S GENERAL REACTION WAS THAT SPECIFIC ITEMS WE HAVE APPROVED ARE HELPFUL BUT INADEQUATE IN TERMS OF EGYPT'S REQUIREMENTS. HE CONTRASTED IT TO AID FOR ISRAEL. HE HOPED MAJOR EFFORT WILL BE MADE TO PERSUADE THE CONGRESS TO PROVIDE MORE SUBSTANTIAL ECONOMIC AID TO EGYPT IN THE FACE OF A GROWING SOVIET "SQUEEZE" AND OFFERED TO DISCUSS THIS HIMSELF WITH VARIOUS MEMBERS OF CONGRESS WHEN HE IS IN US. HE AGAIN EXPRESSED CONCERN THAT, WHILE HE UNDERSTANDS OUR CONSTITUTIONAL PROCESSES, EGYPTIAN PUBLIC DOES NOT. UNLESS EXPEDITIOUS HELP IS FORTHCOMING, IT WILL UNFAVORABLY CONTRAST PERIOD OF RELATIVE AVAILABILITIES DURING PAST TWENTY YEARS OF CLOSE RELATIONSHIP WITH SOVIETS WITH PRESENT GROWING COMMODITY SHORTAGES AND ATTRIBUTE THESE TO SADAT'S POLICY SHIFT. DESPITE HIS CARP-ING AND GENUINE CONCERN, I BELIEVE FAHMY GOT

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THE POINT. HE IS REPORTING APPROVED AND CONTEMPLATED ECONOMIC AID TO SADAT FOR HIS INFORMATION. END SUMMARY.

2. I HAVE JUST SPENT ALMOST TWO HOURS WITH FAHMY DISCUSSING REFERENCED SUBJECT. SIRRI WAS THE ONLY OTHER PERSON PRESENT. SESSION WAS TOUGH WITH AT TIMES BRUTALLY FRANK EXCHANGES ON BOTH SIDES. DESPITE THIS FACT IT COULD BE CONDUCTED IN POSITIVE ATMOSPHERE OF CLOSE COUNTRY-TO-COUNTRY AND PERSON-TO-PERSON RELATIONSHIPS THAT HAVE DEVELOPED. AS WILL BE SHOWN BELOW, FAHMY DID NOT LIKE MUCH OF WHAT I HAD TO SAY AND SCOFFED AT SOME OTHER ITEMS, BUT I BELIEVE THAT HE UNDERSTANDS OUR PROBLEMS. THIS DOES NOT, OF COURSE, MEAN THAT HE WILL NOT RAISE THIS MATTER AGAIN WITH EQUAL INTENSITY.

3. I FIRST REFERRED TO HIS PREVIOUS APPROACH TO ME (CAIRO 1728), WHICH I TOLD HIM I HAD FAITHFULLY REPORTED. AS I HAD TOLD HIM DURING THAT DISCUSSION, BOTH SIDES HAD TO RECOGNIZE THAT ANY ASSISTANCE TO EGYPT MUST BE IN CONTEXT US CONSTITUTIONAL PROCESSES AND WILL TAKE TIME. I HAD NOW RECEIVED A RESPONSE WHICH I WANTED TO SHARE WITH HIM. JUST AS HE HAD BEEN FRANK WITH ME, I WANTED TO BE FRANK WITH HIM. I KNEW THAT HE, AS MUCH AS ANYONE IN EGYPT, HAS BEEN A PRIME ARCHITECT IN THE NEW RELATIONSHIP WHICH HAS DEVELOPED BETWEEN OUR TWO COUNTRIES. IT WAS IMPORTANT, THEREFORE, THAT HE BE VERY CLEAR ON THE SITUATION WITH RESPECT TO ECONOMIC AID TO AVOID ANY FUTURE MISUNDERSTANDING. I ASKED HIM TO ACCEPT MY OFFICIAL AND PERSONAL WORD THAT WHAT I HAD TO TELL HIM WAS IN THE CONTEXT OF A GENUINE DESIRE OF TOP LEVEL USG OFFICIALS FROM THE PRESIDENT ON DOWN TO DO EVERYTHING POSSIBLE TO BE RESPONSIVE TO EGYPT'S NEEDS. I HAD ALSO TO REQUEST, HOWEVER, THAT HE BE REALISTIC ABOUT WHAT IS POSSIBLE AND HOW THIS HAS TO BE HANDLED.

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SECRET SECTION 2 OF 3 CAIRO 1839

NODIS/CHEROKEE

4. I THEN WENT THROUGH VARIOUS PREFATORY POINTS, WITH NUMEROUS INTERRUPTIONS BY FAHMY. HE REPEATEDLY INSISTED THAT OUR CONSTITUTIONAL PROCESSES ARE NOT HIS CONCERN. WHILE HE CLAIMED TO UNDERSTAND THEM, HE SAID WE SHOULD UNDERSTAND SADAT'S AND HIS URGENT NEED FOR HELP. HE KEPT TALKING ABOUT THE NEED FOR PRESIDENT NIXON AND THE SECRETARY TO IMPRESS THIS SALIENT FACT UPON THE CONGRESS BY WHAT HE CALLED "BREAKFAST" MEETINGS. I TOLD HIM THAT HE COULD BE SURE PRESIDENT NIXON AND THE SECRETARY HAVE BEEN WORKING ON THIS, NOT ONLY IN BREAKFAST MEETINGS BUT ON EVERY POSSIBLE OCCASION. WHETHER WE LIKE IT OR NOT, ALL OF US HAVE TO RECOGNIZE THAT THIS EFFORT IS BEING MADE IN THE FACE OF GROWING PUBLIC AND CONGRESSIONAL DISENCHANTMENT WITH FOREIGN AID. NO MATTER WHO THE RECIPIENT, IT IS BEING WEIGHED AGAINST URGENT DOMESTIC NEEDS. I WAS NOT TRYING TO BE NEGATIVE, BUT WANTED HIM TO BE CLEAR ON THE VERY REAL HURDLES THAT MUST BE CROSSED IN THIS EFFORT. HERE FAHMY INTERJECTED SARCASTICALLY THAT THIS DOES NOT SEEM TO APPLY WHEN IT COMES TO ISRAEL. I TOLD HIM THAT I WOULD NOT DENY ISRAEL HAS A MUCH GREATER BASE OF POPULAR AND CONGRESSIONAL SUPPORT, BUT THE BASIC QUESTION APPLIES IN THE CASE OF ISRAEL AS WELL. SADAT'S POLICIES HAVE INDEED DONE MUCH TO ERASE THE RESIDUAL NEGATIVISM THAT HAS LONG PREVAILED IN THE CONGRESS ON ECONOMIC ASSISTANCE TO EGYPT, BUT THERE IS STILL A LONG WAY TO GO. CONSTITUENCY BUILDING IS AN ESSENTIAL BUT BY DEFINITION SLOW PROCESS.

5. RECALLING HIS QUERY WHAT HE COULD SAY ABOUT US HELP TO DATE, I WENT THROUGH THE VARIOUS ITEMS UNDER PARA 6. ON THE MINE CLEARANCE, HE WANTED TO KNOW THE REASONS FOR

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THE DELAY IN BEGINNING THE OPERATION. HE UNDERSTOOD FROM SCA HEAD MASHHOUR THAT THE US NAVY HAS JUST DELAYED SENDING AN ADVANCE PARTY OF TEN OFFICERS. DID THIS MEAN THAT WE WERE PULLING OUT OF THE JOB? I TOLD HIM IT DID NOT. WE ALREADY HAVE AN ADVANCE PARTY HERE AND I COULD ASSURE HIM THAT WE WILL HONOR THE COMMITMENT WE HAVE MADE TO THE GOE. (I HAVE JUST HEARD ADMIRAL MCCAULEY ARRIVES TOMORROW, AND WILL GET WORD TO FARMY ABOUT THIS.)

6. WHEN I MENTIONED OUR WILLINGNESS, SUBJECT TO PRIOR APPROVAL OF THE CONTRACT, TO PAY THE COSTS OF PACIFIC MURPHY'S SALVAGE CONTRACT, FARMY SAID HE WAS GLAD TO HAVE CONFIRMATION, BUT CLAIMED HE ALREADY KNEW THIS. MURPHY PACIFIC HAD EXCHANGED TELEGRAMS WITH SCA SO INDICATING (I ASSUME THIS IS ORIGINAL BARRACCA MESSAGE MENTIONED IN CAIRO 1775). HE NOTED THESE TWO ITEMS COME TO ABOUT TWENTY MILLION DOLLARS AND WANTED TO KNOW WHAT ELSE WE ARE PREPARED TO DO FOR EGYPT GRATIS. HE RECALLED THAT IN PRESENTING THE PRESIDENT'S REQUEST HE HAD ASKED THAT THE ITEMS THEREON BE EITHER "DONAZED" OR ON CREDIT. THE REOPENING OF THE CANAL, HE INSISTED, IS NOT LIKELY TO ASSIST EGYPT'S ECONOMY. WITHIN A YEAR THEREAFTER, THE ARAB OIL PRODUCING STATES, AND ESPECIALLY KUWAIT, WILL CEASE THEIR SUBSIDIES AND EGYPT WILL BE JUST WHERE IT WAS. HE WOULD MAKE BOOK ON THE CORRECTNESS OF THIS JUDGMENT.

7. WE THEN WENT THROUGH THE DEPARTMENT OF AGRICULTURE CCC CREDIT OF 24.7 MILLION DOLLARS AND THE VARIOUS COMMODITIES INDICATED IN PARAS 4C AND D. ON THE MATTER OF WHEAT, FARMY WAS EXPLOSIVE. WE HAD SOLD 28 MILLION TONS OF WHEAT TO THE SOVIETS IN 1972 AT LOW PRICES, HE CHARGED,

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CAUSING ALL OTHER WHEAT BUYERS TO HAVE TO PAY
HIGHLY INFLATED PRICES ON THE OPEN MARKET. WE WERE NOW
ASKING EGYPT TO PAY FOR WHEAT. HE RECALLED THAT THE
INDIAN AMBASSADOR HAD TOLD HIM THE SOVIETS AGREED TO
GIVE INDIA TWO MILLION TONS OF US-PROVIDED WHEAT WITHOUT
ASKING ANY PAYMENT WHATSOEVER. HE HAD MENTIONED THIS
TO BREZHNEV, PODGORNYY AND GROMYKO IN MOSCOW AND HAD
ASKED FOR SIMILAR TREATMENT, BUT THE SOVIETS HAD ONLY
RESPONDED THEY WILL CONSIDER MATTER. HE REITERATED THAT
THE SOVIETS ARE "SQUEEZING" EGYPT ON ITS NEEDED COM-
MODITIES AND ON OTHER MATTERS BECAUSE SADAT HAS TURNED
AWAY FROM THEM. SADAT NEEDS URGENT USG ASSISTANCE TO
JUSTIFY ITS POLICY REORIENTATION IN THE EYES OF ITS OWN
PUBLIC.

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8. FAHMY HAD NO COMMENT ON INDUSTRIAL COMMODITIES. HE WAS INTERESTED IN OUR COMMENTS ON LONGER RANGE PLANS FOR ASSISTANCE TO EGYPT AND SAID HE LOOKS FORWARD TO DISCUSSING THE SUBJECT WITH THE SECRETARY.

9. ON FERTILIZER, I GAVE HIM SUBSTANCE OF STATE 55733, EMPHASIZING THAT THIS HAD BEEN A CONSIDERABLE EFFORT ON OUR PART. IN THIS CONNECTION, I AGAIN STRESSED THE CURRENT GLOBAL SHORTAGE OF FERTILIZERS. THIS LED HIM INTO HIS PREVIOUS CHARGE THAT US COMPANIES HAVE ON WORLDWIDE BASIS PREEMPTED FERTILIZER PURCHASES. I TOLD HIM I HAD HOPED HE WOULD AGAIN MENTION THIS. I HAD TO TELL HIM, WITH ALL DUE RESPECT TO HIS BROTHER IN THE FERTILIZER BUSINESS, THAT THE CHARGE IS NOT SUBSTANTIATED BY THE FACTS. I THEN GAVE HIM SUBSTANCE STATE 64464, POINTING OUT EGYPT HAS PREVIOUSLY PURCHASED FERTILIZER ON A TENDER BASIS AND THAT INTERNATIONAL SUPPLIERS ARE UNDERSTANDABLY TAKING CARE OF LONG-TERM OBLIGATIONS FIRST. FAHMY LAUGHED AND DID NOT PURSUE THE POINT.

10. I FINALLY CONCLUDED THAT HE AND SADAT SHOULD UNDERSTAND THAT AS A MATTER OF POLICY, EGYPT WILL RECEIVE HIGH PRIORITY AND A MAJOR EFFORT WILL BE MADE BY THE ADMINISTRATION TO SEEK TO BE HELPFUL. BUT GOE SHOULD NOT EXPECT THE IMPOSSIBLE. THE NEW ERA OF RELATIONSHIPS WHICH WE BOTH WISH TO NURTURE MUST, IF IT IS TO BE SUCCESSFUL, BE BUILT ON A FOUNDATION OF MUTUAL UNDERSTANDING OF REALITIES.

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11. FAHMY ARGUED THAT SADAT AND HE MAY UNDERSTAND THIS, BUT THE EGYPTIAN PUBLIC WILL NOT. HE DID NOT WITH TO APPEAR UNAPPRECIATIVE OR TO SOUND ALARMIST, BUT EGYPTIANS AT ALL LEVELS WILL SHORTLY BEGIN TO CONTRAST WHAT EGYPT HAS BEEN GETTING IN PAST TWENTY YEARS FROM SOVIETS WITH MEAGER US SUPPORT TO DATE. IF THERE ARE COMMODITY SHORTAGES IN EGYPT, AS THERE CURRENTLY ARE BECAUSE SOVIETS HAVE REFUSED TO PROVIDE NEEDED ECONOMIC HELP EXCEPT ON CASH BASIS, THESE WILL BE LAID AT THE DOOR OF SADAT'S AND HIS POLICY SHIFT. HE REPEATED THAT IF VAST AMOUNTS OF AID CAN BE GOTTEN FROM THE CONGRESS FOR ISRAEL, THIS SHOULD ALSO BE POSSIBLE FOR EGYPT IN THIS NEW ERA. HE OFFERED TO SPEAK TO THE APPROPRIATE SENATORS AND CONGRESSMEN AND TO IMPRESS UPON THEM THE POLICY REORIENTATION THAT HAS TAKEN PLACE AND ITS STRATEGIC AND POLITICAL IMPLICATIONS. IF THIS POLICY IS TO BE SUSTAINED BY SADAT, THEY TOO MUST REALIZE THAT GENEROUS US ECONOMIC AND OTHER AID MUST EXPEDITIOUSLY BE FORTHCOMING. IN THE PAST VISITING CONGRESSMEN HAVE CONSTANTLY TAXED GOE FOR TYING ITSELF TOO CLOSELY TO THE SOVIETS. NOW EGYPT HAS CUT LOOSE, AND IT IS TIME FOR THE CONGRESS TO HELP SHOW THAT THE DECISION TO DO SO IS INFACIT IN EGYPT'S BEST INTEREST.

12. FAHMY INSTRUCTED SIRRI TO DRAFT MEMORANDUM FOR SADAT ON APPROVED AND CONTEMPLATED US ECONOMIC AND RELATED AID. I STRESSED TO HIM THAT WE REGARD OUR REPLY AS POSITIVE AND THAT I HOPED IT WOULD BE SO PRESENTED TO THE PRESIDENT. I LATER WENT THROUGH THE POINTS AGAIN WITH SIRRI, AGAIN EMPHASIZING THEIR POSITIVE NATURE. SIRRI INDICATED UNDERSTANDING TO THE SITUATION AND ASSURED ME HE WILL SO PRESENT WHAT I HAD TOLD FAHMY.

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13. COMMENT: REFMSG IS AN EXCELLENT ONE AND I KNOW HOW MUCH EFFORT HAS GONE INTO ITS SUBSTANCE. FAHMY REACTED AS I EXPECTED HE WOULD. BASICALLY HE UNDERSTANDS THE PROBLEM, THOUGH I SUSPECT HE HAD HOPED THERE MIGHT BE A GREATER USG PREPAREDNESS TO BE EXPEDITIOUSLY RESPONSIVE TO EGYPT'S NEEDS. CURRENT TOUGH SOVIET STANCE ON PROVIDING FURTHER ECONOMIC ASSISTANCE IS BRINGING HOME TO EGYPTIAN LEADERSHIP EXTENT TO WHICH THEY HAD BECOME DEPENDENT UPON USSR AND VULNERABILITY THIS HAS CREATED. FAHMY WILL DOUBTLESS CONTINUE TO CARG AND, ATTUNED AS HE IS TO VAGARIES OF EGYPTIAN PUBLIC SENTIMENT, TO BE RESTIVE ABOUT WHAT HE REGARDS AS OUR SLOW PROCEDURES, BUT I AM SURE HE HAS GOTTEN THE POINT.

14. IN VIEW SOME OF FAHMY'S COMMENTS, I HAVE PREFERRED PUT THIS IN CHEROKEE CHANNELS.

EILTS

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