

THE WHITE HOUSE
WASHINGTON

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November 22, 1975

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BRENT SCOWCROFT

SUBJECT:

Information Item

State Dept. review completed

Egyptian Foreign Aid Prospects: In an analysis of Egypt's prospects for foreign aid, State concludes that President Sadat's gamble that he would receive enough foreign aid this year to permit an additional increase in imports (estimated at 60 percent) has paid off. Although he wants another \$3 billion in foreign aid during 1976, which would allow increased imports to continue, a number of factors are working against this, including: the continued Egyptian reluctance to undertake the necessary economic reforms; the widely held feeling among potential donors that being generous with Egypt encourages profligate spending on imports; the reduction of tensions in the Middle East; and the feeling among Western aid donors that the U.S. will pick up more and more of the tab because of our desire for a Middle East settlement.

In another year or two, however, Egypt may be able to increase its foreign exchange export earnings substantially above the current annual level of about \$1.3 billion. Receipts could double over the next two to three years because of increased earnings from oil exports and from Suez Canal tolls, substantial increases in tourist spending in Egypt, and completion of the pipeline transporting oil from Suez to Alexandria for transshipment to Europe. Even a doubling of export earnings, however, would still cover only about one-half of Egypt's \$5 billion 1975 import bill. While foreign aid in 1976 and thereafter probably will not be as generous as Egypt would like, chances are good that donor nations will provide enough to permit the economy to continue to muddle through at a very low standard of living for the average Egyptian and at a slow growth rate.

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