

**SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE
FOR ISRAEL AND EGYPT**

**HEARINGS AND MARKUP
BEFORE THE
COMMITTEE ON
FOREIGN AFFAIRS
AND ITS
SUBCOMMITTEES ON INTERNATIONAL SECURITY
AND SCIENTIFIC AFFAIRS
AND ON
EUROPE AND THE MIDDLE EAST
HOUSE OF REPRESENTATIVES
NINETY-SIXTH CONGRESS
FIRST SESSION**

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SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE FOR ISRAEL AND EGYPT

THURSDAY, APRIL 26, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEES ON INTERNATIONAL
SECURITY AND SCIENTIFIC AFFAIRS
AND ON EUROPE AND THE MIDDLE EAST,
Washington, D.C.

The subcommittees met jointly at 10:10 a.m., in room 2200, Rayburn House Office Building, Hon. Lee H. Hamilton, (chairman of the Subcommittee on Europe and the Middle East) presiding.

Mr. HAMILTON. The meeting of the subcommittees will come to order.

Today the Subcommittee on International Security and Scientific Affairs and the Subcommittee on Europe and the Middle East meet in open session to discuss the recently concluded Egyptian-Israeli treaty, its accompanying documents, the upcoming agenda for further Middle East peace talks, and specifically the pending request for \$4.8 billion in economic and military aid for Israel and Egypt. The Egyptian-Israeli treaty represents a key milestone on the road toward a comprehensive Middle East settlement. Crucial to its success is whether or not we are able to build on it in the coming months and work with skeptical friends in the Arab world who cannot or will not view the treaty as part of a process but rather only see it as an end, indeed, a dead end.

Today we meet to hear testimony from Assistant Secretary of State for Near Eastern and South Asian Affairs, Harold Saunders; Lt. Gen. Ernest Graves, Director, Defense Security Assistance Agency, Department of Defense; Herbert Hansell, Legal Adviser to the State Department; and Joseph C. Wheeler, Assistant Administrator, Agency for International Development.

Mr. Saunders and General Graves, I think you both have prepared statements. Those statements will be entered into the record in full, and we have many questions for you. We would appreciate very much a brief summary of your statements.

Mr. Saunders.

STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. SAUNDERS. Thank you, Mr. Chairman.

You have already discussed at some length the details of the treaty itself with Ambassador Atherton. I will leave those aside for the ques-

tion period. I thought this morning I should concentrate on the associated documents and commitments which are of operational concern to the committee today.

Let me, though, as background for this, just put on the record our common recognition, I believe, that the Egyptian-Israeli peace treaty is a milestone of great significance in the history of the Middle East. It is important in the context of a wide range of American interests, as well as in the interest of people living in the Middle East.

It is also important, I think, because it responds both to a range of American strategic political and economic interests and to a range of American moral commitments to the people of the area.

Not less important is the fact that progress toward peace in the Middle East is surely less costly to the United States than continuation of the cycle of wars we have seen there over the last 30 years. I would be the last to claim that one can calculate the cost of war even in economic terms, because of its sweeping ramifications throughout the economies of the world. But if you total up, as we have tried to do recently, some of the immediately identifiable costs of wars in the Middle East, we get figures upwards from \$50 billion to the United States alone, and that does not take into account the loss of jobs which resulted from the embargo of 1973 and 1974 and so on.

I do not want to pin much on any individual figure because it would be misleading to do so. I simply want to make the point that war in the Middle East is tremendously costly to America, as it is to the developing and other developed nations of the world, and it is against that background that the administration is presenting to the Congress the particular proposal for a \$4.8 billion package following the signing of the Egyptian-Israeli peace treaty.

In discussing this package which is of specific concern to the committee this morning, I would simply stress three general points. First of all is that the program itself is designed to stretch over 3 years in the expenditure of the funds even though the appropriation of the funds and their obligation is needed early so that the disbursements can take place within that period, for reasons we can discuss in detail later.

The second point is that the impact of this program on our budget is considerably less than the total dollar value of the program itself. This very simply, as committee members know, is the result of the fact that in our foreign military sales program, it is necessary only to appropriate some 10 percent of the value of the program in order to generate credit from private banks that will provide the necessary funds for the rest of the program.

The third point that I would make, and I know this is of concern to a number of us, in that the new debt burden which will result for Egypt and Israel from the credits which would be extended under this program, while substantial, will, we believe, be manageable, and we will be prepared to discuss our assessments of the economics in that connection as well.

I do not believe I need to review the numbers for this committee, so I will not do so unless you would like me to later on. Let me simply say that the rationale for the military program for Israel, besides helping with the costly withdrawal from the Sinai within a very limited 3-year period designated in the treaty, will enable Israel to con-

tinue the modernization of its military establishment against continuing security threats from elsewhere in the area.

The \$1.5 billion security program for Egypt will help it to replace equipment in its military establishment, rendered obsolete by the Soviet embargo. It will also, we expect, enable President Sadat to modernize and reduce the size of his forces as he has stated he intends to do.

In addition to the security assistance we have outlined, there is a \$300 million package of economic assistance over this 3-year period to help President Sadat bring the benefit of peace to his people. Since the first conversations that an American Secretary of State had with President Sadat late in 1973, it has been clear to us that one of his primary purposes in pursuing peace with Israel has been to enable the leaders of Egypt to turn their attention, energies, and resources to the benefit of the people of Egypt. We have now reached that stage.

The Egyptian Government is turning its attention in that direction, and this economic assistance package is an additional step on our part to help with that process.

There are two other documents associated with the treaty, two memoranda of agreement concluded between Israel and the United States. The first of these was a memorandum of agreement between the United States and Israel providing assurances of continued U.S. interest that the terms of the treaty between the two countries be scrupulously observed. It also provided that the United States would consult in the event of a violation of the treaty.

We offered a similar memorandum of agreement to Egypt, but Egypt declined this offer and Israel accepted. The memorandum which was agreed to was designed primarily to convey significant political reassurance to Israel as it undertook the momentous step of signing the treaty and commencing a total withdrawal from the Sinai.

We consulted with Members of Congress in the course of the negotiation of that agreement, and I think we should record here our conviction that the document continues to recognize that the full freedom of action, full judgment and discretion as to whether to act, in response to a threatening situation, and what action to take, is reserved to the United States.

Ultimately, of course, these assurances can only supplement the efforts of the parties themselves, and we have every reason to believe that the two parties are determined to fulfill the terms of the treaty which they have signed scrupulously.

The second associated document is a memorandum of agreement with Israel on the supply of oil. Essentially, in the context of the peace treaty, the United States has given Israel emergency oil supply commitments for 15 years, extending a period of time to which we were committed under the Sinai II agreement. I think it is important to say that it seems unlikely that the United States would have to provide significant amounts of American-produced oil for a protracted period under this agreement, and that even if we did, the amounts would be small, considerably less than 1 percent of our own domestic consumption.

It is important to underscore the importance of this agreement with Israel, as Israel undertook to withdraw from the oilfields in the occupied Sinai. This is the context in which this concept of such a

commitment to Israel came up in 1975 in a more amended way. It came up again in the context of the peace treaty, because Israel is withdrawing from a sure supply of 30,000 to 35,000 barrels of oil per day, plus or minus, from the oilfields it had occupied, and felt the need to assure that with the cutoff of oil supply from Iran it would not suffer a continuing deficit in the supply of oil that it needs.

Finally, I would simply say, Mr. Chairman, that this treaty, while a significant milestone, is, as it states in its own preamble, one important move toward a comprehensive peace. The two parties have committed themselves to continue the negotiation.

Now turning to the complex problems of the West Bank and Gaza, those negotiations are scheduled to begin 1 month from yesterday. The Israelis and Egyptians have begun putting together their negotiating teams, and as you well know, President Carter announced the day before yesterday that Ambassador Robert Strauss would head the American side in those negotiations.

I believe that that appointment is one more demonstration of the President's determination to continue this effort with all the vigor that has been applied to the conclusion of the Egyptian-Israeli peace treaty. The issues are complex. In many ways they are new issues for all of us. It is not really possible at this stage of the game to talk in detail about how those issues will be dealt with, but the negotiations will begin in about 1 month's time.

I would just say one final word, Mr. Chairman, I think it is appropriate that this hearing be held, that this committee be meeting with us in the executive branch on this day, which is the first full day of peace between Egypt and Israel since the instruments of ratification of the peace treaty were exchanged yesterday between Egyptian and Israeli representatives in the Sinai. The treaty of peace came into effect formally with that act, and today the sun has risen over the Middle East for the first time in 30 years with Egypt and Israel at peace.

Thank you very much.

[Mr. Saunders' prepared statement follows:]

PREPARED STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. Chairman, since you have discussed the Egypt-Israel Peace Treaty in detail with Ambassador Atherton, I propose to concentrate today on associated agreements of operational concern to the Congress and to look ahead toward the next stage of negotiations aimed at a comprehensive settlement for the Middle East.

I am sure that you share my belief that the treaty between Egypt and Israel is a milestone of great significance on the road toward an eventual complete and just settlement of the Arab-Israeli conflict.

The treaty offers a true peace. It provides for the security and integrity of the two nations; it opens new avenues for trade and communication, for economic, scientific and social betterment, and for the enhancement of learning and cultural exchange.

For Israel, the treaty is a major step forward in achieving the dream of the Jewish people to live peacefully and normally within secure and recognized borders in their modern state.

For Egyptian and Arab interests, the treaty package achieves restoration of the exercise of Egyptian sovereignty throughout the Sinai and begins progress toward an honorable and comprehensive resolution of the Arab-Israeli conflict. Importantly, it sets in motion in relation to the West Bank/Gaza a political process which will advance significantly legitimate Arab objectives while assuring Israel's security and right to live in peace with its neighbors.

This treaty and its associated documents is, therefore, an event of immense importance for the Israeli and Arab peoples. It is of immense importance to us as well.

U.S. SECURITY AND ECONOMIC ASSISTANCE

The United States' commitment to peace in the Middle East derives from important political, moral and economic interests. Americans have long-standing friendships with the peoples of the Middle East, and a deep and permanent moral commitment to the idea that each of them should enjoy the fruits of peace.

Four Arab-Israeli wars have brought bloodshed and untold suffering to the peoples of this region, and any step toward an end to the cycle of death and destruction is surely worthy of our firm support.

What is more, even in purely economic terms peace is surely less costly to our country than a continuation of the state of war. The U.S. and the rest of the world have paid an incalculable economic price for war because of disruptions caused to our economy and the economies of others. It has been estimated, for example, that even a partial reckoning of the direct cost to U.S. taxpayers for four Middle East wars totals something between \$55 and \$70 billion while the price we have paid in inflation, unemployment and other adverse economic developments attributable at least in part to Middle East instability would add billions more to this total. It is against these considerations that we are asking Congress to consider our contribution to the nurturing of the immensely important beginning that has been achieved. We believe the cost to the U.S. of what we propose is small compared to the potential costs and dangers of further Middle East hostilities.

In discussing the aid package for Israel and Egypt, I want to stress three general points: (1) the program will stretch over three years; (2) the impact on our budget is considerably less than the total amount of money to be generated for the program because the use of U.S.-guaranteed loans from private banks obviates the need for Congress to appropriate money for the entire value of the FMS credits program; and then (3) the terms of our additional assistance will not impose an unreasonable new debt burden on either Israel or Egypt.

The bulk of the additional assistance we envisage for Israel and Egypt is to help them meet their urgent security requirements. It totals about \$4.5 billion over three years—approximately \$3 billion for Israel and \$1.5 billion for Egypt. Of the amount for Israel, \$800 million will be in grant aid money for the construction of two airfields in the Negev to replace those being given up in the Sinai, thereby enabling Israel to withdraw in the allotted three years in conditions of security. The remaining sum for Israel, and the full amount for Egypt, are in the form of foreign military sales credits.

The military program for Israel, besides helping the costly withdrawal from the Sinai, will enable Israel to continue the modernization of its military establishment against continuing security threats in the area. The \$1.5 billion military program for Egypt will help it to replace equipment in its military establishment rendered obsolete by the Soviet embargo.

In addition to the security assistance I have outlined, we plan an additional \$300 million in economic assistance for Egypt over the three years to help President Sadat bring the benefits of peace to his people.

Since Congress will need to appropriate only 10 percent of the total amount to guarantee the credits, the actual budgetary impact of the \$4.5 billion we contemplate requesting for military programs will amount to only \$1.17 billion for the American taxpayer. The total \$4.8 billion security and economic program will require \$1.47 in appropriation. This assistance is in addition to our current assistance programs to both countries, which involve \$1.785 billion for military and economic assistance to Israel, and almost \$1 billion in economic aid to Egypt.

We have already begun to urge our friends and allies to contribute meaningfully to the reinforcement of peace. We hope that trade, investment, and economic assistance flows will expand. The World Bank has a role to play also. This is a matter we will pursue vigorously. The entire world will benefit from Middle East peace.

ABILITY TO REPAY THE LOANS

Questions have been asked whether Israel, in particular, will be able to live with the added debt burdens. We believe that both Egypt and Israel will be able to cope. The ratio of debt service to export earnings in Israel has declined

from a high of almost 28 percent in 1975 to 23 percent in 1978. We anticipate this favorable trend will continue for several years, even with the added burdens of the new debts. Egypt's foreign exchange situation is improving and its foreign debt situation is being managed satisfactorily.

MEMORANDUM OF AGREEMENT

It would be appropriate to note at this point that the United States offered to Egypt and Israel assurances of continued U.S. interest that the terms of the treaty between the two countries be scrupulously observed and agreement to consult in the event of violation of the treaty. Egypt declined the offer, but Israel accepted. The memorandum subsequently agreed to was designed primarily to convey significant political reassurance to Israel as it undertook the momentous step of signing the treaty and commencing a total withdrawal from the Sinai. The memorandum with Israel commits the United States to continue its support of the peace process and to take appropriate measures to promote full observance of the treaty of peace. The United States agreed to consult with the parties if there has been any violation of the treaty and to take whatever remedial measures it deems appropriate, subject to U.S. constitutional processes and applicable law. It is important to recognize that full freedom of action, full judgment and discretion as to whether to act and what action to take is reserved to the United States.

Ultimately, these assurances can only supplement the efforts of the parties themselves. The United States does not intend, and never intended, to play the role of policeman. Egypt and Israel signed the treaty in good faith and committed themselves to work in good faith for peace with Israel's other neighbors. We believe they intend to carry out these commitments.

U.S. OIL AGREEMENT WITH ISRAEL

In addition to our proposed economic and security assistance the United States has also agreed to help Israel overcome uncertainties regarding future petroleum requirements. In the context of the peace treaty, the United States has given Israel an emergency oil supply commitment for 15 years. As with the prior commitment, the United States would be called upon only if Israel cannot make independent arrangements to meet its own domestic consumption requirements through normal procedures.

The agreement envisions Israel's paying for any oil which might be provided from the United States at rates comparable to world market prices current at the time of transfer, and in any case Israel would reimburse the United States for costs incurred by it in providing oil from whatever source.

In regard to the U.S. understanding on oil, I would like to emphasize two points.

First, it seems unlikely that the United States would have to provide significant amounts of American produced oil to Israel for a protracted period. The Israelis so far have avoided having to call on our 1975 commitment and we believe they will do everything possible to avoid calling on this one. If called upon to respond, we would look first to using our good offices to help Israel procure oil from abroad and only then turn to our own production as a last resort.

In any case, the total Israel domestic consumption requirement is so modest—less than 1 percent of our own—the amount of oil we might be called upon to provide, probably for short periods, would be relatively insignificant. Using the Iran situation for example, the shortfall induced by cutting off that 60 percent of Israel's oil, could easily be accommodated using less than one-half of 1 percent of U.S. daily consumption. And we would, of course, have access to the world market to acquire the oil needed to make up that shortfall.

Second, the events in Iran highlight the crucial strategic importance of assured long term oil supplies to Israel's security. It is impossible to overstate the importance of the oil supply commitments undertaken by both Egypt and the United States in making it possible to conclude an agreement and sign the Peace Treaty. This commitment does impose a potential additional burden on the United States, but we feel it is relatively modest and well justified.

TOWARD A COMPREHENSIVE SETTLEMENT

The treaty of peace between Egypt and Israel is a reality which is now ratified and firmly in place. There is, however, a long way to go before a comprehensive

settlement, which can be the only guarantee of Middle East peace, is achieved.

At Camp David, a framework for negotiations toward a comprehensive settlement of all outstanding issues in the Arab-Israeli dispute, including the key Palestinian issue, was agreed to. In the final days of negotiations for the Egyptian-Israeli treaty, both President Sadat and Prime Minister Begin renewed their commitment to the undertakings made at Camp David. Both leaders reaffirmed that they do not want a separate peace between their two nations. These commitments are of crucial importance to the prospect for a comprehensive peace.

Also of crucial importance is President Carter's promise, made before the Egyptian People's Assembly March 10, and I quote:

I pledge to you today that I also remain personally committed to move on to negotiations concerning the West Bank and the Gaza Strip and other issues of concern to the Palestinians and also to future negotiations between Israel and all her neighbors. I feel a personal obligation in this regard.

We are determined to see that every effort is made to maintain the momentum we have so far achieved toward a just and durable settlement of the Arab-Israel conflict in all its aspects. It is our profound hope that those who are directly concerned but still uninvolved will be persuaded to join this process, and that all nations that care for peace will lend their support to this treaty and to the continuing effort ahead.

If progress is made on the West Bank/Gaza and basic Palestinian issues, Arab doubts about the Egyptian-Israeli treaty should begin to subside. We will continue in our efforts to persuade Arab leaders that the treaty represents the beginning of a new, realistic way to proceed, and that opposition to it will surely damage the prospects for peace in the Middle East. The United States is determined to demonstrate that the negotiations dealing with the Palestinian issues are serious and can produce results that will respect the legitimate rights and just requirements of the Palestinian people while protecting Israel's security.

President Sadat and Prime Minister Begin have agreed to negotiate in good faith, with a goal of completing those negotiations within one year, to reach an agreement on the modalities for holding elections to a self-governing authority for the West Bank and Gaza, and on the powers and responsibilities of that body. As you know that is the beginning of a process agreed in the Camp David framework involving further negotiations and enabling the Palestinians to participate, as they have every right to do, in determining their own future. They can participate in setting up their self-governing authority and in the subsequent negotiations to determine the final status of the West Bank and Gaza, as well as in the negotiations for an Israel-Jordan Peace Treaty.

The framework for peace established at Camp David and the achievement of the Egypt-Israeli treaty are parts of a process that has not been concluded. They provide the indispensable foundation and the first effective step on the road to a just and lasting peace. The challenges ahead are formidable and overcoming them may at times tax our patience and our fortitude. But, for the first time, a concrete beginning has been made toward peace in this troubled region, and a real opportunity exists to complete the task.

Our intention is to help make this treaty the foundation for a wider and greater peace that all the Middle East may join and all the world support. We are determined to remain steady on this course and to turn our intentions into a reality.

Mr. HAMILTON. Thank you, Mr. Saunders.
General Graves.

STATEMENT OF LT. GEN. ERNEST GRAVES, U.S. ARMY, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT OF DEFENSE

General GRAVES. Mr. Chairman, to summarize very briefly my statement does outline the features of the security assistance effort which the President has proposed in support of the peace treaty. Mr. Saunders has already highlighted certain key features of the security assistance package.

Let me simply emphasize that in the case of Israel, there is grant aid for the United States to provide goods and services for the construc-

tion of two airfields in the Negev. There is credit for the purpose of helping Israel with the relocation of other facilities in the Negev, and also for equipment which Israel will need to assure its security under the new territorial arrangements. And for Egypt there are credits for equipment to replace Soviet equipment which is obsolete and which no longer can be maintained in the absence of spare parts from the Soviet Union. There is also economic aid.

Mr. Saunders mentioned that today is the first day of peace, and I want to second our high feelings on that occasion. However, as someone responsible for carrying out these provisions, I am reminded now that the clock is starting to tick and we have but 3 years to carry out a massive effort in assisting Israel in its relocation. I can assure you that the U.S. Army Corps of Engineers, which is charged with building these two airfields, is very aware of this fact and they are most anxious to receive the authority from Congress to proceed with this major work they have to do in the Negev.

I will be glad to answer any questions, Mr. Chairman.
[General Graves' prepared statement follows:]

JOINT PREPARED STATEMENT OF LT. GEN. ERNEST GRAVES, U.S. ARMY, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY AND ROBERT J. MURRAY, DEPUTY ASSISTANT SECRETARY, NEAR EASTERN, AFRICAN, AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF DEFENSE

Mr. Chairman, Members of the Committee: It is a pleasure to be with you this morning as the committee continues its consideration of the legislation proposed by the President to help implement the Peace Treaty between Egypt and Israel.

Assistant Secretary Saunders has described for the Committee the importance of the Peace Treaty to U.S. interests and how the proposed legislation would further the peace process.

We will discuss in greater detail how the basic elements of the proposed legislation will affect implementation of the treaty.

The President's proposal seeks \$1.47 billion to fund \$4.8 billion in special financial aid for the two countries. Of the total, \$3 billion would be made available to Israel for the following purposes:

\$800 million in grant assistance to provide goods and services required to relocate two Israeli airbases to the Negev; and

\$2.2 billion in foreign military sales credit to help finance the costs of relocating other physical facilities from the Sinai and some equipment consistent with the new territorial arrangements. Repayment of the credit would extend over 30 years, with an initial grace period of 10 years on repayment of principal.

This assistance for Israel will meet much, but not all, of the costs of relocating the forces that Israel is required to withdraw from the Sinai under the Peace Treaty. It is not intended to provide for the modernization of Israeli forces, which is handled in the course of our normal assistance programs.

Egypt would receive \$1.8 billion for the following purposes:

\$1.5 billion in military sales credit financing, on the same terms offered to Israel, to replace certain equipment of the Egyptian forces; and

\$300 million in special economic aid loans.

Egypt receives other economic assistance under the regular assistance program, but receives no other military sales credit financing.

The assistance for Israel will not meet all Israel's relocation costs. Similarly the assistance for Egypt does not meet all of Egypt's equipment needs. As the President has indicated, the financing package reflects a careful assessment of the near term burdens of the treaty balanced against the military and economic circumstances of each country. Future U.S. influence in the Middle East depends on the desires of all affected countries that we not unfairly support any one country. The levels of aid and the terms are the result of a careful balancing of foreign policy needs and fiscal policy constraints, recognizing our current budgetary restraints and the need to avoid imposing any unnecessary burden on the U.S. taxpayer.

The programs for both countries can be carried out with \$1.47 billion in appropriations because much of the military financing will take the form of guaranteed loans. Loans extended by the Federal Financing Bank, which will be the case here, may be guaranteed by reserving 10 percent of the value of the loan in appropriated funds. Hence, \$370 million in appropriated funds makes possible \$3.7 billion in credits.

The proposed legislation is intended to help both parties implement the treaty over a three year term, the period during which Israeli forces must withdraw from the Sinai. To this end, the legislation seeks the full \$1.47 billion this year. The funds will be drawn down over a three-year period, but they must be available immediately.

It is particularly important that \$800 million in grant funds be available this year for the construction of the two airbases for the relocation of Israeli air units. We must have the facilities required for initial operational capability completed within three years of the exchange of ratification instruments. To meet this schedule we need full funding so that we can award contracts for the entire scope of work as soon as Congress enacts the appropriation.

Construction will be handled by the U.S. Army Corps of Engineers, using three prime contractors for design and construction work. In order to minimize the inflationary impact of this very large project on the Israeli economy, as requested by Israel, most of the equipment, construction supplies and personnel will come from outside Israel. The details are still to be worked out, but much of the material will come from U.S. sources, and from other sources to a lesser extent. Israeli sources will be used only as agreed with Israeli officials.

The United States must move quickly—and with full funds in hand—if it is to provide an Initial Operational Capability at both bases within the three-year withdrawal period. The advance contingent of the U.S. management team is in Israel now working with the Israeli Air Force to define the full scope of the work to be done and the schedule for its completion. The prime contractors must then let contracts for the phased completion of the work. Some material will have long lead time, but, more importantly, the construction at each base must be viewed as an integrated whole. We do not expect to complete the entire construction at the bases in three years, but they must be capable of handling sustained combat flight operations by that time. We need to handle this project as we do our own military construction program, with full funding at project initiation.

Similarly, Israel must move quickly, and have funds available, if it is to relocate Israeli ground and naval forces from the Sinai within the prescribed period. The new facilities will cost about \$1.3–\$1.5 billion. As in the case of the air base, Israel could not meet the deadline for this facilities if it is dependent on multiyear funding.

Israel also must move quickly to acquire certain equipment needed for improvements in its force structure to compensate for the tactical advantages it now has with forces deployed in the Sinai. This equipment will cost at least \$750 million and could cost as much as \$1.1 billion. The equipment must be ordered within the near future if it is to be delivered and in place at the withdrawal period.

Full funds are needed for Egypt this year as well. Egypt does not face the same problem as Israel in relocating its forces. But it does have an immediate problem in replacing aging equipment of Soviet origin. There is not only a problem of age, but the equipment is increasingly unsupportable since, with the break in Egyptian-Soviet relations, Egypt no longer has a reliable source of supply. We expect Egypt to decide shortly on the equipment that it wishes to purchase. It must be in a position to place orders soon—and that will require available financing—if it is to expect deliveries within the next 2 or 3 years.

These are the practical considerations that underlie the need for full funding this year. There is another reason, equally important, why full funds should be appropriated this year. In enacting a single peace package, the Congress would demonstrate that the United States is fully committed to the peace process. To fail to appropriate the full sum would raise serious doubts about whether the United States stands behind the courageous action taken by Egypt and Israel in concluding the peace treaty.

The Committee was furnished earlier a listing of equipment that the United States has agreed to sell Egypt and that equipment which is prepared to consider favorably. The listing includes additional aircraft, air defense equipment, armored personnel carriers, and frigates, among other things. We will be glad to

respond in a closed session to any questions that members of the committee might have regarding items on the list. In addition, the Congress would be notified in accordance with section 36(b) of the Arms Export Control Act of proposed sales of items on the list.

I mentioned earlier that these items would replace existing equipment; they would not provide for any expansion of Egyptian forces. In fact, proper amounts of new equipment would likely lead to a smaller Egyptian force structure.

The equipment would help Egypt to maintain a modern military force and to play a responsible role in promoting stability and modernization in the region. As a sovereign state, in a difficult strategic situation, Egypt must maintain modern forces. It is bordered on one side by a country which is heavily armed with modern Soviet equipment and which makes no bones about its dislike for the course Egypt has followed in its relations with Israel. As a practical matter, we cannot and should not expect Egypt to forgo a modern force structure. On the positive side, Egyptian forces with modern equipment would serve as a symbol to other moderate states in the area, and provide a counter to their perceptions of possible threats from outside the area.

The systems agreed for sale to Egypt are not aimed at making it a military behemoth, able to intervene at will throughout the region. The United States does not seek to establish Egypt as a regional policeman. The list at hand is modest. It allows Egypt to make a start at maintaining a credible armed force for defensive purposes, a capability for which every state has a legitimate requirement.

Israel has already decided to buy all of the items on the list furnished to the committee. This equipment will be handled under our regular programs, which normally have provided Israel with \$1 billion in credit financing annually, with one-half of the amount "forgiven" as a form of grant assistance.

The sale of equipment to Egypt should not affect the level of sales to Israel. The Israeli list was developed after 2 years of continuous, careful discussions with Israeli officials. The equipment on the list will enable Israel to maintain the capability to guarantee its territorial integrity, while replacing large quantities of aging equipment. This ongoing process of equipment modernization is especially important in the immediate posttreaty environment, when threats from other Arab States and organizations are likely to intensify.

The proposed peace legislation and the equipment sales to Egypt and Israel which will be supported by FMS credits are essential ingredients in the evolution of a secure, stable region. The success of the peace treaty and the continuation of the peace process will be greatly enhanced by expeditious congressional action on this legislation.

This concludes our opening remarks, Mr. Chairman.

Mr. HAMILTON. Thank you very much, General Graves.

I turn to the chairman of the committee for opening questions.
Chairman Zablocki.

OTHER COUNTRIES ASKED TO HELP DEFRAY COST OF TREATY

Chairman ZABLOCKI. Thank you, Mr. Chairman.

I would welcome our witnesses this morning. I appreciate being called a bit out of order to ask questions first, but we are appearing before the Rules Committee on a very important issue of the Panama Canal legislation.

I think the bottom line question is whether there were attempts made to have other countries assist in covering the costs of the Middle East peace and not have the United States be the only supplier of the funds and materials for that purpose. Have attempts been made, and if they were not made, why not; if they were made, why were they not successful?

Mr. SAUNDERS. Yes; attempts have been made and they continue. Mr. Wheeler can provide more detail on this. There is a consultative group under the auspices of the World Bank which has met over the last several years to bring together those who provide assistance to Egypt.

That group will again meet in the fall. We have already been in touch with members of that group about further assistance, and we have reason to believe that some of them are contemplating an increase in their assistance.

Chairman ZABLOCKI. That organization is comprised of what nations?

Mr. WHEELER. It is members of the Development Assistance Committee group, as well as the Arab nations, the OPEC nations.

Chairman ZABLOCKI. You won't get much help from OPEC on this. [Laughter.]

NO ASSISTANCE FROM ARAB COUNTRIES

Mr. WHEELER. We are not anticipating help from the Arab countries.

Chairman ZABLOCKI. What European countries are expected to assist. Germany, England?

Mr. WHEELER. Germany and Japan, I think, are two countries which have been singled out by President Sadat for special attention. Under Secretary Cooper has been having discussions not only with those two countries but also with representatives of the United Kingdom, France, Italy, and Canada.

Chairman ZABLOCKI. Secretary Saunders, on page 9 of your prepared statement, you say: "Both leaders reaffirmed that they do not want a separate peace between their two nations." That is not quite the perception some people have. Can you supply for the record or for the committees just in what manner and at what time Prime Minister Begin reaffirmed such a position?

Mr. SAUNDERS. The primary records on that, Mr. Chairman, are the Camp David accords and the treaty of peace themselves, which are, of course, in the committee's files. In signing those documents, both leaders committed themselves explicitly to a peace process designed to begin with the treaty of peace between Egypt and Israel and then to go on in a series of negotiations which are outlined in the framework agreed at Camp David to the next round of negotiations, namely, on the West Bank and Gaza, and beyond that, to a series of negotiations which would lead to peace between Israel and all of its neighbors.

In signing the peace treaty here on March 26, Prime Minister Begin and President Sadat also signed a joint letter to President Carter which specifically committed them to begin negotiations on the West Bank and Gaza within 1 month.

STATEMENTS OF PRIME MINISTER BEGIN

Chairman ZABLOCKI. Mr. Secretary, certainly you know that both leaders do not want a separate peace. However, I am getting mail from my constituents which says that the statements of Prime Minister Begin either must be discounted or he is not saying to us what he has been saying to the Knesset and Israeli public.

Mr. SAUNDERS. We could supply a number of quotations from Prime Minister Begin and a variety of statements before his Parliament, and otherwise. Certainly privately on a number of occasions, he has reaffirmed his commitment to us that there must be a comprehensive peace; otherwise, Israel cannot consider itself to be at peace.

THE PRESIDENT'S PLEDGE

Chairman ZABLOCKI. Mr. Secretary, in your testimony you quote President Carter's promise before the Egyptian People's Assembly on March 10. The latter part of it says: "Other issues of concern to the Palestinians and also to further negotiations between Israel and all her neighbors." He is pledging his support for progress in negotiations.

Now, if this does not occur, is it the intention to go to a Geneva conference if the Arab States do not cooperate? What is our next step?

Mr. SAUNDERS. Our next step—

Chairman ZABLOCKI. How will the President carry out this pledge?

Mr. SAUNDERS. The first thing, of course, starts with the appointment of Ambassador Strauss the other day and the full participation of a U.S. delegation in the negotiations on the West Bank and Gaza which will begin 1 month from now in Beersheba. That, of course, will continue. And as we see it, the main effort in carrying out the Camp David accords is to deal with the issues of that area where Palestinian issues are most prominently brought to the fore.

Beyond that, of course, is an invitation to Syria and to Jordan to join the negotiations. As long as they do not, of course we cannot move to negotiations with those two countries. Our hope would be, however, that demonstrating that this next round of negotiations is serious and can produce results will gradually encourage some of the Arab countries to see the wisdom of acquiescing in or even supporting that negotiation.

FORMIDABLE CHALLENGES AHEAD

Chairman ZABLOCKI. If I could ask one final question for an amplification of the statement made on page 11 by Assistant Secretary Saunders. We applaud the attempts on the part of the President. We, of course, commend the principal parties in the negotiations. Nevertheless, we look skeptically to the future. We have our fingers crossed so tightly they are becoming paralyzed.

The quote in your prepared statement for which I would like to have amplification is in the first full paragraph, in the middle of it, and I quote: "The challenges ahead are formidable, and overcoming them may at times tax our patience and our fortitude." What are the formidable challenges and how far will they tax our patience?

Mr. SAUNDERS. I might say that sentence was written with some feeling on the part of those of us who expect to be involved in this exercise.

Chairman ZABLOCKI. It doesn't sound very optimistic.

DIFFICULT TASK LIES AHEAD

Mr. SAUNDERS. We have no illusions about the difficulties of the job which lies ahead, but I think there are several points to be made. First of all, no one has proposed a workable alternative to proceeding the way the President has designed, here in Camp David and following with the cooperation of the Egyptians and Israelis. I underscore that nobody has proposed a workable alternative way of proceeding. Therefore, whatever the obstacles may be, I think we are better off in a negotiating context working at issues which, if resolved, could achieve sig-

nificant progress toward peace between Israel and the Palestinian people. We would rather be in this context than drifting.

I think we have a genuine opportunity to achieve results from these negotiations. The obstacles are, of course, that most of the Arab world—and, I might add, other friends around the world—disagree with us that this is the way to proceed. I don't think we disagree—

Chairman ZABLOCKI. Some people in this country do, such as Mr. Ball.

ARAB COMMENTS AT BAGHDAD CONFERENCE

Mr. SAUNDERS. But once again, the Arabs, for all of their comments at the Baghdad conference and so on, have stated their opposition but have not come forward with another way to proceed. When they do, we certainly would listen with avid interest. But until they do, we feel it is better to work at these issues in a negotiating context than it is to sit back and allow to slip away the tremendous achievements that have been made.

So our strategy is to go ahead and do what three parties have agreed to do, to move into these negotiations. We will, after all, after 30 years, be addressing issues of concern to the Palestinians for the first time. We consider that a significant move toward peace and we are going to proceed and see if we cannot achieve some results despite the obstacles, and perhaps win some further support if we can.

PUBLIC PRAISE OF PRESIDENT CARTER

Chairman ZABLOCKI. Thank you, Mr. Chairman. Thank you, Mr. Secretary. Of course, I hope you take into consideration that the public in the United States is commending the President. We certainly want peace in the Middle East. But the national security of the United States is likewise of importance, as is the security of other countries, and until other people come to help us, I think the taxpayers are going to rebel.

Mr. SAUNDERS. I think that that is an understandable sentiment because all of us are, of course, taxpayers. But being in the middle of this, I can only say that I think our interests are better protected by proceeding along the course the President has outlined rather than losing control of the situation and allowing it to drift, difficult and expensive as it might be.

Chairman ZABLOCKI. I am sorry to have to leave. Thank you.

Mr. SAUNDERS. Thank you, Mr. Chairman.

Mr. HAMILTON. Mr. Broomfield.

DEBT SITUATION FOR EGYPT AND ISRAEL

Mr. BROOMFIELD. Thank you, Mr. Chairman.

Mr. Secretary, I would like to ask you about the debt situation facing both Egypt and Israel. How do you evaluate that situation at the present time?

Mr. SAUNDERS. May I ask Mr. Wheeler to respond to that, please?

Mr. WHEELER. Both countries have total debt outstanding, foreign debt outstanding in the neighborhood of \$12 billion. In the case of Israel, the annual amortization on that debt is now in the range of \$1.7 to \$1.8 billion. Looked at in terms of Israel's ability to pay debt,

which is usually measured in terms of debt service/export ratio, the debt service/export ratio for Israel 2 years ago was about 28 percent, and that has been coming down.

We expect that in 1979 it will be in the neighborhood of 23 percent. We think that with continued good management, Israel will be able to see that ratio continue to improve marginally, even with this very substantial additional burden. If these loans, this \$2.2 billion, is made available at about 9 percent interest, the annual interest payments during the grace period, the first 10 years of the loans, will be about \$200 million. Israel goes into this period with a little bit more comfortable situation in terms of foreign exchange reserves. At the end of March, they were about \$3 billion by IMF definitions.

ISRAEL'S BALANCE OF PAYMENTS UNDER CONTROL

Now, that represents something between 3 and 4 months of imports, certainly not at too high a level by any means, but more comfortable than the situation was in 1976 when they were down just about \$1 billion. Israel has basically got its balance of payments under control during the past several years. It has been able to recover some of its growth rate. After 1973 there were several years when the growth rate was virtually stagnant.

In 1978, they got about 5 percent growth, and they are looking for 5 to 7 percent in 1979. So I think that on balance, what we are feeling is that while this is not an easy burden for Israel to sustain, it is manageable.

As far as Egypt is concerned, as you know, in 1977 they had in effect a foreign exchange crisis. They were about \$800 million behind in paying their bills. That situation has turned around with the help of very generous Arab aid in 1977 when the Arabs put in about \$2 billion, and with the help of a real turnaround in terms of their own foreign exchange earnings. In 1976, from remittances, from Suez Canal revenues, from tourism, and from petroleum, they earned about \$2 billion. By 1978, that was up to \$4 billion, and we are looking for continued improvements in each of these accounts, although the remittance account is one which could be affected by conditions in the Middle East.

Mr. BROOMFIELD. Mr. Wheeler, with respect to Egypt, they are deriving around \$2 billion a year from the Saudis, are they not?

Mr. WHEELER. No. They received from all the Arabs in 1977 about \$2 billion.

Mr. BROOMFIELD. Let's assume——

EGYPT'S AID FROM THE ARABS IN 1977

Mr. WHEELER. Excuse me. We figured that the assistance in 1978 was about \$800 million from the Arabs, and we were anticipating in 1979 about a half of a billion. That will be reduced as a result of the Baghdad decisions. One is dealing in an area where we do not have perfect knowledge.

Mr. BROOMFIELD. Has this been taken into consideration in their ability to repay?

Mr. WHEELER. Yes; it has.

Mr. BROOMFIELD. Does the administration have any plans to change what was agreed upon regarding the proposed loans to Israel? It is my understanding there is some concern that this may result in too heavy a debt burden for Israel, and that there is some talk about further forgiveness of the loans which would be advanced.

Does the administration have any such plans, or are they sticking to the original plan which has been presented to Congress?

Mr. WHEELER. We have no plans to change the original presentation to Congress.

Mr. BROOMFIELD. Thank you, Mr. Chairman.

THE TOTAL ADDITIONAL BUDGET OUTLAY

Mr. HAMILTON. I would like to begin by just getting the arithmetic straight. What is the total additional budget outlay due to the Special International Security Assistance Act?

Mr. SAUNDERS. The total additional budget outlay for the security assistance—that is, just leaving aside the Egyptian economic assistance—is \$1.17 billion over 3 years.

Mr. HAMILTON. What are the components of that \$1.17 billion?

Mr. SAUNDERS. Do you want to take that?

OUTLAYS FOR MILITARY AID

General GRAVES. The actual outlays from the military assistance program would be \$800 million, Mr. Chairman. There would be an additional appropriation of \$370 million for the 10-percent guarantees for the credit financing programs. However, as you may recall, these guarantee appropriations go into a reserve fund in the Treasury and do not actually constitute outlays unless there is a default, when they must be used to pay off the loan.

So discounting the \$300 million in economic assistance, would it be \$800 million.

Mr. HAMILTON. For how many fiscal years?

General GRAVES. That would be for 3 fiscal years.

The \$800 million would be for the grant aid for the airfields. Although we would obligate the entire amount this summer, the actual outlays would be spread over the next 3 years. Depending upon construction progress, we hope to have——

ECONOMIC SUPPORT FUND FOR EGYPT EXCLUDED

Mr. HAMILTON. The figure you have given me does not include the economic support fund for Egypt.

General GRAVES. That is correct, sir.

Mr. HAMILTON. And that is \$300 million.

General GRAVES. Yes, sir.

Mr. HAMILTON. And that is going to be \$50 million in fiscal year 1979, \$100 million in fiscal year 1980, and \$150 million in fiscal year 1981. Is that right?

General GRAVES. That is correct.

Mr. HAMILTON. And then for Israel, you have the \$800 million over the 3-year period, is that correct?

General GRAVES. Yes.

Mr. HAMILTON. That is \$299 million in fiscal year 1979, \$216 million in fiscal year 1980, \$285 million in fiscal year 1981. Is that correct?

General GRAVES. That is correct, Mr. Chairman.

Mr. HAMILTON. You have no budget outlay figure due to the FMS financing in those 3 fiscal years.

FEDERAL FINANCING BANK OFFERS CREDITS

General GRAVES. No, sir. Those credits are offered by the Federal Financing Bank, which, of course, obtains money for those credits on the bond market.

Mr. HAMILTON. That totals, then, \$1.1 billion in budget outlays, for the 3 fiscal years.

General GRAVES. Precisely, Mr. Chairman.

LOAN PROGRAMS EFFECT ON AMERICAN ECONOMY

Mr. HAMILTON. Is that the total cost to the American taxpayer of the Special International Security Assistance Act of 1979?

General GRAVES. Yes, Mr. Chairman, unless you consider the economic effect of the loans themselves. One could not say that the loan program has no effect upon the American economy. Clearly the floating of \$3.7 billion in loans has its own economic effect. I would not presume to testify on that. I am not an expert on that.

Mr. HAMILTON. The \$3.7 billion you mentioned are—

General GRAVES. These are loans the Federal Financing Bank would make. The source of that money is the American bond market.

Mr. HAMILTON. That \$3.7 billion are the \$1.5 billion for Egypt and the \$2.2 billion for Israel. Is that correct?

General GRAVES. Yes; and all I am saying is the floating of those loans does have an effect upon the American bond market. We cannot offer credit indefinitely of this type without affecting our economy.

Mr. HAMILTON. But the additional outlay of moneys from the Federal budget will be \$1.1 billion.

General GRAVES. Precisely, Mr. Chairman.

TERMS FOR FMS CREDITS FOR EGYPT AND ISRAEL

Mr. HAMILTON. What are the terms for the FMS credits for Egypt and Israel?

General GRAVES. Mr. Chairman, they are 30-year loans but the payment of principal is deferred until the 11th year. There will be interest payments over the 30-year period, but the principal repayments will not begin until the 11th year.

Mr. HAMILTON. What is the interest rate?

General GRAVES. It will be the going rate at the time the loan is drawn down, that is, a floating rate. The loan will not be drawn down instantaneously. It will be drawn down over the next 3 years, and at each draw down it will be the rate at that time. At the present time, this is between 9 and 10 percent.

Mr. HAMILTON. That is a commercial rate of interest.

General GRAVES. Yes, sir, it is the rate of interest that the U.S. Government must pay for money it borrows at the time.

ECONOMIC SUPPORT FUND

Mr. HAMILTON. Is the \$300 million economic aid to Egypt the economic support fund all grant money?

General GRAVES. No, sir; \$200 million grant and \$100 million in credits.

Mr. HAMILTON. \$200 million in grants and \$100 million in credits?

General GRAVES. That is right.

Mr. HAMILTON. And what credit provisions? The same?

Mr. WHEELER. The same as the regular program, Mr. Chairman, which is a 40-year term with a 10-year grace period. During the grace period, interest at 2 percent, and for the remaining 30 years, at 3 percent.

USE OF THE MONEY

Mr. HAMILTON. Is that money going to be used entirely for the commodity import program?

Mr. WHEELER. We anticipate that about \$250 million of that would be used for commodity imports, program imports, and \$50 million would be used primarily for a major scholarship program for graduate study in the United States in development areas by graduates of Egyptian universities.

Mr. HAMILTON. Is any of it going to be used for the purchase of agricultural commodities?

Mr. WHEELER. Yes, some of that may be used for corn. There is a particular interest in Egypt at this time in doing something to increase the production of chickens, and that would be used for that.

MONEY FOR RELOCATION OF SINAI AIRBASES

Mr. HAMILTON. The \$800 million for Israel for the relocation of the Sinai airbases is grant money?

General GRAVES. Yes, sir.

Mr. HAMILTON. The entire amount?

General GRAVES. Yes, sir.

Mr. HAMILTON. What does it cover?

General GRAVES. It would be used for the construction work, which would include the labor for the construction work, the supply of materials for the construction work, and the supply of equipment incident to the construction of the airfield.

CONSTRUCTION OF AIRBASES

Mr. HAMILTON. Who is going to construct the bases?

General GRAVES. The bases will be constructed under the management of the U.S. Army Corps of Engineers. There will be three prime contractors, who will be American firms. They will have sub-contractors. Some of the subcontractors will be American firms; some of the subcontractors may be foreign firms. Particularly in labor intensive areas, I would expect that there will be labor hired from other countries.

Mr. HAMILTON. So when the construction is actually done, the major contractors will be American contractors and the money will flow to American contractors. Is that right?

General GRAVES. That is correct, Mr. Chairman.
Mr. HAMILTON. Is that a turnkey operation?

REIMBURSABLE CONTRACTS

General GRAVES. That is a good way to characterize it, Mr. Chairman. There will be reimbursable contracts that include both design and construction. This is because of the time urgency of the project. It is not possible to complete the design in advance and let competitive bids. We have to do the work on a reimbursable basis, design and construction going on concurrently.

Mr. HAMILTON. It will be on a competitive bid basis?

General GRAVES. No, sir; it will not be. That is the point. There is not time to definitize the project and let a competitive bid. We must do it on a cost reimbursable basis. Now, I do not mean to say that some of the individual packages of work may not be let competitively, but the basic job will be on what we would call a cost reimbursable contract.

BUDGETARY IMPLICATIONS OF REQUEST

Mr. HAMILTON. I think it would be helpful if you would supply for the record, as clearly as you can, the budgetary implications of this request. I think I have drawn out the major aspects of it in questions, but perhaps you could do it in chart form showing the total budget outlays, and making clear to us the terms of the FMS provisions. And then, since the question of the one-half forgiveness has been raised, I think it would also be helpful for you to spell out for us the budgetary implications of a one-half forgiveness should that come before us.

[The information follows:]

Grant funds—Estimated outlays for construction of airbases in Israel

Fiscal years:	<i>Thousands</i>
1979 -----	\$200
1980 -----	300
1981 -----	300
Total -----	\$00

FMS CREDIT TERMS

The credit arrangements with Israel (and Egypt) would provide for interest rates at the cost of money to the U.S. Government (currently 9½ percent) at the time of each drawdown of principal.

Repayment would be over a 30 year period, with only interest payable in the first 10 years. Principal, with interest, would be repaid over the next 20 years.

FORGIVENESS

Forgiveness of \$1.1 billion, one-half of the credit for Israel, would require appropriations of the full amount, or the \$1.1 billion. Additionally, \$110 million in appropriated funds would be needed to provide a guarantee reserve for the remaining \$1.1 billion in credit for Israel, bringing the total amount of appropriated funds to \$1.21 billion. If equal treatment were accorded to Egypt, forgiveness of one half of Egypt's credit, \$750 million, would require appropriations of \$750 million. Additionally, \$75 million in appropriations would be needed as a guarantee reserve for the remaining \$750 million in credit, bringing total appropriations for the credit for Egypt to \$825 million.

In sum, forgiveness of one half of the credits for Israel and Egypt would raise the level of appropriated funds from the \$370 million requested by the Administration to \$2.035 billion.

Mr. HAMILTON. Mr. Fountain.

Mr. SAUNDERS. Mr. Chairman, I might say, if you are interested in hearing about that latter point now, we do have that information or we could submit it for the record, either way.

Mr. HAMILTON. Let's have it now, if you have it.

Mr. WHEELER. Mr. Chairman, if the one-half forgiveness were applied to both Egypt and Israel, then that would have an annual budgetary significance of \$168 million, and if there were a reduction in addition to that of the interest rate from, say, 9 percent to, say, 3 percent, that would have an implication of \$111 million annually, for a total implication of \$279 million.

Mr. HAMILTON. For each of the 3 years?

Mr. WHEELER. That would be for each of the 10 years of the grace period. In other words, this is an implication on an annual basis through the entire payment period of the loans.

Mr. HAMILTON. I see. So it is \$279 million for each year of the 10-year period. Is that right?

Mr. WHEELER. Of the grace period, and it would actually go up some for the repayment period.

Mr. HAMILTON. Do you have that totaled out anywhere?

Mr. SAUNDERS. There is a chart here.

General GRAVES. Mr. Chairman, I might —

Mr. HAMILTON. Why don't you supply that chart for the record so we have it.

[The information follows:]

Financial Implications of Repayments During the Grace Period on FMS Loans Proposed for Israel and Egypt under the Supplemental Request

Israel: 9 percent¹ of \$2.2 billion=\$198 million annual repayments.

Egypt: 9 percent of \$1.5 billion=\$135 million annual repayments.

Total: \$333 million annual repayments.

Annual cost to taxpayer if FMS loans were modified for both Israel and Egypt programs to provide for 50 percent forgiveness and 3 percent interest on the 50 percent remainder:

Cost of forgiveness of 50 percent=\$167 million annually.

Cost of reduction in interest on other 50 percent from 9 percent to 3 percent=\$111 million annually.

Total cost: \$278 million annually.

Annual cost to taxpayer if FMS loans were modified for both Egypt and Israel programs to reduce the interest rate from 9 percent to 3 percent: \$222 million annually.

TOTAL DIRECT BUDGET OUTLAY

Mr. HAMILTON. What is your total figure?

Mr. WHEELER. I had not totaled it for the 30 years.

General GRAVES. Let me make the point that in the normal approach to forgiveness which we adopt annually for Israel, the forgiven portion of the credits is a direct appropriation. In other words, it is a full appropriation for the entire amount of the forgiven portion. So that if we were to follow that same approach to forgiveness in this legislation, whatever the amount that was forgiven would be a direct budget outlay in that total amount.

Mr. HAMILTON. Does what you have said change Mr. Wheeler's figures any?

¹ Percentage would actually be the cost of money to Treasury at the time of the first drawdown and therefore could be higher than 9 percent.

General GRAVES. That would change his point insofar as the annualization of it. It might be possible to devise a new and different approach to forgiveness.

Mr. HAMILTON. How does it change his annual figures?

DIFFERENCE BETWEEN BUDGETARY PROCEDURES AND ECONOMIC IMPACT

Mr. WHEELER. We are talking about a difference between budgetary procedures and economic impact. I think in terms of budgetary procedures, General Graves is quite right that it would show as an outlay in the annual budget for the next 3 years.

Mr. HAMILTON. What shows? That is my point.

General GRAVES. What shows is if there is a certain amount of forgiveness, the Congress appropriates——

Mr. HAMILTON. That amount.

General GRAVES. An amount equal to that. At the time the loan is drawn down, it becomes an outlay at that point. What Mr. Wheeler has testified to is that the economic effect as far as the amount forgiven would be spread and could be viewed from Israel's point of view as reducing its payments over a——

IMPACT ON U.S. BUDGET

Mr. HAMILTON. What I am interested in is its impact on the budget of the United States.

General GRAVES. Yes; I understand.

Mr. HAMILTON. Run these figures by me. I hear what you are saying in principle, but I'm not sure I understand the specific figures.

General GRAVES. Let me relate it to the \$500 million of forgiveness which is a feature of the annual credits to Israel. We extend annually to Israel FMS credits of \$1 billion, of which \$500 million is by law forgiven. The Congress appropriates each year \$500 million for that part of the loan to be forgiven and at the time Israel draws down the loan, in order to pay for something, it is an outlay at that point in time, a direct outlay.

Mr. HAMILTON. So you have \$1.5 billion for Egypt and \$2.2 billion for Israel over a 3-year period. Over a 3-year period, if there is forgiveness, then, the budget outlay for Egypt would be one-half of the \$1.5 billion and \$1.1 billion for Israel over the 3-year period.

General GRAVES. Precisely, Mr. Chairman; precisely. In addition you would need appropriations equal to 10 percent of the remaining loans to serve as a guarantee for the remainder.

Mr. HAMILTON. Mr. Fountain.

WORLD BANK OBLIGATION

Mr. FOUNTAIN. Thank you, Mr. Chairman, I think it would be good for those of us didn't go very far in mathematics in college, who stayed away from it as much as we could, for you to give us a simple thing that we can all understand, precisely what have we committed ourselves to do in dollars and cents potentially, actually in guaranteed loans, and so forth, also, what is the obligation of the World Bank. We need to know what our actual commitment is so that we can more intelligently discuss it when the time comes.

It is going to be, as you know, an important issue. Now, suppose in all these negotiations where the President has committed himself to be a full partner, is that a full partner with Israel and Egypt, or is it a full partner with all of the other parties who may become participants in the negotiations?

Mr. SAUNDERS. It is a full partner in the negotiations.

Mr. FOUNTAIN. In all of the negotiations?

Mr. SAUNDERS. In all of the negotiations which may flow from the Camp David agreements.

NEGOTIATIONS ON WEST BANK AND GAZA

Mr. FOUNTAIN. Suppose the PLO, Saudi Arabia, Jordan, and the others show no interest, indicate no willingness to negotiate? Are the United States, Egypt, and Israel still going to negotiate among themselves and come up with a plan for the West Bank, for the Gaza Strip, and the other items involved, and say: This is going to be it; take it or leave it? Just what will the situation be?

Mr. SAUNDERS. We have addressed ourselves so far only to the next round of negotiations, those dealing with the West Bank and Gaza. In the joint letter signed by President Sadat and Prime Minister Begin to President Carter at the time the treaty was signed, they agreed that if Jordan did not come forward to join the negotiations, if there were no Palestinian representatives prepared to participate, these negotiations would be held between Egypt and Israel with the participation of the United States.

Therefore, we will begin 1 month hence in those negotiations with those three parties. My view is that there is a lot of work that can be usefully done in the early stages of these negotiations, even without the other desirable partners. We will be looking at new issues and new problems, how to provide full autonomy for the inhabitants of the West Bank and Gaza, and these are issues which have not been addressed in detail by anyone to date. Therefore, I think these three parties could do a lot of useful work in negotiations to move toward the formulation of an approach to the provision of autonomy of those people.

We would hope that if we are able to reach agreement, that agreement would demonstrate to others the seriousness of the agreement, and we would either draw in participants as we go along in the negotiations, or if not, at the end of the process there will be a design on the table for a self-governing authority for the West Bank and Gaza. There will be a design for elections that could be held there, and then at that point, the inhabitants of those areas will have to make decisions on whether they will stand for election under the design which has been developed.

We would hope that as this goes on, the membership would widen.

U.S. COMMITMENTS TO EGYPT AND ISRAEL

Mr. FOUNTAIN. I would certainly hope so, too. And somehow I have a feeling that some of the groups will show some interest, either behind the scenes or publicly. But suppose they do not? Do these commitments, these financial commitments, still stand? Will we continue to spend the

same amount of money in support, economically, militarily, of Egypt and Israel?

Mr. SAUNDERS. Yes. These commitments are made—

Mr. FOUNTAIN. Regardless of what happens with the so-called comprehensive peace achievement?

Mr. SAUNDERS. Yes. These commitments are geared to the implementation of the Egyptian-Israeli Treaty and the normalization of relations between the two of them.

NORMALIZATION OF RELATIONS BETWEEN EGYPT AND ISRAEL

Mr. FOUNTAIN. Some observers have indicated that the real crunch in this peace process will come toward the end of 1979 when normalization of relations between Israel and Egypt occurs and little progress is accorded in the West Bank-Gaza peace talks in many, many months, if that should be the case. Let us hope it is not. Do you agree with that general assessment?

Mr. SAUNDERS. That will be a period when the rest of the Arab world will be looking again at Egypt as they did when the treaty was signed, because it is at that point when, for instance, Ambassadors would be exchanged between Egypt and Israel. So there will be another moment of judgment in the Arab world on the progress that has been made. Whether or not they will decide to take other actions at that time, we will have to wait and see.

You are right; there is another moment of change in the situation 9 months from now.

REACTION OF OPEC NATIONS TO TREATY

Mr. FOUNTAIN. My time is about up or may be up, but I would like to ask one more question. We all have so many questions we would like to ask, and I guess we will just have to find the answers ourselves. Many of them are self-explanatory.

It was noted in a news story recently that some of the Arab States, including Saudi Arabia and others, have concluded, particularly in view of the impact of the oil embargo upon us and the extent to which we depend upon the import of oil that they are probably as powerful economically, because of their oil, as we might be militarily.

Do you anticipate that the OPEC countries might use oil as a way of blackmailing us into refraining from participating, or to encourage us to back off or change our position, or to break down the negotiations between Israel and Egypt and whoever else may be able to discuss it as partners?

Mr. SAUNDERS. We do not have any indication that the Arab governments have moved in that direction in their recent deliberations. The idea was proposed but generally set aside. We, of course, could not rule that out if there is a crisis at some point in the future.

I would like to point out that while there is no question of the importance of the oil to the whole world, the industrialized and development of the Middle East is also extremely important. After all, it is American diplomacy which has moved this process to the point where it is now. Many of those countries work closely with private Americans using American technology and a whole variety of other imports

from the United States which are important to them. The relationship between us and the Arab world is not a one-way street.

EXPORT OF FOOD AND GRAIN TO ARAB WORLD

Mr. FOUNTAIN. You mentioned the question which I had in mind. I was not going to take the time, but I will say: How much do we export in terms of food, grain and so forth into the Arab world annually?

Mr. SAUNDERS. I will have to check the figures on that. We are, of course, the primary exporter to that part of the world, but I would have to get the figures for you later.

Mr. FOUNTAIN. Would you get those figures?

[The material follows:]

U.S. food and live animal exports to the Arab world in 1978 (including cereals and cereal preparations) : \$1,289,800,000.

COST OF TREATY TO U.S. TAXPAYER

Mr. FOUNTAIN. Would you also give us the breakdown of what you say has been the cost to U.S. taxpayers of the four Middle East wars—you say between \$55 billion and \$70 billion—so we might take a look at that, as we study the cost of trying to bring about a comprehensive peace settlement in the Middle East.

Mr. SAUNDERS. I will provide that. I will do so reiterating the caveat that I did before, and that is that this is an illustrative figure. We do not want to mislead anyone into thinking that anyone could calculate one figure to represent the cost of the four wars in the Middle East. It is literally incalculable because of the ramifications of it. But what we have done is to develop a little paper which said these costs you can identify, and these identifiable costs add up to a substantial figure just by themselves. That is what we will be giving you.¹

CAUTION NEEDED IN FUTURE NEGOTIATIONS

Mr. FOUNTAIN. I would like to make one brief observation. I think a miraculous feat has been accomplished in bringing Israel and Egypt together, and the fact that the Egyptian people, by about 99.9 percent, ratified what Mr. Sadat did, and the support which the Israeli people gave to Mr. Begin reveals a deep-seated desire which has been there for a long time. Many of us have seen it and heard it as we have gone there year after year—a desire for peace in that part of the world—and yet I think we all realize that this, while a necessary step, is only a first step, though it is a major one to the kind of comprehensive peace which will bring about economic and political stability in that part of the world. Even the two together, it seems to me, can accomplish much. But if someone is out sniping and shooting and engaging in guerrilla activities and murdering and doing all of that sort of thing all at the same time, it is going to be difficult.

Now, I think the President has selected a very competent person to engage in negotiations, in the person of Mr. Strauss; and yet I have some reservations about how far we need to go in the future. I do think there are those who feel like this has been an American-

¹ See p. 46.

dictated peace between Israel and Egypt and that we have brought some strategic pressures to bear on both of these nations.

Maybe we have. That is a part of the negotiating process. But I would suggest a word or note of caution in the future—that in the dealings we have and the part that Mr. Strauss plays, that we should certainly be extremely careful in the negotiations with the other Arab nations and in the part we play there, lest we do more damage than good in the long run as we attempt to bring about a comprehensive peace.

Mr. SAUNDERS. We will be acutely aware of the limitations on what we can do. I think those of us who have been engaged in these negotiations realize that this is in no way an American-dictated peace. The impetus to the peace came, as you rightly said, from the people of the area and from certain dramatic developments such as President Sadat's initiative in going to Jerusalem and the quite substantial decisions made by Prime Minister Begin in response. The negotiations were between the two of them. We served as facilitators but the decisions were theirs. And as we saw in the end, the political processes, as you have rightly pointed out, that supported these were theirs. I think our role is to be the facilitator, to try to help them produce the concrete achievements, the inclinations that they already have.

Mr. FOUNTAIN. Thank you, Mr. Chairman.

[Whereupon, the subcommittee proceeded to consider House Resolution 106, urging the Government of the Federal Republic of Germany to abolish the statute of limitations governing the prosecution of war crimes.]¹

Mr. FINDLEY. We have a quorum in progress, Mr. Chairman.

Mr. HAMILTON. Yes, we do. We will take a break here and we will resume after the vote.

Mr. FINDLEY. May I ask a parliamentary question, Mr. Chairman? Mr. Saunders is here today and I think we are gratified by that. Can we continue this after this morning? This is an enormous subject vital to our national interest. If he cannot be here, could Mr. Atherton be here?

Mr. SAUNDERS. I could be here, depending upon your timing, but I am basically available.

Mr. HAMILTON. We will come right back and proceed.

Mr. FINDLEY. So you can stay on today, is that right?

Mr. SAUNDERS. Yes.

Mr. HAMILTON. The subcommittee stands in recess.

[There was a brief recess.]

Mr. HAMILTON. The subcommittee will resume its sitting.

Mr. Findley.

CONSTRUCTION OF NEW AIRBASES

Mr. FINDLEY. Mr. Chairman, the staff has helped to prepare some excellent questions numbering 20 pages. I have a couple of additional questions and I suspect that other members have a similar array of questions. That is why I raised the question as to the availability of Mr. Saunders or Mr. Atherton for a continuation of this after today, assuming we do not get through the full copy. I hope the Chair will give some thought to that possibility.

¹ The markup session is contained in a separate committee print.

I have a question, first of all, about the construction of the new airbases; and General Graves, you need not answer except in the record on this first one. But I would like to know why the Corps of Engineers is building airbases in the State of Israel. I am also troubled, though, far more—and I am not troubled by the other, I am just perplexed—but I am troubled by the lack of competitive bidding.

The Corps of Engineers surely engages in competitive bidding on large-scale projects worldwide. Can you tell us how many days the process of competitive bidding would stretch out the completion of the projects?

General GRAVES. About 1 additional year.

Mr. FINDLEY. One year to elicit bids?

COMPETITIVE BIDS NOT FEASIBLE

General GRAVES. No, sir; because the design would have to be finished before the bids could be let. We are starting construction essentially with minimal design. We can take a cut at the configuration of the runways and start the earthwork before the runways are designed. We can take a cut at the location of the aircraft shelters and can start the earthwork before the aircraft shelters are designed, and so forth. The entire project represents concurrent construction and design. You cannot have a competitive bid unless the man knows what he is bidding on, because he could not come up with a price.

Mr. FINDLEY. This sounds almost like wartime construction of an airbase on Guam—

General GRAVES. It is.

Mr. FINDLEY [continuing]. In which I participated in a very modest way.

ISRAEL'S OCCUPANCY OF AIRBASES

General GRAVES. That is precisely what is required in order to get fields like this ready in the available time. These fields must be built in about 2½ years because we have to allow the Israeli Air Force time for beneficial occupancy of these facilities to move over there. They have to be totally moved into these bases and they want to be combat-ready on these bases within 3 years.

Mr. FINDLEY. This whole thing carries the atmosphere of preparation for war and not for peace. We sign a peace treaty and immediately start building airbases and putting a rush act on the construction of airbases. I know those are policy questions.

PHASED WITHDRAWAL FROM SINAI

General GRAVES. Mr. Saunders could answer this better than I because of his intimate involvement, but a key feature of these negotiations of the final agreements was a phased withdrawal from the Sinai which would assure the security of both sides throughout the process. These two airfields are critical to the defense posture of Israel, and Israel must be assured that these fields are ready when it must leave the other two that are in the Sinai. That is the philosophy.

Let me say very briefly in answer to your first question—because I think it is a key question—the basic reason why the Corps of Engineers

and U.S. contractors are building these fields as they are is to avoid a massive impact on the Israeli economy. A construction job of this size would have a major adverse effect on the Israeli construction industry in terms of excessive demand and the inflationary impact it would have on Israel. Therefore, what we are essentially going to do in this job is characterized as an offshore operation. The impact on the Israeli economy will be minimized by doing the project in this manner.

COST OF AIRBASE CONSTRUCTION

Mr. FINDLEY. Would you place in the record your best estimate of the cost of the airbase construction, using the expected procedure in contrast with a procedure involving competitive bidding?

General GRAVES. Yes, sir, we will give you an estimate of that.

[The information follows:]

Within the limitations imposed by the extremely tight schedule agreed to in the peace treaty, the Corps of Engineers evaluated a series of contracting options and selected the cost plus type as most acceptable under these circumstances. Competitive contracting was rejected on two counts:

(1) The sequential nature of the time line under this process would exceed the three years available for the construction.

(2) With the uncertainties in the work definition created by the short schedule, and compounded by the general risk of doing business in the Middle East, competitive bidding would undoubtedly be very conservative. We estimate a tendency for self protection with costs possibly 150 percent or more greater than the cost plus approach.

If it were not for the three year time limit, the program could be managed with competitive bidding. Unfortunately, the savings in contracting would probably be overcome by the inflationary factors associated with stretching the program to an estimated 6 years.

PAUSE IN NEXT STEP OF NEGOTIATIONS

Mr. FINDLEY. Mr. Saunders, we seem to be almost at a pause, if not a stalemate, in the next stage of the peace process. The non-Egyptian Arab states seem to be somewhat more allied than they were. Many of these states are not interested in cooperating with Egypt. There is a rising level of violence on both sides.

Yesterday, I understand, there were about seven flights of Israeli fighter planes which passed over the capital of Lebanon. There are other symptoms of the atmosphere of violence. We had reports that American-provided antipersonnel ammunition had been used on U.N. peacekeeping forces and also on Lebanese civilians.

Can you clarify the facts on that? As I understand, Israel promised in the wake of the fighting in southern Lebanon over 1 year ago, where it had used these cluster bombs, that it would not do this anymore. Is there a violation of that agreement?

Mr. SAUNDERS. There have been press reports saying that American shells or bombs were used in that attack, but we so far have not found any evidence that that is the case, and we have checked this to the extent that it is possible, and I believe the United Nations has indicated that it has not found any evidence of that kind. Of course, we will continue to be alert to the possibility that there is such a violation, but at this point we have found none.

DID ISRAEL VIOLATE AGREEMENT

Mr. FINDLEY. If you verify that these cluster bombs were used by Israeli forces, will you notify the Congress?

Mr. SAUNDERS. Yes; if they were American made and were therefore a violation of the treaty, we would certainly.

Mr. FINDLEY. And would the notification be in an unclassified form?

Mr. SAUNDERS. Yes; I think so.

Mr. FINDLEY. Good.

It would help also, I feel, Mr. Secretary, if you would supply in the record the form, the text and the dates of protests that our Government has made to both sides in respect to violence that has erupted.

Mr. SAUNDERS. That is an almost ongoing and daily proposition.

VIOLENT DEATHS IN ISRAEL

Mr. FINDLEY. We hear and we should hear a lot about the tragic deaths of innocent people in Israel. Deaths occur on the other side, too, and I hope that equally fervent protests are lodged with respect to those deaths as well as with respect to the Israeli deaths. I think it would help public opinion and understanding to have the texts of those protests made available. It is also difficult to find out about casualties, and I suspect that you encounter difficulties, too.

But if you can put in the record the best figures you have available on violent deaths which have occurred in the wake of the consummation of the Egypt-Israeli treaty.

[The information follows:]

ESTIMATE OF NUMBER OF VIOLENT DEATHS IN THE ISRAEL/LEBANON AREA SINCE THE SIGNING OF THE EGYPTIAN/ISRAELI TREATY OF PEACE, MARCH 26, 1979

It is extremely difficult to estimate the number of violent deaths in this area. Almost all have occurred in Lebanon either as a result of Israeli raids or in shelling by Major Haddad of Palestinian positions. The Christian militia has also been responsible for several deaths in the U.N. peacekeeping force. Counting the Israel raids through May 7, we would hazard a very rough guess of at least 100 violent deaths since March 26.

BEGIN'S ANNOUNCEMENT OF SETTLEMENTS ON WEST BANK

Mr. FINDLEY. Could you also give us information about the administration's reaction to Prime Minister Begin's announcement of two more settlements to be established on the West Bank? What concrete steps has the administration taken to try to reverse these decisions? In fact, could you comment on this question: Is there anything effective that our administration can do to reverse these decisions?

Mr. SAUNDERS. I believe this issue will have to be addressed in the context of the negotiations which are about to begin. I think that is the best context in which to deal with them. At the same time, on the public record we have stated our long-held position that settlements in occupied territories are illegal. Two days ago on the record we also stated our particular concern at the recent decision, which comes on the eve of negotiations, dealing with the West Bank and Gaza because we feel that the introduction of new settlements in the West Bank and Gaza at this particular moment tends to prejudice the outcome of the negotiations.

INVOLVING THE PLO IN NEGOTIATIONS

Mr. FINDLEY. Some Mideast observers believe that the PLO's recognition of Israel's territorial integrity and sovereignty will come about only as a result of involvement of the PLO in some sort of a dialog in the negotiating process. It will not occur as a precondition to participation, according to this argument.

I am inclined to that view myself, and in support of that would cite the greater strength that the non-Egypt cause seems to have, the greater unity, the new prestige the PLO has gained in Iran, and as a result of the Baghdad Conference. Why does the U.S. seem to reject that argument?

NO RECOGNITION OF PLO UNTIL IT RECOGNIZES RESOLUTION 242

Mr. SAUNDERS. The U.S. Government, as you know, has a commitment which it made in 1975, not only to the Government of Israel but in hearings before both Houses of the Congress, that it would not recognize or negotiate with the PLO.

Mr. FINDLEY. Yes, recognize or negotiate.

Mr. SAUNDERS. Until it recognizes Resolution 242 and Israel's right to exist. We, of course, recognize the great importance of the Palestinian issue in all of its aspects to a resolution of the current conflict and the success of the next round of negotiations.

Mr. HAMILTON. Will the gentleman yield?

Mr. FINDLEY. Sure.

Mr. HAMILTON. How do you reconcile your statement just a moment ago about our commitment, referring back to the Sinai II agreements, with what you say, on page 6 of your testimony this morning: "It is important to recognize the full freedom of action, the full judgment and discretion of whether to act and what action to take, is reserved to the United States."

I am sorry to interrupt on the gentleman's time.

Mr. FINDLEY. Please proceed. It is the very theme I wanted to pursue.

U.S. COMMITMENT IN SIGNING OF SINAI II AGREEMENTS

Mr. HAMILTON. You are insisting this morning that we have full latitude to take whatever step is necessary to take, but at the same time, you refer back to a commitment the United States made with respect to the PLO in the Sinai II agreements. Can you clarify that for me?

Mr. SAUNDERS. That commitment was a voluntary act and it remains our position that we adhere to that commitment.

Mr. HAMILTON. And it can be changed any time, unilaterally?

Mr. SAUNDERS. In theory that is true, but one changes commitments one has made to the Congress and other governments only with a great deal of thought.

MR. SISCO'S TESTIMONY

Mr. HAMILTON. You see, I remember the Sinai II agreement, and I can remember Mr. Sisco testifying precisely in these terms about full

freedom of action as a result of that agreement, and I can recall since that time that we have this reference to the PLO. I wonder about this full freedom of action.

Mr. SAUNDERS. I would like to ask Mr. Hansell to comment here in a minute, but I also think there is another factor involved here, and that is that the commonsense part of this commitment is very simple. If you are going to have a negotiation and the parties are going to participate in that negotiation, they must accept the purpose of the negotiation or it is not useful for them to be included.

What we are simply trying to do here is to say that when all parties to the negotiation accept the basic purposes of it, as in this case defined in Resolution 242, then we will, at least for our part, have a dialog with them.

Herb, do you want to speak to that?

**STATEMENT OF HERBERT HANSELL, LEGAL ADVISER,
DEPARTMENT OF STATE**

THE MEMORANDUM OF AGREEMENT

Mr. HANSELL. I note, Mr. Chairman, that Mr. Saunders' comment about our freedom of action was directed to the provisions of the memorandum of agreement that was entered into with Israel in connection with the peace package.

Mr. HAMILTON. Doesn't the memorandum of agreement include reference to paragraph 8 of the Sinai II agreement?

Mr. HANSELL. Well, there is a provision—

Mr. HAMILTON. Excuse me. I misstated that. Paragraph 8 of the memorandum of agreement refers to the Sinai II agreement. Now, you say you have full freedom of action here. Then Mr. Saunders testifies about a commitment on the basis of the Sinai II agreement.

Mr. FINDLEY. Mr. Chairman, if you would permit me. Can you alter what you perceive to be that agreement without the concurrence of the State of Israel?

FULL CONSULTATION AND DISCUSSIONS

Mr. HANSELL. Mr. Findley, I think we would say that we have undertaken solemn international assurances in these agreements. We are not in the practice of unilaterally departing from or violating our assurances without full justification and consultation and discussion.

Mr. FINDLEY. Without consultation.

Mr. HANSELL. And discussion with the other party. And the question is not before us at the moment as to how we might proceed if at any time we want to discuss any of our prior understandings. The provision that exists in the new MOA, just to clarify that for a moment, was that the treaty of peace did not alter or terminate the prior existing assurances. So that whatever assurances were in existence prior to the execution of the new memorandum remain in effect. Of those commitments that were previously made, many of them we regard as binding international commitments, and of course we adhere to them.

DIALOG DIRECTLY WITH THE PLO

Mr. FINDLEY. But that is somewhat vague. Do you feel obligated to get the concurrence of the State of Israel before entering into any communication directly with the PLO?

Mr. SAUNDERS. We would certainly discuss this with them. It is in the spirit of the relationship that we would discuss it with the Israelis if there were to be any change in our position.

I would like to just share a perspective here for a moment. I do not think we are talking about, perhaps, the governing issue here, which is not a legal one.

Mr. FINDLEY. If you will permit me first, Mr. Saunders.

Mr. SAUNDERS. Yes.

Mr. FINDLEY. It is a very fundamental issue whether some sort of dialog can be created with the PLO. I cannot think of anything more fundamental than the need to enter into discussion. Earlier in your testimony, you made a comment, and I think I have it correctly, that you had not seen or heard anything from the PLO as to their course of action to facilitate the peace process. Do we really know? Have we sent a letter or an envoy over there to discuss their views? Have we?

THE PLO'S POSITION

Mr. SAUNDERS. No, because of the position we have taken, but that is the point I want to make, that our awareness of the PLO's position does not come alone from our ability to have direct contact or not to have direct contact. I think we know what the PLO position is. But the point I wanted to make is that the problem here, I really feel, is not just whether we are talking to the PLO or not. The question is what the position of the PLO is and what position it will take toward these negotiations.

Mr. FINDLEY. How do we know?

Mr. SAUNDERS. I am afraid we are building for ourselves here a tremendous disappointment, because I do not believe that the simple act of communication with the PLO, whatever one's position might be on the merits of that, will produce the kinds of decisions that would be necessary to lead to an agreement.

U.S. COMMITMENTS

Mr. HAMILTON. Mr. Saunders, my question does not relate to that at all. My question relates to U.S. commitments, what our obligations are, and that was the question raised by Mr. Findley. It is the matter of the U.S. commitment. What do you feel the U.S. commitments are under Sinai II, the memorandum of agreement, and so forth? How do you reconcile those commitments with the statement you have here that we have full freedom of action, full judgment, full discretion? That is the point I was bringing out.

Mrs. FENWICK. Will the gentleman yield?

Mr. FINDLEY. Could I recast?

Mr. HAMILTON. It is Mr. Findley's time. I am sorry.

OBLIGATION FELT BY U.S. GOVERNMENT

Mr. FINDLEY. I know I have imposed upon the Chair's discretion. Let me recast it this way, and tell me if this is an accurate description of the obligation of our Government: That our Government feels obligated to discuss and consult with Israel in advance of any decision to begin any form of direct contact with the PLO, but that our Government does not feel obligated to secure the concurrence of the Government of Israel before going ahead. Is that an accurate statement? And if it is not, clarify it.

Mr. HANSELL. Let's be clear on the terms, first of all, of the 1975 agreement which dealt with this.

Mr. HAMILTON. Mr. Hansell, I am sorry to interrupt you at this point. After we vote, we will start with your response to that question. We do have a vote pending.

Mr. FINDLEY. I appreciate your indulgence, but I think this is a very important topic.

Mr. HAMILTON. Yes, it is important. We will have the statement restated, and Mr. Saunders will resume after the committee returns.

Mr. SOLARZ. May I ask permission that questions be permitted for the record by Members who are not members of the subcommittee.¹

Mr. HAMILTON. Absolutely, without question.

The subcommittee will stand recessed.

[There was a brief recess.]

Mr. HAMILTON. The subcommittee will come to order.

Mr. Findley.

CLARIFICATION OF U.S. COMMITMENTS

Mr. FINDLEY. Mr. Chairman, I think it is vitally important that we get clarification of the obligation the U.S. Government has in respect to communication, informal and otherwise, with the PLO. The Sinai II agreement memorandum uses the words "recognition" and "negotiation," which are rather precise terms of art.

Is it the position of the U.S. Government that communication short of official recognition or official negotiation can occur between our Government and the PLO without any reference to the State of Israel?

Mr. HANSELL. Mr. Findley, the answer to this is yes; this is, that there is no agreement, no inhibition on contact short of recognition or negotiations.

Mr. FINDLEY. All right.

Now, in respect to recognition and negotiation, our Government holds that it is obligated to consult and discuss with the State of Israel before entering into negotiations or before extending recognition to the PLO. Is that correct?

Mr. SAUNDERS. We would consult as a matter of practice. It is the normal way we do business.

I think the point that might be added to Mr. Hansell's earlier comment is that of course this would be an act of significance, and we

¹ See p. 53.

would feel that in the normal spirit of decency in the relationship, we would want to discuss this whole issue with the Israelis.

Mr. FINDLEY. And finally—

Mr. HANSELL. Could I supplement that?

Mr. FINDLEY. Sure.

Mr. HANSELL. Only to say that of course when I said we would consult, I wanted to be clear that with respect to recognition or negotiation, that is the subject of the earlier agreement, so we have a commitment not to recognize or negotiate. I want to be sure that was clear.

Mr. FINDLEY. Yes.

Now, finally, is our Government obligated to secure the concurrence of the State of Israel before entering into recognition of the PLO or before entering into negotiations with the PLO?

Mr. HANSELL. We would be obligated by our earlier memorandum of agreement not to do that as a matter of policy, so long as the PLO does not recognize Israel's right to exist and does not accept resolutions 242 and 338.

CONSENT OF ISRAEL NEEDED BEFORE NEGOTIATING WITH OR RECOGNIZING
PLO

Mr. FINDLEY. That we are required to get the agreement of the State of Israel before negotiating or recognizing the PLO. It is a very important question.

Mr. HANSELL. I understand. We have given our assurance that we will continue to adhere to that policy.

Mr. FINDLEY. We cannot unilaterally alter that. We must have the concurrence of the State of Israel.

Mr. HANSELL. That is certainly the policy that has been taken by this government, and that continues to be the position that has been articulated by the U.S. Government.

Mr. FINDLEY. Mr. Chairman, I raised these questions because I have learned that the PLO would welcome an emissary from the U.S. administration to take up the question of the next stage of negotiations, and it seems to me that the case is powerful for us to take that initiative. And based upon what has been said to us today, our Government is free to do that without any reference to the attitude of the State of Israel. If it were to occur, I believe it would ease tensions at every point of the compass in the Middle East, ease the problems of Israel, ease the problems of Jordan, Syria, Lebanon.

PLO'S ACCEPTANCE OF U.N. RESOLUTION 242

Mr. SAUNDERS. I think it is worth simply recalling for the record that the President has said that if the PLO accepts resolution 242 and Israel's right to exist, we will deal with the PLO.

Mr. FINDLEY. That, of course, is a gratifying position, but I am sure you would recognize the difficulty the PLO would have embracing 242 unless it felt it received a similar recognition of its right to secure national homeland.

Mr. SAUNDERS. When we were dealing with this problem 1½ years ago in discussions with some of the Arab governments, we made it

known that we would, of course, understand if the PLO felt it necessary to state its view; that resolution 242 does not adequately address the political dimensions of the Palestinian problem.

Now, we feel that at Camp David in the framework agreed there, that significant progress was made in that regard. The Camp David framework is built on resolution 242, of course, but it also provides for a solution which recognizes the legitimate rights of the Palestinian people and it provides a number of concrete ways in which they could participate in the negotiations and in the determination of their own future.

In our view, we have taken steps in our own acknowledgment that 242, while the base for all of this, can be built on to provide recognition of the legitimate political objectives of the Palestinians.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. HAMILTON. Mr. Studds.

CONCERNS OF THE AMERICAN TAXPAYER

Mr. STUDDS. Thank you, Mr. Chairman.

Gentlemen, I did an unusual thing last week. I went home. And I am going to try to share with you some of the questions with which I got bombarded in the course of last week. I do not purport to be doing them scientifically or any other way, but this is the thrust of the concerns expressed by people.

The American people, both in terms of my own contacts in my own constituency and in terms of every national poll I have seen recently, which has borne out the same thing, are pretty confused, pretty angry, and pretty concerned, to put it mildly and politely, about their Government in general and foreign policy and energy questions in particular.

Remember, all of those years through the conflict of Southeast Asia, people looked forward to the end of the war so there would no longer be such a need for tremendous funds for the Department of Defense. The so-called peace dividend was looked forward to by people for many years.

COSTS OF PEACE

As you know, when the war ended, defense spending jumped dramatically and has done so every year since then. A similar thing seems to have happened with the advent of peace in the Middle East. I don't think there is a soul in this country who did not skip a heartbeat or two at the ceremonies at the White House and say a prayer and hope it was there. But of course, it was only a matter of minutes before it sunk in that this peace was going to require, among other things, roughly \$5 billion in military assistance in the next 3 years. And people began to wonder whether we could afford it if peace broke out anywhere else in the world, at this rate.

While everyone wishes well to U.S. negotiators involved on missions of peace, one really wonders what the costs are. And I must say to you that I understand—at least I think that I do—the pressures and the situation in which Israel and her people find themselves and Egypt and her people find themselves. And I think I am fairly well-versed in the complexities of what has to be as complex a region as any on the face of the earth.

But I think all of us, especially people who spend a lot of their time in this bizarre city here, need to face some of the less sophisticated, if you will, questions, more straightforward and in a way, more honest and more difficult to answer, of people who are not that versed in all the nuances of the region and its history, and who ask questions that are extremely difficult to answer, quite apart from the not altogether academic question of how come peace costs so damn much in military assistance, and if we really have peace, why do we have to proceed promptly to rearm the two nations that have just negotiated the peace?

OPEC'S CONTROL OF OIL PRICES

Mr. Findley made a reference to the power of OPEC in terms of setting the world price of oil. One factor in the anger of the people that I represent is the fact that this administration has now effectively doubled OPEC's power by giving them the power to control not only their own oil, but our oil in decontrolling the price of crude oil. OPEC's decisions in the future will now set the price of American oil as well as OPEC oil, which is an awesome power to have there.

Let's look at Egypt. I get asked a lot: Why does Egypt need a \$1.5 billion more of military assistance on top of what we are already giving them? I sat here throughout the last couple of years and carefully listened to all of you explain why we necessarily had to have that enormous sale to Egypt, Israel, and Saudi Arabia in the interest of peace, of course, which is why we always sell arms anywhere in the world; and now on top of that, we are being asked for a significant new sum of military assistance for Egypt.

What really, given the signing of this treaty, are the threats to Egypt? Now, I would assume that the things we would be most concerned about, that Mr. Sadat would be most concerned about, would be his personal physical well-being, threats upon his person, and dissent within Egypt. Does Egypt need \$1.5 billion more worth of military equipment, and if so, against whom?

FIRST COMMITMENT OF AMERICAN FUNDS FOR MILITARY EQUIPMENT

Mr. SAUNDERS. First of all, this is the first substantial commitment of American funds to the provision of military equipment to Egypt.

Mr. STUDDS. Don't forget the F-5's we went through last year.

Mr. SAUNDERS. We are not providing any funds for those.

Mr. STUDDS. That is my next question: Who is going to pay for it?

EGYPT'S NEED FOR MILITARY EQUIPMENT

Mr. SAUNDERS. The second point is that F-5's last year were the first significant American provision of military equipment to Egypt. Egypt, as you know, has been without significant consistent sources of military supplies for roughly 4 years. The purpose of this equipment is to help the Egyptians replace equipment that has now become obsolete or has gone into disrepair for want of spare parts over these years of the Soviet embargo.

Fundamentally, it is the Egyptian shift from the Soviet Union to Western sources of supply which is a part of the overall reorientation

of Egypt in the area. As Egypt reduces its military forces, it feels the need to modernize and increase the effectiveness of the forces that will continue to exist.

Now, what threat does Egypt face? I think it is apparent that Egypt needs a defensive force against a variety of potential radical adversaries in the area surrounding it. Egypt feels the need to be a force for moderation in that surrounding area, and we welcome it as such.

SAUDIS' OBLIGATION TO PAY FOR F-5'S

Mr. STUDDS. The Saudis, as I understand it, were to have paid for the F-5's last year and presumably the Egyptians are to repay the—what is it, \$1.5 billion in credits we are now talking about for the next 3 years in Egypt?

Mr. SAUNDERS. That is right.

Mr. STUDDS. And the Saudis are going to bear that burden too, are they?

Mr. SAUNDERS. There is no decision along those lines at this point.

Mr. STUDDS. How in the world could a country such as Egypt sustain a burden like that?

Mr. SAUNDERS. That will have to be worked out in the future.

EGYPT'S ECONOMY

Mr. STUDDS. How do we work it out? The country is desperately poor. What its people need, presumably, is something a little more pressing than tanks and aircrafts.

Mr. WHEELER. I think that when one looks at it in the total context of their economy and the changes taking place in that economy, the burden during the grace period will be about \$135 million a year, and it is a burden. It is a deduction, in a sense, from their total ability to fund economic and social programs.

Mr. STUDDS. In other words, we don't know whether they can stand it or not.

Mr. WHEELER. We have a judgment that basically the economy is showing very important strength in terms of the improvement in its balance of payments, and that particularly when looked at in a 30-year time frame, that they should very well be able to service this kind of debt.

FORGIVENESS OF CREDITS

Mr. STUDDS. I have a number of constituents who dared me to ask someone if I ever got a chance: Would you be willing to bet at this moment on the odds of this administration coming in here in a year or two and asking us to forgive these credits, or a large part of them, to both countries?

Mr. WHEELER. Yes; I don't think they are likely to come in and ask for it.

Mr. STUDDS. You don't think so? You sure had the math all ready in case someone asked the question a little while ago.

Mr. SAUNDERS. I think the point there, Mr. Congressman, is that not the administration but others have already made that proposal.

Mr. STUDDS. In other words, you wouldn't be taken aback if the suggestion came from the Congress.

Mr. SAUNDERS. We have taken the position that the administration's proposal should stand as presented.

SEVERED RELATIONS BETWEEN SAUDI ARABIA AND EGYPT

Mr. STUDDS. I understand. The Saudi Arabians have broken diplomatic relations with Egypt, whatever that means. Do we anticipate they will continue to pay for the F-5's?

Mr. SAUNDERS. Yes.

Mr. STUDDS. We do? Do we have reason to believe that or are we sort of hoping?

Mr. SAUNDERS. We have reason to believe that.

UNITED STATES-SAUDI RELATIONS

Mr. STUDDS. We had reason to believe they were going to be extremely helpful. Mrs. Benson wrote to me when we were agonizing, some of us, over the joint arms sale last year. She said Saudi Arabia was, and I quote:

A moderating influence in the area, and a country which has strongly supported President Carter's peace initiative. Saudi Arabia's contribution is based foremost on its firm commitment to a negotiated settlement of the Arab-Israeli conflict. The Saudi's have strongly opposed the outbreak of another war, which they believe would put intolerable strain on their highly valued relationship with the United States.

One of the reasons some of us had a great deal of difficulty making up our minds on whether we should approve those arms sales, one of the reasons we found compelling, was the assurance from the Department of State that the Saudis were playing from behind the scenes a helpful moderating role in the peace process.

Now, I assume we were all sort of disappointed that it didn't happen that way. Is that fair to say?

Mr. SAUNDERS. We are disappointed in the present Saudi posture. At the same time, I think there is no question that a moderate Saudi Arabia is extremely important to the interests of the United States, and while we may disagree on the present situation, not on the objective of peace, but on how to proceed in this particular period, that we would in the end find ourselves again working in cooperation with Saudi Arabia toward this objective.

Mr. STUDDS. Except that their position with respect to Camp David, the great American triumph, is indistinguishable from the other Arab countries, is it not?

ARAB OBJECTIONS TO U.S. INVOLVEMENT

Mr. SAUNDERS. The entire Arab world objects to what we are doing. As I said earlier, we must show results from this because it is the only workable alternative. They have not proposed any, and if we can succeed in it, it seems to me that it will be very difficult for them to oppose the various benefits for Palestinians and other governments that could flow from this process. But it is a process of convincing them in a situation in which they disagree and do not think we can produce the results we would like.

Mr. STUDDS. I have heard it time and again said that a major rationale for aiding Egypt at this time is to put Sadat in a position where he can demonstrate to his own people the benefits of peace and of cooperating with the United States in this effort. We used to send, as you will recall, a great many weapons to Iran. One of the reasons, we now learn, the people of Iran revolted was precisely because of the stuffing into that nation of obscene levels of American weaponry into a nation which needed other things.

Has any thought been given to the possible judgment of the Egyptian people that they might think what they need most at this time is something other than a couple of billion dollars worth of weapons, and that this might backfire on us in some of the same ways it did in Iran?

Mr. SAUNDERS. We are talking about totally different orders of magnitude.

IRAN COMPARED TO EGYPT

Mr. STUDDS. I realize no one has ever talked about the order of magnitude of the Shah, but it is still pretty big, given the poverty of the country.

Mr. SAUNDERS. We are also talking about a military force which has been without significant major modernization for 5 years. Any nation has to provide for its own defense within reasonable limits.

Mr. STUDDS. Especially in times of peace.

Mr. SAUNDERS. I would think the proportions we are talking about here of \$500 million worth of equipment a year, which does not represent a great deal of equipment in today's world, as you know, is not a disproportionate effort by the Egyptian Government simply to update and modernize forces that have never really recovered totally from the 1973 war.

Mr. STUDDS. I suspect it is a disproportionate effort in comparison to our economic aid program and compared to the Egyptian capacity to deal with their own problems. As I understand it, Sadat's most overwhelming problem is whether or not he can prove to his people that they can literally survive, given the extent of poverty in that country.

I guess all I am saying at this time is I hope someone is giving some thought to that because there may come a time when the Egyptian people ask themselves, as the Iranian people did, how understanding of the true nature of their situation was the United States at this time.

I am a little over, but I have not approached the gentleman from Illinois yet. Let me see if I can sneak in one other line of questioning just to balance this. I have to balance my assault here a little bit. I have attacked the Government of the United States and the Government of Egypt, so it is Israel's turn, and then I will promptly yield.

Let me just for the record ask you a couple of quickies. Is it the position of this Government that the stipulations of the Fourth Geneva Convention concerning the protection of the civilian population under military occupation applies to Israel's Government of the occupied territories?

Mr. SAUNDERS. Yes.

Mr. STUDDS. Does this prohibit the introduction of civilian settlers from the occupied power into occupied territories?

Mr. SAUNDERS. Yes.

ISRAEL'S ESTABLISHMENT OF NONMILITARY SETTLEMENTS

Mr. STUDDS. Is it true that Israel has established over 70 nonmilitary settlements in occupied territory of a total of some 8,000 people?

Mr. SAUNDERS. That sounds like about the right number. I am not sure of the exact number.

Mr. STUDDS. I should alert you that is taken from the State Department's own report on human rights.

Mr. SAUNDERS. Fine.

Mr. STUDDS. It was not meant to be a trick question. I am just trying to establish the record.

Mr. SAUNDERS. That is about right.

ADDITIONAL SETTLEMENTS BEING PLANNED

Mr. STUDDS. Has this policy been halted or are additional settlements planned, so far as we know, during the coming year?

Mr. SAUNDERS. We understand additional settlements are planned.

Mr. STUDDS. In a year in which the United States will be providing a total of some \$2 billion in military and economic aid to Israel?

Mr. SAUNDERS. That is correct.

Mr. STUDDS. In your judgment, is this aspect of Israeli policy one which detracts significantly from the prospect of a comprehensive peace settlement in the region?

Mr. SAUNDERS. Yes. As we have said, particularly announcing the decision to establish two new settlements on the eve of the negotiations which are about to begin, we believe, tends to prejudice the outcome of the negotiations.

MONEY SPENT ON SETTLEMENTS

Mr. STUDDS. One final question. I think we had testimony in the subcommittee that Israel plans to spend something in the nature of \$35 million this coming year on new settlements. Whatever the precise amount is, assuming that is approximately correct, what would be the administration's position on a proposal to reduce the amount of U.S. aid to Israel by the amount she plans to spend on an activity which this Government considers to be illegal and harmful to the peace process?

Mr. SAUNDERS. I think we would oppose that effort because the aid that we have provided is designed to go to the core of several of Israel's problems. One is providing for its own security: hence, the support for military purchases, the relocation of the airfields and so on. A second has to do, though, with the health of Israel's economy, which again is part of the very life of the country.

We also have provisions in our agreements, do we not, Joe, which say that this money should not be used for projects in occupied territories?

Mr. WHEELER. That is right, in terms of our particular money.

Mr. STUDDS. Let me apologize to Mrs. Fenwick. I know what it feels like to be down there.

Mr. SAUNDERS. I don't know whether I have any rights in continuing my answer.

Mr. STUDDS. You do, but I reserve the last 10 seconds for myself.

THE COST OF PEACE

Mr. SAUNDERS. I want to go back to your constituent's question because I think it is one on all of our minds. We have grappled with the question of why is peace so expensive, and I would simply point out a couple of things. Five years ago, the Congress appropriated a grand sum of \$2.2 billion in the wake of the 1973 war simply to resupply Israel and to meet its battlefield losses. That is more than the total budget impact by one-third again as much of what we are talking about here for peace. That is just one example of what peace in the Middle East or war in the Middle East can cost.

So it seems to me that the United States, given the tremendous other costs that flow from war in the Middle East, is in waging peace, as the President says, perhaps spending its resources in ways which square not just meeting military necessity but bring together our moral commitments as well as our strategic economic-military-political commitments.

Given what could happen—I hate to use this phrase—but it may be cheap at the price.

Mr. STUDDS. I understand your position. Let me just say I think you have an extraordinary selling job to do. If the Congress were to vote today on this proposal and were in some quixotic moment to be generally representative of the American people, I suspect that the proposal would lose. I think that the case has to be made and must be made compellingly, both in terms of humanitarian concerns and in terms of our own national self-interest. And I think that that case has yet to be made to the people of this country.

THE MATHEMATICS OF THE PACKAGE

Mr. SAUNDERS. I think a good part of it, though, is the arithmetic of the situation. It is a very hard point to understand, not for you but for people out there who do not understand.

Mr. STUDDS. Oh, for me, too. I am still trying to understand North Yemen, never mind this. [Laughter.]

Mr. SAUNDERS. A \$4.8 billion program has a budgetary impact of \$1.4 billion divided by 3, which brings you down to—

Mr. STUDDS. I tried that. It does not work.

Mr. SAUNDERS. It happens to be true; that is the problem.

Mr. STUDDS. Thank you, and thank you for your patience, Mr. Chairman.

Mr. HAMILTON. Mrs. Fenwick.

CHOOSING CONTRACTORS

Mrs. FENWICK. I will try to be brief. I would like to say first that I find no difficulty in wondering why Mr. Sadat needs military equip-

ment. Ethiopia seems to have been moving troops into the Sudan, which is a friend of Egypt, and Egypt might be called upon to help. And Egypt has a very volatile neighbor to the west which, as you now know, is involved in sending troops into Uganda and everywhere else. So I think it quite obvious that Egypt needs some help and has had no proper equipment for some time.

I think also that if the public does not understand the arithmetic, it is up to us to make it clear. If they don't know, they will surely see the difference between the billions you have described which were spent at the time of war, as compared to the \$1.7 billion which I understand is the total budget outlay, as the chairman's question has elicited. And if they don't understand it, it is our fault. It is a lack of communication on our part intelligently to convey the truth.

If that is the public view, then we are at fault as communicators and Representatives. But I would like to ask the general how these three contractors are going to be chosen. I believe you said three contractors. Keep it brief, if you could. I have some other questions for Mr. Saunders.

General GRAVES. Very simply, we have advertised in Business Daily for the qualifications of the firms. The Corps of Engineers is reviewing the qualifications.

Mrs. FENWICK. Who is going to make the choice?

General GRAVES. The choice will be made by the Chief of Engineers based upon the qualifications of the firms.

Mrs. FENWICK. Whether they have done similar work in the past, and so on?

General GRAVES. Similar work in the past, overseas experience and so forth.

LAWS GOVERNING TERRORIST ORGANIZATIONS

Mrs. FENWICK. Mr. Saunders, I must confess I take a different view from some of my colleagues—I don't think we should talk to the PLO at all. It seems to me perfectly clear from their statements that they are terrorists. For example, in the Voice of Palestine, Mr. Abu Iyad, who is a member of El Fatah, the arm of PLO, says quite clearly that the PLO sees no benefit at present in opening a dialog with the United States. "Furthermore, we feel such a dialog is a waste of time. Confronting the Americans now is more important."

How are you going to sit down and propose a peace treaty with people who talk like that? It is perfectly clear that in the Arab newspaper, Al Dustur, they say the U.S. President has backed down on his statement; that as long as the United States insists on improving unacceptable conditions such as recognition of Security Council Resolution 242, they see no benefit in such a dialog.

How can we sit down with people who will not even accept a resolution to which the United States subscribed, Resolution 242, which is the basis of the treaty? How can they be invited to come and speak? Every time they are recognized, whenever Mr. El-Hout comes into this country, in my opinion, we strengthen their hands.

We have a law, I believe, that terrorists are not allowed to come in. He will not disavow terrorism. When he was asked, he said, well, there were war conditions or something. I have met Palestinians who are not

PLO's and with whom we should be talking. Why don't we talk to them instead of picking a group of which the official representatives say quite openly that they do not want dialog with us; that if they have to accept 242, that that is no kind of a basis. How do you get peace when the people you are supposed to talk to are so completely irreconciled to the existence of the nation which is one of the signatories of the peace?

In other words, I don't really understand—and I wrote to the Secretary about this at the time—how we can give visas to such people. I am in favor of free speech and I am sworn to uphold the Constitution, but we have a law that says we do not have to admit terrorists, and I wish very much that we could be clear on that. Somewhere, it seems to me, we ought to stand up for something.

NO DIALOG WITH PLO

Mr. SAUNDERS. There are several things which might be said in response to your statement. First of all, since the PLO has not accepted Resolution 242 as a basis for negotiation, the Camp David approach focuses on the 1 million Palestinians—that is, one-third, roughly, of the Palestinian people—who reside in the West Bank and Gaza. So the focus of the next round of negotiations is to try to provide a self-governing body for those people and to bring them into the negotiations, and ultimately to see them participate in the major decisions that will determine their own future.

That is where we have put our focus, simply because we have not been able to find a basis on which to have a dialog with the PLO.

As far as Mr. El-Hout is concerned, we were faced with a situation where he had received invitations from a number of highly respected American universities which felt it would be beneficial for freedom of academic inquiry to be able to meet with him. Although he is obviously a member of an organization which is responsible for terrorist acts which we condemn, nevertheless he is an individual, as we understand his views, who is a relative moderate in the spectrum of PLO views. And we felt, therefore, that we had no evidence that he personally engaged in terrorism, and in response to these invitations from these American universities, we felt it justified to issue that visa for a stated period of time and purpose.

TO WHOM SHOULD WE BE TALKING?

Mrs. FENWICK. Mr. Saunders, it is like picking one from a group of gangsters because he says I don't kill on Sundays. It is only relative moderation when you are part of a group which is dedicated to these activities. I don't think it is adequate, and I think you know in the long run what is really going to be the outcome there. It is going to be that we have to find some people who are reasonable, sober Palestinians who are prepared to live in some kind of self-determination with the Israelis without hating them and bombing them and thinking they have a right to.

That is what is so terrible in the long run. Peace is going to depend on those other people, not gangsters, isn't it? And we ought to be

talking to them, developing them, nurturing them, giving them recognition. Every time we do anything that gives the terrorists legitimacy, we endanger the final peace because the others may feel that although the terrorists did throw all those bombs and kill all those people in Munich and elsewhere, the terrorists are the only representatives the people have. And as long as we continue this half-hearted semirecognition, we delay the time when we are going to discover the decent Palestinians who are prepared to live in peace.

I feel we would be so wise to go out into the villages and find upstanding, decent people. There is a gentleman, an old retired gentleman in Jerusalem whose name I cannot remember. You know the one I mean.

Mr. SAUNDERS. Mr. Alami?

Mrs. FENWICK. Yes. People like that I would talk to who never would join something like the PLO, people who have been standing up for Arabs and for their rights but would find it displeasing to join such an organization. That is what we want.

IMPORTANT TO SUCCEED IN NEGOTIATIONS

Mr. SAUNDERS. It seems to us it is exceedingly important to succeed in these negotiations so that those Palestinians who are prepared to live at peace with Israel can join this process and take part in it. We are confronted with the complicated situation that even most of those to whom you talk in the West Bank and Gaza will say that the PLO speaks for them.

Mrs. FENWICK. Oh, I know.

Mr. SAUNDERS. It is a complicating factor.

Mrs. FENWICK. But that old gentleman doesn't seem to. I would build on him.

Thank you, Mr. Chairman.

Mr. HAMILTON. Before I turn to Mr. Solarz. I would like to say that members of the subcommittee have talked to me and we would like to, I think, have you gentlemen come back. This afternoon will not be convenient for members of the subcommittee, and it is the Chair's intent to go until about 1 o'clock here and then adjourn and try to set another time for you to come back.

Do you think we can work that out?

Mr. SAUNDERS. Sure we can.

Mr. HAMILTON. We will do so.

Mr. Solarz.

FMS LOANS AT CONCESSIONAL RATES

Mr. SOLARZ. Thank you very much, Mr. Chairman.

Can any of you gentlemen let us know whether there is some way in which we could provide these FMS loans to Israel and Egypt at concessional rather than commercial rates, without increasing the budgetary impact on our own fiscal situation above and beyond the 10 percent which we now have to put into the Federal Financing Bank as a guarantee for those loans? Is there any other mechanism, guarantees, or anything else which would enable us to provide these loans at concessional rates without increasing the budgetary impact here?

General GRAVES. Well, sir, you have put your finger on a very difficult problem, because the guaranteed loan is basically a loan by that person at the price of money to him, and the concessional loans have always been, in the past, direct loans from the U.S. Government, which therefore require the appropriation of funds by the Congress.

So you are proposing something we have not been able to work in the past.

Mr. SOLARZ. I understand my question, General. I am interested in your answer.

General GRAVES. Our answer is we have not been able to find that to date, but I think it would be better for us to offer a paper on this since up till this time on Thursday, we have not a way to do this. But I think we should consider whether there is one and provide the committee an answer if that is acceptable.

Mr. SOLAREZ. If you can do that before we mark it up in the full committee, it would be helpful.

General GRAVES. I understand.

FEDERAL FINANCING BANK

Mr. SOLARZ. My understanding is the Federal Financing Bank is prohibited by law from offering loans at concessional rates. Is that correct?

General GRAVES. Let me ask Mr. Borek if he would address that, please.

STATEMENT OF TED A. BOREK, DEPUTY ASSISTANT LEGAL ADVISER, BUREAU OF POLITICO/MILITARY AFFAIRS, DEPARTMENT OF STATE

Mr. BOREK. My understanding is, Mr. Solarz, that while they may have—I am not an expert on their requirements—but while they may have some authority to vary their interest rates, they operate on one policy consideration that they ought to operate at the cost of money. That is something we support as we believe they should maintain their purity.

Second, in the event they were to offer a 4-percent interest rate, they would have to then, in order to get the funds to make the loan, turn around and go to the bond market where they would be paying 9 percent. They have no authority and no money, and under the FMS law as it is now, we could not make up that difference.

Mr. SOLARZ. Is there anything which prohibits the Federal Financing Bank from offering these loans at concessional rates?

Mr. BOREK. I would have to provide that for the record, sir.

LEGISLATION REGARDING FEDERAL FINANCING BANK

Mr. SOLARZ. Could we, in theory, adopt language in this legislation which would require the Federal Financing Bank to offer the loans at concessional rates?

Mr. BOREK. In theory I think so.

General GRAVES. I think in theory, but I suspect that as a minimum, a fundamental provision would have to be made to make them whole. I think you would be getting into their whole financial structure if you did not provide at the same time a method to make them whole on the interest.

Mr. SOLARZ. When you do your paper, if you could look into ways in which they could be made whole without increasing the amount of the outlays in each of the years——

[Laughter.]

General GRAVES. We will do this, but let me say that as a minimum, I think we would have to increase the outlays by the amount of interest.

Mr. SOLARZ. That is what I want you to figure out, General, how not to increase the outlays.

General GRAVES. Sir, we will do our best but I predict we will not succeed in that objective.

Mr. SOLARZ. I have faith, General, in you. I know your predecessor was very creative in these accounting procedures, and if necessary, we will recall General Fish to figure out how this can be done.

[The material follows:]

INFORMATION PAPER ON CONCESSIONARY RATES OF INTEREST ON LOANS ISSUED BY THE FFB AND GUARANTEED BY DSAA

Under the provisions of the Federal Financing Bank Act of 1973 (Public Law 93-224) the FFB issues loans to foreign governments for the purchase of defense articles and services. These loans are guaranteed against financial loss by the Department of Defense. Section 6 of the FFB Act stipulates that loans must be repaid with interest at a rate not less than a rate determined by the Secretary of Treasury which takes into consideration (1) the current average yield on average yield on outstanding obligations of the Bank of comparable maturity or (2) whenever the Bank's own obligations outstanding are sufficient, the current average yield on outstanding obligation of the Bank of comparable maturity. This provision is also included under Section IV, paragraph 4.7 of the "Defense Security Assistance Agency-Federal Financing Bank Agreement with Respect to the Foreign Military Sales Act," dated January 31, 1975. All loans to date have been in accordance with the principle that the borrower must repay loans with interest thereon at a rate not less than the cost of money to the U.S. Government.

An alternative would be to budget for a DOD Direct Loan and seek a Presidential Determination under Section 23 AECA that it be repaid at a concessionary rate of interest. Historically, there have been relatively few loans of this type. The last was issued in fiscal year 1975. In the P.D., the President must certify to the Congress that such an act is in the national interest, and a justification for a lesser rate must be provided.

The payments on a loan at a concessionary rate are lower than on a loan at the current rate. One way to produce the same effect is to forgive a portion of the principal, so that the repayment of the remaining principal at the current rate is financially equivalent to the repayment of the entire principal at the concessionary rate.

For a 30-year loan with an initial grace period of 10 years on the repayment of principal, the payment calculations for the first 10 years and the final 20 years are different. Assuming a current interest rate of 9½ percent when the loan was drawn down, it would be necessary to forgive 58 percent of the principal for the repayment schedule during the first 10 years to be the same as for a loan at a concessionary rate of 4 percent. Alternatively, to make the repayment schedule during the final 20 years the same as for a 4 percent loan, it would be necessary to forgive 33 percent of the principal. To make the sum of all repayments of principal and interest over the 30-year life of the loan the same as for a 4 percent loan, it would be necessary to forgive 40 percent of the principal. In order to forgive a portion of the principal, that portion would have to be a direct loan rather than a guaranteed loan, and Congress would have to authorize and appropriate the full amount to be forgiven.

There is no provision for concessionary interest rates or forgiveness of principal for the FMS credits to be provided under the special international security assistance legislation which the President has recommended to Congress in support of the peace treaty between Egypt and Israel. The Administration is opposed to either concessionary interest rates or forgiveness of principal in this case because the levels of aid and the terms are the result of a careful balancing of foreign policy needs and fiscal policy constraints, recognizing our current budgetary restraints and the need to avoid imposing any unnecessary burden on the U.S. taxpayer.

COST OF MIDDLE EAST WARS TO UNITED STATES

Mr. SOLARZ. Now, Mr. Saunders, you estimated that the cost of four wars in the Middle East to our country has been somewhere, I think, around \$55 billion. Could you indicate how you arrived at this calculation?

Mr. SAUNDERS. May I say again, I do not want to spend a lot of time on a figure because any figure of this kind by its nature is—I understand it is in here, and I will use it as an illustrative figure. I will tell you how I got to it, but for goodness sake, let's not have a major discussion on this issue. What we did was simply—and I will be providing this, as the chairman already asked—\$2.2 billion in grant for the battlefield costs of the 1973 war. Our economist totaled the cost of the oil price increases to the American economy since 1973, and we just said that if, for instance, you said that 10 percent of that could be ascribed to a political act by the Arabs in the context of war, then you would get a figure of so and so. We looked at the fact that the military assistance level to Israel was under \$100 million before the 1967 and 1973 wars ended; it is now up at \$1 billion. You have to ascribe some portion of that increased level to the fact that they engaged in a war where they suffered setbacks at the outset and so on.

All we are saying is, if you look at the various elements that flow from war in the Middle East, you will find figures like these. And any look of skepticism has to come only from those who press me to go on with this figure, because I don't have much feel for it.

COST OF WAR

Mr. SOLARZ. Have you developed any comparably "strangelovian" scenarios with respect to what another war in the Middle East might cost us?

Mr. SAUNDERS. No, because it is a very difficult enterprise to get economists to get into the ramifications.

Mr. SOLARZ. Could you engage in such an exercise for the record?

Mr. SAUNDERS. I have. We have at the request of the Senate Foreign Relations Committee. What you will get is our response to that, and I have been over this with economists for several weeks now. I really think it is not a fruitful enterprise because it is misleading. All you can do is just have illustrative figures to point up the dimensions of the problems; that is all.

Mr. SOLARZ. If you could give us such illustrative figures.

Mr. SAUNDERS. We will give you what we have already developed, but that is about the best I think anyone can seriously do. It is imperfect.

Mr. SOLARZ. I understand, but we live in an imperfect world, and I think it would be helpful at least for us to look at.
[The material follows:]

COSTS OF WAR IN THE MIDDLE EAST

The almost immeasurable costs of war dwarf the costs of waging peace in the Middle East. It is virtually impossible to capture in a single sum the total cost to the United States of the four wars in the Middle East, however, since the indirect costs of war spread out too widely. The problem of looking to the future is even more difficult—one cannot begin to measure the potential costs of a great power confrontation or the effects or disruption of oil production on the United States and our major trading partners.

Nonetheless, one can get a sense of the burden the United States has shouldered from the following illustrative figures.

- Immediately after the 1973 war, the U.S. Congress appropriated \$2.2 billion to replace Israeli battlefield losses. Because these were entirely grant funds, the total budgetary impact of that appropriation was greater than that of the package now being presented to Congress in the wake of the Egypt-Israel peace treaty.
- Since the 1973 war, Israel has received over \$5 billion in military equipment from the United States. The war forced Israel into a massive military expansion and modernization program. Against the background of a U.S. military supply program that peaked at \$85 million following the 1967 war, the U.S. program has risen to \$1 billion per year.
- The immediate cost to the U.S. economy of the 1973-74 oil embargo alone has been estimated at \$15 billion. The cumulative cost since then of higher oil prices to the U.S. is probably in the neighborhood of \$300 billion. Even if only one-tenth or one-twentieth of these accelerated price increases could be directly ascribed to the 1973 war and the embargo, it would reflect another \$15-\$30 billion in war-related costs.
- Since nations always need the basic means of self-defense, not all U.S. military assistance to Israel or other Middle Eastern countries is directly caused by the Arab-Israeli wars. But the figure is clearly higher because of the conflict. Over the last 30 years we have provided to Israel \$9.9 billion in military assistance, and to Jordan, \$0.39 billion.
- To promote stability in this troubled region, the United States contributed over \$13 billion in direct economic assistance to the nations of the Middle East, bringing the total of direct U.S. aid to the region to \$25.479 billion.
- To help persons displaced by the Middle East wars, the United Nations Refugee Works Agency has spent more than \$1.6 billion, of which the United States contributed \$0.8 billion.
- It has cost \$0.8 billion to provide U.N. peacekeeping forces over the last 39 years, of which the United States contributed almost \$3 billion.
- Middle Eastern wars have also profoundly affected the economies of Europe, Japan, and the developing world, as well as the international monetary system. While we cannot accurately count the costs to the U.S. economy stemming from these disruptions, they certainly influence our economy in very important ways.

This is by no means an exhaustive list of the costs of the four Middle Eastern wars to the United States, but the total of these items alone comes to something between \$55 billion and \$70 billion.

FMS EQUIPMENT FOR ISRAEL

Mr. SOLARZ. General Graves, of the \$2.2 billion in foreign military sales equipment we are going to be providing Israel, could you indicate how much of that is related to the additional or new defense requirements incurred by Israel as a result of its obligation to relinquish the strategic depth of the Sinai and how this money is going to be spent?

General GRAVES. Basically, it corresponds with our minimum estimate of the relocation cost. In other words, there is a range of possible

cost that can be ascribed to the relocation effort, and of that, about \$1 billion is for the two airbases.

FUNDS FOR AIRBASES

Mr. SOLARZ. We are giving \$800 million for the airbases. I am talking about the \$2.2 billion.

General GRAVES. Of the \$2.2 billion, somewhere between \$200 million and \$300 million will be for the costs of completing those airbases to the full standards desired.

Mr. SOLARZ. And then the other \$1.9?

General GRAVES. Well, sir, this divides primarily between other construction for relocation in the Negev and efforts, equipment, and construction to both improve and readjust Israel's warning system from the conditions today.

Mr. SOLARZ. Can you give us a more precise breakdown of that for the record?

General GRAVES. I can but it possibly might be classified. Would that be acceptable to you?

Mr. SOLARZ. Sure.

General GRAVES. That is the problem in this area.

[The material follows:]

ESTIMATED REDEPLOYMENT COST BREAKOUT

The entire amount is related in some way to the cost of withdrawal. These costs are estimated as follows:

	<i>Millions of 1980 dollars</i>
2 airbases -----	1, 000-1, 100
Roads and utilities -----	350- 400
Communications -----	200- 300
Other construction -----	450- 500
Early warning -----	250- 450
Camps -----	200- 250
Other costs -----	600- 650
Total -----	3, 050-3, 650

The Israelis may, of course, elect to use the FMS credit to acquire needed articles or services not included in the above costs, in which case other funds available to Israel would be used to defray withdrawal costs. Such items probably would be AIM-9L air-to-air missiles, AGM-65B air-to-ground missiles, M60A3 Tanks, M-109 Howitzers, M113A2 armored personnel carriers, PHALANX close-in weapons systems, and Encapsulated HARPOON weapon systems.

SAUDI ASSISTANCE TO EGYPT

Mr. SOLARZ. Right.

Mr. SAUNDERS, could you give us any information as to whether Saudi Arabia intends to keep providing bilateral economic assistance to Egypt?

Mr. SAUNDERS. At this point we understand the Saudis will abide by the decisions made in Baghdad and not provide further economic assistance. I have already answered the question in connection with the funding of the F-5's.

Mr. SOLARZ. So it is our understanding that we are not intending to provide either economic—either bilateral or multilateral economic aid.

Mr. SAUNDERS. That would be our understanding for the moment.

UNITED STATES ASSISTANCE TO EGYPT

Mr. SOLARZ. I was under the impression that to some extent the viability of this peace treaty will be a function of the extent to which President Sadat can demonstrate that there are material benefits of peace to the Egyptian people who really view the peace process, in a way, as a kind of panacea for their problems. In those terms, might not the \$1.5 billion in military assistance we are providing Egypt be better spent on additional economic assistance so that they can do a better job in feeding their own people and beginning to rebuild their society domestically?

Mr. SAUNDERS. Mr. Wheeler can speak in more detail to this. The main problem at the moment in Egypt, as I understand it, is not the lack of a major infusion of new money. It is, rather, the effort to use to greater and more immediate effect the money that is already coming into Egypt. Therefore, the problem is not a funding problem even though there is a loss because of the loss of—

Mr. SOLARZ. You mean it is an absorption problem.

Mr. SAUNDERS. That is correct.

Mr. SOLARZ. It is fairly clear, I gather, that this money is being provided in the context of peace, which is to say that had there not been a peace treaty between Israel and Egypt, we would not be providing the money. Is that the case?

Mr. SAUNDERS. Yes; I think so.

DISPOSITION OF FUNDS

Mr. SOLARZ. If that is in fact the case, what happens if the treaty should be repudiated by either or both of the parties at some point over the course of the next few years before all of this money has been distributed? Would it be your intention to go ahead and provide the money anyway?

Mr. SAUNDERS. In the first place, I think we would operate on the assumption that the peace treaty is going to be carried out and scrupulously observed.

Mr. SOLARZ. We certainly hope so.

Mr. SAUNDERS. And in the second case, you can never answer questions like that, really, without knowing what the situation is when those conditions arise. I do not think it is possible to answer a question like that with any degree of realism.

Mr. SOLARZ. Would you object to a provision in the legislation which would provide that if for any reason the terms of the treaty were not being honored by the parties involved, that we would no longer proceed to provide aid which had originally been given pursuant to the treaty to the extent that neither side had in the interim incurred defensive disadvantages which we had an obligation to make good for.

In other words, for example, take Israel. If the treaty falls apart before they withdraw from the two bases in the Sinai, presumably there is no need for two new bases in the Negev. Would there be any reason for giving them the money to complete the two bases in the Negev if they still had the two bases in the Sinai?

Mr. SAUNDERS. In answer to your basic question, we would not welcome legislation of that kind simply because our concern would be

that we would end up without the kind of flexibility one needs to make decisions in a situation like that. I just do not see how in writing the law you can be any more precise than I can be in answering your question here today. I just do not know what circumstances we would face and I do not think the President or anyone would want to deprive the President of the flexibility to make that kind of decision.

Mr. SOLARZ. I appreciate that answer and I am finished with my questions, Mr. Chairman.

I just want to make one observation, and that is I think many of us are willing to see this military assistance go to Egypt in the context of peace, where the threat which Egypt potentially poses to Israel has been presumably significantly diminished, if not completely eliminated. If the treaty has fallen apart and Egypt goes back into the confrontation front, which, of course, we all hope and expect will not happen, then it is a very different situation. I think there would be some of us who are concerned that if that happened, we would continue to provide military assistance to a country which at that point might be militarily threatening to Israel.

Thank you very much.

U.S. COMMITMENTS

Mr. HAMILTON. Gentlemen, we have a series of questions about U.S. commitments, assurances, and other undertakings, particularly this memorandum of agreement, but I think I will put those off until our next meeting.

I would like to take advantage of the remaining few minutes before 1 o'clock to get a clearer picture of the next steps in the implementation of the Egyptian-Israeli treaty. My understanding is that in early May, Israel will start its pullback of troops from the Sinai. Is that accurate?

Mr. SAUNDERS. That is correct. And the first subphase of that will end on May 26 and 27, by which time the Israelis will have cleared a corridor along the Mediterranean leading to Al Arish, and on the 26th, there will be a ceremony on the turnover of Al Arish which Secretary Vance will attend. And then there are the subphases.

Mr. HAMILTON. Secretary Vance is going to attend that?

Mr. SAUNDERS. Yes.

Mr. HAMILTON. That is when the Israelis vacate that corridor along the Mediterranean?

Mr. SAUNDERS. And particularly when Al Arish, the so-called capital of the Sinai, is turned over to Egypt.

NEGOTIATIONS ON WEST BANK AND GAZA WILL BEGIN IN MAY

Mr. HAMILTON. Will the negotiations relating to the West Bank and Gaza begin in May also?

Mr. SAUNDERS. The two sides have not given us an exact date, but by their agreement they would begin 1 month from yesterday, which would be the 25th of May, which would, coincidentally, be about the same time as the date we were just discussing.

Mr. HAMILTON. Is it correct that by December the Israelis will have withdrawn to a line from El Arish in the North to El-Tor in the South along the Gulf of Suez?

Mr. SAUNDERS. Actually to Ras Muhammed, which is the tip of the Sinai Peninsula, and that would take place 9 months from yesterday, which I think takes us into January, I believe.

Mr. HAMILTON. And that would include the return of one central Sinai airbase and some oilfields to the Egyptians? Is that right?

Mr. SAUNDERS. All of the oilfields, and the airbase at Bir Gifgafa, which is near the Sinai Pass.

Mr. HAMILTON. So, up to December of 1979, then, Israel is the one which undertakes most of the required actions, is that not right?

Mr. SAUNDERS. That is not entirely true because, for instance, as of the date of effectiveness of the treaty, Israeli ships may pass through the Suez Canal, and, of course, what is happening during this 9-month period is not just the Israeli pullback but the putting in place of the security regime which will exist during the remaining period of the 3-year limitation period.

EGYPTIAN STEPS TOWARD NORMALIZATION

Mr. HAMILTON. When does Egypt begin to take some of the steps toward normalization, then? Can you identify those?

Mr. SAUNDERS. When the 9-month withdrawal to the interim line is completed. Then there is a whole series of negotiations which would begin in the 6 months following that. The exchange of ambassadors would take place. We could provide a timetable of all of the events.

Mr. HAMILTON. Provide us a chart, if you would.

[The material follows:]

STATUS OF THE EGYPTIAN-ISRAELI PEACE TREATY

Exchange of instruments of ratification at the Sinal Field Mission April 25.

Israelis withdraw to El-Arish and turn El-Arish over to Egypt May 27.

Borders open May 28.

Israeli Defense Forces begin withdrawal from Zone II through Zone IV July 25 through November 25, 1979.

Israeli withdrawal to El-Arish-Ras Mohammed Line is complete January 25, 1980.

Exchange of Ambassadors, establishment of full relations February 25, 1980.

Israeli withdrawal to previous international border April 25, 1982.

WEST BANK/GAZA

Egyptian/Israeli/U.S. negotiations to begin not later than May 25, 1979.

Negotiations to be completed not later than May 24, 1980.

Five year autonomy period begins with the inauguration of the Self-Governing Authority in the West Bank/Gaza.

Not later than three years into this period, negotiations begin on the final status of the West Bank and Gaza.

At the end of the five year period, the status is determined.

EXCHANGE OF AMBASSADORS

Mr. HAMILTON. The exchange of ambassadors takes place in January 1980.

Mr. SAUNDERS. I guess it would be February, 1 month after the 9-month period is completed. And another very important aspect of this is that the oil from the oilfields that the Israelis are leaving

behind may be sold to Israel at the point when the Israelis vacated, and that will be 2 months before the 9-month period is expired. So there are things that Egypt will do before the 9-month period.

Mr. HAMILTON. April 1980 remains the target date for the completion of the talks on the West Bank and Gaza?

Mr. SAUNDERS. That is correct. It would be May, 12 months from the day it was starting, not from today.

TROOP AND MILITARY WITHDRAWAL SET FOR 1982

Mr. HAMILTON. May of 1980. And April 1982 is the date by which Israel will complete its troop and military withdrawal from Sinai, its withdrawal of all settlements, and turn over its bases. Is that correct?

Mr. SAUNDERS. That is correct, 3 years from the date of ratification.

Mr. HAMILTON. What actions have the Israelis agreed to undertake in the coming months on the West Bank and Gaza as a gesture?

Mr. SAUNDERS. We have a letter here which we might refer to to be precise.

Mr. HAMILTON. Include it in the record, if you like, if it sets it out.

Mr. SAUNDERS. We can do that.

Mr. HAMILTON. Are any of those steps particularly significant?

Mr. SAUNDERS. I think it is the accumulation of steps which I think is important rather than any one being of tremendous significance in its own right, but there are such things as lifting restrictions on individual movement, trying to reduce the visibility of the Israeli military presence in certain places, and so on.

Mr. HAMILTON. We will have that letter submitted for the record.¹

NEW SETTLEMENTS AND WEST BANK-GAZA NEGOTIATIONS

Do you consider, Mr. Saunders, Israel's permitting new settlements on the West Bank or allowing the existing ones to be strengthened as being against the spirit if not the letter of the treaty and the Camp David accords?

Mr. SAUNDERS. Yes.

Mr. HAMILTON. Mr. Hansell.

Mr. HANSELL. Just a comment, Mr. Chairman.

In connection with your question as to whether or not it is contrary to the terms of the treaty, the parties did not specifically focus on that question in the context of the—

Mr. HAMILTON. I also said the Camp David accords.

Mr. SAUNDERS. And the treaty package includes the joint letter which lays out the plans for the West Bank-Gaza negotiations.

Mr. HAMILTON. Is it your view that it is possible to carry on negotiations regarding the West Bank and Gaza, as contemplated by the treaty and the accords, if new settlements are being built and approved by the cabinet?

Mr. SAUNDERS. It is possible, and we will begin.

Mr. HAMILTON. Are any efforts being made now to stop such new settlements?

¹ The information referred to was not submitted to the subcommittees but is available for members to read after a request to the State Department.

DISCUSSION WITH ISRAELIS REGARDING SETTLEMENTS

Mr. SAUNDERS. We have established a long record of discussion with the Israelis on this subject, and most recently within the last very few days after the decision to establish two new settlements, we have put our views on the record. As I said before, my own view is the only way to deal with this in practical terms is to get on with the negotiation and start discussing exactly what will happen in the West Bank and Gaza during this transitional period.

Mr. HAMILTON. It is my understanding, Mr. Saunders, that during the recent negotiations between Israel and the United States that preceded conclusion of the treaty, the subject of the Israeli settlements did not come up. Is that correct?

Mr. SAUNDERS. Could you repeat that?

Mr. HAMILTON. During the recent negotiations between Israel and the United States that preceded the conclusion of the treaty, the subject of the settlements did not come up. Is that accurate?

Mr. SAUNDERS. No. We have discussed the settlement regularly throughout this period. You may recall that they were the subject of substantial discussion at Camp David, and since that time, every time there has been a new decision or any time we have discussed the overall problem, this has been a part of the discussion. So it is a continuing issue.

ROLE OF U.N. EMERGENCY FORCES

Mr. HAMILTON. All right. What role will the United Nations Emergency Force, the peacekeeping forces, play in the withdrawal period?

Mr. SAUNDERS. According to the annex which describes exactly what happens on the ground during the Israeli pullback and the Egyptian takeover in the Sinai, there is also a schedule of steps that the United Nations force would take by the design of the treaty, including creating interim buffer zones while the troops move around, and so on. This is all spelled out in the annex to the treaty.

Mr. HAMILTON. Will the U.S.S.R. make an effort to veto the role of the forces?

Mr. SAUNDERS. They may very well. The point that is particularly decisive is by July 24, the mandate of the current—the current mandate of the U.N. force would expire and would have to be renewed by the Security Council.

DIALOG WITH SOVIETS REGARDING ROLE OF U.N. FORCES

Mr. HAMILTON. Have we been in touch with the Soviets about that?

Mr. SAUNDERS. Yes, we have already on several occasions, at several different levels, including an intensive briefing on exactly what would be involved under the terms of the treaty, what would be asked of the U.N. Emergency Forces.

Mr. HAMILTON. And what kind of response have you had from the Soviet Union?

Mr. SAUNDERS. At this moment the Soviets continue to hold to the position that they would consider vetoing.

Mr. HAMILTON. Are there any incentives that the Soviets have to cooperate with the peace process?

NORMALIZATION OF RELATIONS BETWEEN EGYPT AND ISRAEL

Mr. SAUNDERS. I guess it depends upon your perspective, Mr. Chairman. Answering your question as an American, I personally cannot see why it is to anyone's advantage to try to inhibit a program which carries out the provisions of resolution 242, which we have all supported; and indeed, the peace treaty certainly does that. Whatever one may think about the shortcomings of the Camp David process, those shortcomings do not include the total Israeli withdrawal from the Sinai and the complete normalization of relations between Egypt and Israel. Therefore, I would consider their position very difficult to understand.

Mr. HAMILTON. I understand we are to vacate this room at 1 o'clock for Mr. Solarz' subcommittee. I do want to ask one other question.

Mr. SOLARZ. You are welcome to stay, Mr. Chairman. [Laughter.]

PLO CONTACTS

Mr. HAMILTON. I appreciate your magnanimous gesture.

I would like to clarify a point with regard to your discussion with Mr. Findley a moment ago about PLO contacts. I had some difficulty following all of that. Is it correct to say that the United States can have informal direct communication with the PLO and that to do so it need not secure the approval of Israel before doing so?

Mr. SAUNDERS. I believe that is correct.

I might say that this memorandum of agreement was written as a statement of American diplomatic policy and intent, and of course it is within our control to decide how the words "recognition" and "negotiation" will be interpreted. It is also true we have made a solemn assurance to another government which we feel an obligation, a moral commitment to honor. You have to put these two together in order to understand our total position when we say that legally we retain certain freedom of action that is a legal fact. When we say politically we deal with our friends in a certain way and consult with them, that is also an important part of the honorable way in which we carry out our obligations.

Mr. HAMILTON. The subcommittee will stand in recess and will reassemble, I hope, next week. I apologize to Mr. Solarz for extending into his period.

[Whereupon, at 1 p.m., the joint subcommittees adjourned to reconvene at 3:35 p.m., Tuesday, May 1, 1979.]

[Questions submitted in writing by Representative Solarz to the Department of State and responses thereto follow:]

QUESTIONS SUBMITTED IN WRITING BY REPRESENTATIVE SOLARZ TO THE DEPARTMENT OF STATE AND THEIR RESPONSES THERE TO

Question. What do you anticipate will be the major issues in the autonomy negotiations scheduled to begin in May?

Answer. The major issues in the autonomy negotiations will be the powers and responsibilities of the Self-governing Authority and the arrangements for

the elections. Since no one has negotiated on these issues before, we will have to get into the negotiations before we can define what the most difficult issues will be. The objective will be to provide full autonomy for the inhabitants of the West Bank and Gaza. To do that, the negotiations will have to address such issues as authority over land, water rights, and internal security.

Question. In General Graves' testimony, it was stated that it is of critical importance to Israel that the two replacement airbases in the Negev be completed by the end of the 3-year withdrawal period from the Sinai, when Israel will have to withdraw from the two Sinai airbases. What would the military consequences be for Israel if the two bases were not available for Israeli use at the end of the 3-year withdrawal period?

Answer. If the two replacement airbases for Israel in the Negev were not available at the end of the 3-year withdrawal period, Israel would face a serious gap in its basic defenses. We have promised to work with the Israelis to insure an operational capability but we would have to determine at the appropriate time exactly how to deal with the problem. However, we are confident the bases will be ready on time.

SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE FOR ISRAEL AND EGYPT

TUESDAY, MAY 1, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEES ON INTERNATIONAL
SECURITY AND SCIENTIFIC AFFAIRS
AND ON EUROPE AND THE MIDDLE EAST,
Washington, D.C.

The subcommittees met at 3:35 p.m. in room H-236, the Capitol, Lee H. Hamilton (chairman of the Subcommittee on Europe and the Middle East) presiding.

NEW BASES SAME AS EXISTING BASES

Mr. HAMILTON. The subcommittees will resume their hearing.
Mr. Findley.

Mr. FINDLEY. General Graves, the two bases which we will build will be precisely the same dimension and precisely the same facilities as the existing airbase. Is that a correct statement?

General GRAVES. No, sir.

Mr. FINDLEY. Could you outline that for us?

STATEMENT OF LT. GEN. ERNEST GRAVES, U.S. ARMY, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

General GRAVES. The basic scope will be the same. Namely, each will be designed to handle operations by two squadrons, which is the development of the two present fields. However, we have agreed with the Government of Israel, and the agreement spells this out, that we will work with the Israeli Air Force on what we call the criteria of the facilities, and this would be such things as the sizes of the aprons, the design of the aircraft shelters and things like this, to optimize the design.

Now, the limitations on that are, first, the commitment of the United States is to the \$800 million in articles and services, and that only amount over and above the \$800 million will be provided by Israel, and second, that any enlargement or change in the facilities will not interfere with completing the airbases, at least for operation of the facilities, within the 3-year time frame.

Mr. FINDLEY. Will the strips be longer?

General GRAVES. No.

Mr. FINDLEY. Will they be wider?

General GRAVES. No. There is no plan to change the basic runway dimensions that I am aware of.

Mr. FINDLEY. Will the square feet of the facilities be substantially larger?

General GRAVES. It will be larger in some cases, smaller in others.

LINKAGE OF WITHDRAWAL OF ISRAELI FORCES TO BASES

Mr. FINDLEY. Secretary Saunders, could you tell us the extent to which withdrawal of Israeli forces from the Sinai is linked to the completion of the bases? Is there a linkage?

STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. SAUNDERS. Yes. In other words, it could go hand in hand. The reason, as General Graves mentioned the other day, we are trying to complete the airbases in 3 years is so the Israelis will have time to move in and become operational to permit them to withdraw from the Sinai within the prescribed 3 years.

I believe there was discussion of the fact that the Israelis will withdraw within that time period, and therefore if for some reason the airfields are not completely operational, we would discuss with them ways of helping them handle their problems in the interim period that might develop. Is that not correct?

COMPLETION OF FACILITIES

General GRAVES. Well, we specifically provide in the agreement that the initial plan for the field will be based upon completing the facilities, and we will agree on a scope that can be completed in our best estimate in the time.

Now, if delays occur or some change is necessary, then at each time we will reevaluate and set the scope so that it can be completed, and if necessary we will provide temporary facilities, whether it be extra parking or something of this type, so that they can deploy within the 3 years.

It may be that not every single thing will be finished, but we have no question in our mind about our ability to finish the runway, the taxiways, and enough area to park the aircraft, so that we can again redeploy if the airbase—

Mr. FINDLEY. Is the Government of Israel obligated to vacate the Sinai, whether the two airbases are operational or not?

Mr. SAUNDERS. I think the answer is yes, and to take care of contingencies that might arise we have done what General Graves said, in order to insure that they will continue to have an operational capability.

THE AIRBASE AGREEMENT

Mr. FINDLEY. So the linkage is not a total. They are under obligation to vacate the Sinai in the next 3 years.

General GRAVES. I am very familiar with the airbase agreement, and there is nothing within the airbase agreement itself which says

that if the fields are not finished, this impacts on the provisions of the peace treaty. The airbase agreement is put together to give us the maximum chance of finishing, but it doesn't have any forgiveness in it at all.

Just to illustrate, here we are talking about a case in which there is delay, and there might be courses of action. Such possible courses of action will include the provision of temporary facilities pending completion of the permanent facility, and the determination by the Ministry of Defense of Israel that the Israel Air Force does not require certain facilities for accomplishment of initial operational capability. So we are put in the position that it would be, in my opinion, very difficult for the Government of Israel, assuming that this project goes forward with any degree of success, to use noncompletion of airbase facilities as an excuse for not moving, because we know we are going to get some basic things like the runway and the taxiway finished, even though some more sophisticated items, such as aircraft shelters, may be only partially completed.

The Israelis are operating from these fields in the Sinai right now and do not have aircraft shelters for all their aircraft. So it does not seem to me, given the exposed condition of some of their aircraft now, that they could ever claim that the lack of shelters on these new fields will be a bar to redeploying.

Mr. SAUNDERS. The treaty documents are quite categorical in the commitment to complete the withdrawal within 3 years. The solution to the problem would be found on the Negev side of the border.

VIOLATIONS OF THE TREATY

Mr. FINDLEY. Mr. Chairman, can I have time to pursue another line of questioning? On March 26, Mr. Saunders, President Carter signed a letter to both President Sadat and Prime Minister Begin, identical texts, dealing with what we would be prepared to do in the event of actual threat or violation of the treaty. On or about the same date, he issued a memorandum of agreement to Israel which says much the same things. Now, I understand that the same memorandum was offered to Egypt, and Egypt was not interested. Then, later, Khalil protested against the memorandum that was actually issued to Israel.

Can you tell us why this memorandum was issued? It does seem on a reading to deal with much the same subject matter and very similar language as the letters.

MEANING OF MEMORANDUM OF AGREEMENT

Mr. SAUNDERS. As you know, there have been previous memoranda of agreement under each of the disengagement agreements of the past. The Israelis felt it desirable to try to codify in one place the principal elements of our relationship with regard to a treaty. They requested this agreement.

Mr. FINDLEY. Who requested it? Israel did?

Mr. SAUNDERS. Yes, and we saw no reason not to respond.

Mr. FINDLEY. Could you state what is meant by "such other actions as it may deem appropriate and helpful?" That is from the memorandum. What is the meaning of that? That sounds pretty broad.

**STATEMENT OF HERBERT HANSELL, LEGAL ADVISER,
DEPARTMENT OF STATE**

Mr. HANSELL. When you say it is from the memorandum——

Mr. FINDLEY. No, it is from the letter. Excuse me. What is meant by that phrase?

Mr. HANSELL. The point of that phrase is that the United States would at the time consider what options are open to it, what kinds of diplomatic actions, what kind of representations, what kinds of political persuasions that might at that point be helpful and appropriate to achieve compliance with the treaty, and worth considering at that time.

Mr. FINDLEY. There is in the letters the phrase, "The United States will * * * take such other action as it may deem appropriate and helpful to achieve compliance with the Treaty." The language of the memorandum: "The United States will take appropriate measures to promote full observation of the Treaty of Peace"—struck me as considerably stronger and permits the United States less discretion. Is that the way you read it?

Mr. HANSELL. No, sir. The memorandum——

Mr. FINDLEY. Did the Israelis insist on this more precise language in the memorandum?

Mr. HANSELL. The Israelis were anxious to have somewhat more specification on some of these issues than was contained in the letter. As Secretary Saunders has said, it seemed to the United States appropriate to try to respond to that, so there is in the memorandum of agreement perhaps somewhat more specification of what is set forth in very summary terms in the letter. There is a good degree of overlap, I think there is no question about that.

Mr. FINDLEY. Does our Government view those letters as being executive agreements?

Mr. HANSELL. Yes. They are binding in accordance with their terms. Now, their terms, in fact——

Mr. FINDLEY. They differ from a treaty only in that a treaty would be subject to the advice and consent of the Senate. Is that a fair statement?

DIPLOMATIC AND POLITICAL NATURE OF AGREEMENTS

Mr. HANSELL. Well, different from a treaty in the sense also that this kind of political assurance is not in U.S. practice the kind you would find in a treaty. The essential point about both the letter and the memorandum is that they do not commit the United States to act, whereas conventionally in a treaty we are undertaking more formal obligations and commitments to take particular kinds of action.

What is important about these is that they are largely of a diplomatic and political nature. They are what we would in shorthand describe as political assurances. The general nature is that we will consult, we will consider, we will discuss. Our discretion, our judgment, would determine whether action should be taken.

Mr. FINDLEY. They do not permit——

Mr. HANSELL. There are a couple of clauses that may involve variances, but as a general provision that is correct.

Mr. HAMILTON. Mr. Studds.

U.S. PURCHASE OF TWO SHIPS CANCELED BY IRAN

Mr. STUDDS. Thank you, Mr. Chairman.

Mr. Chairman, might I have your permission at least very briefly to ask a question on a somewhat separate subject that happens to be in discussion on the floor right now? I beg your indulgence. I will be brief.

General Graves, we are debating the budget resolution on the floor right now, and there is pending an amendment for the United States to acquire two of the destroyers which were to be purchased by the Government of Iran. As I recall, several months ago you answered a question in that regard before this subcommittee. I wonder if every briefly, and I apologize to my colleagues for some of this is not exactly on the subject, if you could refresh my memory. I think I recall your saying at the time that the foreign military sales program had a trust fund of sorts managed by the Department of Defense in which adequate funds were maintained in the event that there were to be a cancellation of a sale as a general proposition, and specifically with respect to the Iranian weaponry in question, that there were adequate funds to meet out-of-pocket costs already incurred by the contractor, and indeed to cover cancellation costs should that be necessary. Is that correct?

General GRAVES. That is correct, but that was the situation that existed on the 3d of February. Because of the need of the U.S. Navy for these ships and the judgment that the Navy could provide a substantial increment toward its ship program at a very reduced cost, the President decided that we should keep the contracts for these ships alive, and we have done so.

We have also done that with respect to other parts of the program, so that now the situation is not such that we can simply terminate all of the contracts and not have difficulties with the trust fund amounts.

Mr. STUDDS. Does that mean that for the past 3 months, roughly, we have proceeded to make payment as if the contract had been uninterrupted?

General GRAVES. That is correct, with respect to these ships.

Mr. STUDDS. Does that not mean in effect that by the President having made that decision it then sets up a decision at the moment, if I understand you correctly, whereby the United States almost has to go ahead and purchase these ships in order to avoid someone's losing money, which was not the case 3 months ago.

IRAN'S OBLIGATION TO REIMBURSE UNITED STATES FOR LOSSES

General GRAVES. I think that the situation is approximately as you describe it, but not precisely, because even if we had liquidated the entire program 3 months ago, there would have been a difference. We did estimate that we had enough funds at that time to liquidate

the entire program. We have now proceeded. We have made the contract payments as you describe.

The reason I say that I don't know the answer to your question is that our estimates of termination liability are only estimates. We don't know if we terminate all these contracts what the full extent of the contractor claims will be. I think our best estimate is that, yes, there will be a loss of money.

Mr. STUDDS. If we were to terminate now, a loss to whom?

General GRAVES. Well, we would seek to recover from Iran the amount of any loss because they are obligated to pay, but the fact is that, if we were unable to recover this money, then the contractor would have a claim against the U.S. Government because his contract is with our Government.

Mr. STUDDS. Yes, and in effect the last 3 months, if I have understood it, we have proceeded to pay out what were essentially Iranian funds.

U.S. AGREEMENT WITH IRAN

General GRAVES. That is correct, because we had an agreement with Iran that said that we could seek to dispose of the equipment.

Mr. STUDDS. With the new Government in Iran, the current Government.

General GRAVES. An agreement with the earlier Government.

Mr. STUDDS. The post-Shah Government.

General GRAVES. Yes, and the Bakhtiar Government, and the new Government has not repudiated that agreement, and it has basically accepted the fact that we are operating under that agreement.

Mr. STUDDS. I thought that was what the situation was. In other words, no matter what the Iranians agree, had they not, they would stand to lose most of their funds in their account for incurred costs already and for termination costs. Now I assume if we go ahead and if the Congress ratifies what the President has now presented us with, which is essentially a fait accompli. The Iranians don't lose a thing, and we pick up two destroyers which we may or may not need, and I won't argue about that with you now, less expensively to taxpayers presumably than they would have been otherwise.

General GRAVES. We will save \$200 million for each ship.

Mr. STUDDS. Assuming we need them, how much have we saved Iran?

THE IRANIAN TRUST FUND

General GRAVES. The Iran trust funds will receive a reimbursement of about \$500 million.

Mr. STUDDS. We have saved them \$500 million by this. Is that right?

General GRAVES. I don't entirely agree with that statement.

Mr. STUDDS. Well, you made it.

General GRAVES. If we don't follow through on the agreement which we made in the MOU and have to liquidate all of these accounts, and there becomes a large deficit, I think Iran could legitimately say, look, we had an agreement with you to try to try to liquidate this program and these costs to Iran. The U.S. Government was unable to carry through, and we don't necessarily feel because of that we should then have to pick up the deficit.

Mr. STUDDS. Except that we have their money.

General GRAVES. My point is that even after the \$500 million is paid into the trust fund, the ongoing liquidation of this program is going to bring the balance in the trust fund well below that amount. At the end of the fiscal year, we probably will only have about \$200 million left in the trust fund against liabilities of about that same amount.

So, Iran is not getting a big deal by our going ahead with this liquidation.

Mr. STUDDS. They are being saved the potential loss of some magnitude. Let's put it that way without arguing about how much. I agree with you, if we desperately needed these vessels for the U.S. Navy, we have a pretty good deal, but there is a good deal of disagreement about that, as you well know.

General GRAVES. That was the basic disagreement.

Mr. STUDDS. Why hadn't the Navy asked for them before if they needed them so much?

General GRAVES. They did have one in their supplemental request that was before the Congress at the time.

Mr. STUDDS. I don't want to get off on that because that is not the business of this committee, but let me ask you, at the time the government of the Shah fell, we had some \$7 billion outstanding in sales to Iran, \$6 billion or \$7 billion.

General GRAVES. The undelivered balance was \$12 billion.

Mr. STUDDS. Now, what chance is there that we will find others of these creeping up, suddenly being needed by our Armed Forces, like the two destroyers?

General GRAVES. No; the actions we have taken have addressed all the equipment items. You have to understand that that \$12 billion included many items that were not on contract, so there is no issue for those at all.

Mr. STUDDS. That is sobering. Mr. Chairman, I thank you. I assume I have used my time. I do have some other questions on the Israeli-Egyptian matters later.

Mr. HAMILTON. We will return to that later.

Mr. Zablocki.

SERIOUS ECONOMIC PROBLEMS FOR ISRAEL AND EGYPT

Chairman ZABLOCKI. Thank you, Mr. Chairman.

I want to apologize. I find it very difficult to compete at the same time with the meeting on the Export Administration Act. This noon we met with Dr. Bergland, the budget director of the State of Israel. The economic impact of the peace treaty on Egypt and Israel and the cost of the transfer, the relocation of the Sinai airfields, was part of the discussion. Of course, it is obvious that both of the economies of Egypt and Israel have serious problems.

The specific problem, Mr. Saunders, that the Israelis want alleviated is the agreement that the additional amounts of aid over and above the assistance we are giving in the regular programs are under a different formula on repayments of principal and interest. They supposedly did not understand that the interest rates would be different. This causes a serious economic problem.

Were they fully aware of all of the specifics, the interest rates particularly?

AWARENESS OF DIFFERENT INTEREST RATES

Mr. SAUNDERS. I want Mr. Wheeler to address this in detail, but this package was put together over a time period with a variety of discussions. I think the terms were made known to them shortly after decisions were made, but the decisions were not made on the terms until the middle of March.

So, as soon as they were informed, they were told what terms we had in mind. Obviously, we could not tell them what the terms were until the President made his decision. That did not take place until about the 20th of March.

Chairman ZABLOCKI. Did you discuss the details with Secretary Brown?

Mr. SAUNDERS. Yes; during that period, but there were those discussions, and after that the President made his decision. I think Secretary Brown conveyed the decision or the initial decision during those meetings. Then the Israelis came back and we had some further discussion, and there was a further decision at that time. We know about when it was. I don't think it is the date of the Brown-Weizman letter. We can provide you with the date.

DETERMINATION OF THE RATE OF INTEREST

Chairman ZABLOCKI. Determining the rate of interest is the principal purpose of the question. Were the Israelis aware of the terms of the FMS credits containing an interest rate higher than they were accustomed to?

General GRAVES. As I see it, and I was present in the last two meetings which Secretary Brown had with Mr. Weizman, it was clear in that meeting that there would be a grant portion and a loan portion, and that the loan portion would be in accordance with the terms that were involved for the annual program except there would be no forgiveness, and the interest rate would be the same.

This session explained that the forgiveness that occurs in the annual loan is mathematically equivalent to a lower interest rate. In other words, if you borrow this money, and pay only half the interest rate, your payments are about half as big, or the other way of producing this result is to forgive half the principle and pay the full interest rate, and once again the payments are about half as big.

So, the annual forgiveness of half the principle is the mathematical equivalent of giving Israel an interest rate of half the going rate. Now, my recollection of the discussions associated with this was that in terms of the payout period, it would be the 30-year period, but that there would be no forgiveness, and that the interest rate would be the normal interest rate, because the annual interest rate given to Israel is not a concessionary rate.

IMPACT OF LOWER INTEREST RATES

Chairman ZABLOCKI. I understand that, but would the desired concessionary rate then have to be an amendment to law to provide such a concessionary rate, lowering the interest rate from 9 or 5 or 2 or 3 percent? What impact would it have on the agreement that was made?

It is my understanding that President Carter advised the leadership immediately after the signing of the treaty that we should stand fast

to the agreement, and that if there were any changes done in the legislation, this might disrupt the peace process.

General GRAVES. My understanding of this problem is that at the time the treaty was signed, it was clear in the minds of everyone that there would not be a concessionary rate. I was aware of the fact that the Government of Israel sought a concessionary rate. I am not aware that any statement made by any representative of this Government granted or offered any promise that a concessionary rate would be granted.

COMMUNICATION ON CONCESSIONARY RATE

Chairman ZABLOCKI. I was told this noon that Prime Minister Begin did not realize that. He was not aware of the fact that there would not be a concessionary rate. Apparently Minister Weizman felt there was a communication to that Government on this issue.

General GRAVES. I don't know the answer to that. The letter does not specifically state that there would not be a concessionary rate. It says, "In accordance with our agreement, \$800 million of this rate will be in the form of assistance or grants, and the other part will be in the form of loans." There is nothing in the letter about forgiveness or concessionary rates.

Chairman ZABLOCKI. Then it is natural to assume that the agreement was for a grant and loan and the loan portion would be made at the going interest rate.

General GRAVES. I am sure that was well understood by all parties at the time this was discussed.

Chairman ZABLOCKI. Would it not have been preferable if it had been spelled out in the letter?

General GRAVES. Possibly, sir.

Chairman ZABLOCKI. That is the problem we have with later dates, when there are different interpretations of the parties that are involved.

I yield.

COMMUNICATION EXPLAINING BUDGETARY EFFECTS OF NO FORGIVENESS

Mr. HAMILTON. I have from the Office of Management and Budget a chart showing the comparison of the budgetary effects of no forgiveness versus 50-percent forgiveness on the Egyptian-Israeli FMS credits. If you have no forgiveness, then the totals for the entire package in budget authority are \$1.47 billion and for outlays \$1.1 billion. If you have a 50-percent forgiveness and the budgetary impact for the entire package is \$3.136 billion, \$2.95 billion in outlays. I will ask unanimous consent to submit this letter and the table that accompanies it as part of the record at this point, and in addition, a letter from the House Committee on the Budget which describes the same formula.¹

General GRAVES. Mr. Chairman, I might add one point. The sentence says: "In accordance with our agreement, \$800 million of this total of \$3 billion will be in the form of grants, and the remaining will be in the form of loans." We have always viewed the 50 percent forgiveness as a grant, because in effect that is what it is. The minute the loan is drawn down, the prescribed amount is forgiven.

¹ See appendix 4, p. 224.

Chairman ZABLOCKI. I wish you had said that the first time this proposal was made to the Congress. That is exactly what I had requested. I said we are not calling a spade a spade. That is what should have been presented in Congress. I do not fault you for your interpretation or your view or position. It is not your fault; but in the first instance, that is the way it should have been presented.

General GRAVES. Sir, I believe that forgiveness is not in the administration's bill, but is an annual legislative act of Congress.

ORIGINAL FORGIVENESS SOUGHT BY FORD ADMINISTRATION

Chairman ZABLOCKI. I understand, but I am referring to the legislative proposal. The first initiative for a forgiveness clause was sought by the Ford administration. Secretary Kissinger, when he presented his testimony, stated that it was a loan with the provision of one-half being forgiveness, but he would not call it a grant. He refused to call it a grant.

Mr. HAMILTON. In general, the forgiveness feature was in the administration's request.

Chairman ZABLOCKI. Yes; when we had the first request from the administration it was.

General GRAVES. It is not in the supplemental. I remember in the preparation of this sentence that the \$800 million was to be the limit of the money that was not to be treated as a loan.

Chairman ZABLOCKI. Mr. Chairman, I would just ask a very rhetorical and final question. The administration is standing fast to the agreement, and does not want the Congress to bring in the forgiveness clause or lower any interest other than what has been already agreed upon?

Mr. SAUNDERS. That is correct.

Chairman ZABLOCKI. Thank you, Mr. Chairman.

Mr. HAMILTON. Mr. Derwinski.

MEMORANDUM OF AGREEMENT BETWEEN UNITED STATES AND ISRAEL

Mr. DERWINSKI. Can I return for a moment to the point Mr. Findley raised about the memorandum of agreement between the United States and Israel, specifically, paragraph 7, which provides that the United States will continue to propose restrictions on weapons supplied by any country which prohibits unauthorized transfer to a third party? What items and what possible transfers is that intended to protect against?

Mr. HANSELL. What that is intended to do is to implement the provisions that are already contained in the Arms Export Control Act. As you know, we do impose restrictions—

Mr. DERWINSKI. I understand that.

Mr. SAUNDERS. That is what we are talking about.

ISRAELI CONCERNS

Mr. DERWINSKI. But now there obviously had to be some specific reasons that such a condition would also be placed in a memorandum. Or let me rephrase it: What are the Israeli concerns?

Mr. HANSELL. This was a compromise provision. There were several proposals, the exact nature of which I have forgotten but the records

are in the file, for broader restrictions on supply and on transfer of weapons that we might supply to others that conceivably might have some use against Israel. After the various discussions, what evolved was this provision that we would continue to impose restrictions that are now imposed on transfers.

Mr. DERWINSKI. I think you would feel better if I discussed this under another form. I will do that.

BAGHDAD CONFERENCE IN NOVEMBER 1978

I think, Mr. Secretary, you would be the one to have the handle on this. There was what I would call the original Baghdad Conference last November. It included an agreement, if I understand correctly, by which Jordan and Syria were to receive certain funds for not participating in our peace initiative process.

Do you know if any payments were made, and if so, to what amount?

Mr. SAUNDERS. I don't know their size. Usually these transfers take place in ways that do not immediately come to our attention. We have to be able to identify them after the fact.

Mr. DERWINSKI. Do you have any details at all, any estimates?

Mr. SAUNDERS. I do not have it at my fingertips, but I will look into this when we go back and supply you with what other information we have on payments that have so far taken place.

[The material follows:]

BAGHDAD PAYMENTS TO SYRIA

Baghdad payments to Syria are estimated to be in the range of \$250 to \$350 million and to Jordan in the range of \$100 to \$150 million.

AGREEMENTS AT BAGHDAD CONFERENCE

Mr. DERWINSKI. In the subsequent conference which was held, I believe, about 6 weeks ago, was there any agreement as to the coordinated attacks, terrorism, or military action against Egypt or Israel or against U.S. interests in those countries?

Mr. SAUNDERS. We are not aware of any agreement on attacks. As far as we know, the only agreements reached were published. Those were essentially agreements to suspend economic assistance to Egypt and to break diplomatic relations with Egypt. I am not aware of any agreement to coordinate any terrorist attacks.

Mr. DERWINSKI. What about U.S. installations? Do you have any concern that they might be targeted?

Mr. SAUNDERS. I am concerned that American installations anywhere in the area could be targeted. I have no knowledge that a decision has been made to do that, but of course we are continually on the alert to that possibility.

Mr. DERWINSKI. Thank you, Mr. Chairman.

Mr. HAMILTON. Mr. Bingham.

Mr. BINGHAM. Thank you, Mr. Chairman.

Mr. SAUNDERS. I would like to turn to the Baghdad Conference. Would you say that Conference was a total disaster, from our point of view?

Mr. SAUNDERS. That sounds like a fair characterization. [Laughter.]

Mr. BINGHAM. Was it anticipated that it would be?

Mr. SAUNDERS. I expected a negative outcome. I think what was not expected was the harshness and the vehemence of the outcome.

By that, I specifically mean that I don't think we would have predicted the break in diplomatic relations between the countries and Egypt. The rest of it was not unexpected because it was foreshadowed at the first Baghdad Conference in the fall. That was the suspension of economic assistance.

JORDAN'S AND SAUDI ARABIA'S ROLE AT CONFERENCE

Mr. BINGHAM. Was there anything encouraging about the role played in the conference by Jordan or Saudi Arabia?

Mr. SAUNDERS. I would find very little that was encouraging. They would argue that they resisted attempts to hurt the United States, and also that by maintaining an Arab consensus they preserved a base for more moderate Arab action later on.

I personally find their arguments difficult to follow.

Mr. BINGHAM. What do you anticipate at the present as far as cut-off of funds to Egypt is concerned?

EGYPT'S SITUATION FOLLOWING CONFERENCE

Mr. SAUNDERS. We have some numbers. Mr. Wheeler, who presented this, can tell you exactly what the present situation looks like and what the losses in the immediate situation might be. It is a little hard to predict beyond the immediate situations. Do you have those?

STATEMENT OF HON. JOSEPH C. WHEELER, ASSISTANT ADMINISTRATOR FOR NEAR EAST, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WHEELER. Mr. Bingham, I think that we had anticipated new commitments from the oil countries on the order of a half billion dollars for fiscal 1979. This is a great deal lower than the earlier commitments. You will recall that in 1977, through the Gulf Organization for the Development of Egypt, they put forward \$2 billion which was used in a quick disbursing manner to help Egypt deal with their critical foreign exchange situation.

For 1979, we expect the total payments from Arabs to now be on the order of \$150 million to \$200 million; some of these having already been made.

SAUDI ARABIA'S COMMITMENT TO PAY FOR F-5'S

Mr. BINGHAM. What about that point, for example, the understanding that Saudi Arabia would pay for Egypt's purchase of 50 F-5 aircraft?

Mr. SAUNDERS. We understand that that agreement will be kept.

Mr. BINGHAM. Have payments already been made on that purchase?

General GRAVES. No payments have yet been received for the Egyptian F-5 purchase.

ASSISTANCE FOR JORDAN AND SYRIA UNDER BAGHDAD CONFERENCE

Mr. BINGHAM. Do you know what assistance Jordan and Syria may have received under the provisions of the Baghdad Conference? They have received roughly \$1.2 billion and \$1.5 billion respectively.

Mr. WHEELER. The amounts are \$1.25 billion for Jordan and \$1.85 billion for Syria.

Mr. BINGHAM. And those are to be paid by whom?

Mr. WHEELER. Primarily by Saudi Arabia, Iraq, Kuwait, Libya, Algeria, Qatar, and the United Arab Emirates.

Mr. BINGHAM. Have any of those payments been made? Do you know?

Mr. WHEELER. I am sorry, I should go on and answer that. As Mr. Saunders indicated earlier, it is our understanding that certain payments have been made, but we do not really have the precise information and the exact levels. I think we have some skepticism that all of these payments will be made.

Mr. BINGHAM. What sort of payments of this type were given to Syria before? Is this some new kind of assistance to Syria?

Mr. WHEELER. These take the place of the kinds of cash payments which were envisioned in earlier conferences in Khartoum and Rabat. I am not sure I have the levels. Of course, Khartoum and Rabat payments were at a much lower level than would be provided under the Baghdad agreements. I would be glad to provide that for the record.

Mr. BINGHAM. Do you know what the justification was or what the reason given was for Syria's need for this assistance?

Mr. SAUNDERS. It was twofold. I think the rationale behind the Arab summit payments of previous conferences was simply that these were not confrontation states that had borne the cost of the war on behalf of what was called at those conferences the Arab cause. Therefore, the other Arab countries worked together to provide a subsidy of sorts.

OPEC PAYMENTS TO SYRIA AND JORDAN

Mr. WHEELER. Mr. Bingham. My information is that the OPEC countries as a group provided Syria in 1976 about \$450 million; in 1977, about \$800 million; and in 1978, about a half billion dollars. They provided Jordan in 1976, about \$120 million; in 1977, about \$380 million; and in 1978, about \$350 million.

Mr. BINGHAM. Thank you.

CURRENT SITUATION IN SAUDI ARABIA

Mr. Saunders, what can you tell us about the current situation in Saudi Arabia in terms of the stability of the regime?

Mr. SAUNDERS. We have no reason at this point to doubt the stability of the regime in Saudi Arabia. What is going on, of course, are discussions among the Saudi leadership about the nature of possible succession to the throne should the King abdicate for reasons of health, and our understanding is that the royal family has arrived at these conclusions in an orderly way which preserves the stability of the regime.

ARMS SALES TO YEMEN

Mr. BINGHAM. What was the impact in Saudi Arabia of the President's decision to make emergency deliveries of large quantities of military equipment to North Yemen?

Mr. SAUNDERS. The impact was quite strongly favorable. The Saudis have looked to the United States for many years as their ultimate source of security. The United States was the leader of the free world with regard to Saudi Arabia as the nation to which the Saudis could turn if they felt threatened.

As you know, over the years, a number of statements have been made about the American interest in the stability in Saudi Arabia. The Saudis regarded the incursion from South Yemen into North Yemen as a potential threat to the security of Saudi Arabia. Therefore, the American response along with Saudi Arabia to that incursion was regarded as encouraging from their point of view.

Mr. BINGHAM. Were there any concrete steps taken toward that response?

Mr. SAUNDERS. I think there have been continuously in the sense that we have over this period worked with them in a variety of ways to help the Government of the Yemen Arab Republic to improve its defenses, to better organize its armed forces, to absorb equipment that is being provided to them through training in which our teams are engaged, in which Saudi teams are engaged, in which the Jordanians are engaged.

Therefore, the fact of a continuing collaboration, it seems to me, is the best indication of their feeling that this is a useful enterprise that we are engaged in together.

Mr. BINGHAM. Just one further question, Mr. Chairman. I would like to ask this of you and General Graves. After the declaration of emergency, as I understand it, a cease-fire was followed very quickly. If there was an emergency within the meaning of the statute, that would seem like the end of it.

Was there any consideration either by you or by DOD to then re-examine the transaction in light of the requirements of 36B and in light of the fact that the emergency had passed and the Congress at that point had every reason to expect that it would be given an opportunity to react to its decision?

Mr. SAUNDERS. From our perspective, the fact of the invasion and the danger posed to the Yemen Arab Republic should that be repeated demonstrated a continuing emergency, at least in the nontechnical sense of the word. For once we had launched the effort and tried to help the Yemenis strengthen their position, it seemed logical to us to go through that as quickly as we could so that if the situation were repeated, it would not result in an unfavorable outcome—

Mr. BINGHAM. General Graves, has there been any second look as to whether the sale was successful in terms of quality and sophistication of weapons and the capacity of the North Yemen Government to absorb that?

General GRAVES. There has not been a second look in terms of the total scope of the program. We had been planning this level of support in North Yemen for some time, and we were at the time of the invasion at the point where we were going to notify Congress of this

precise level of support. It was the invasion which led to the President's decision to go ahead with the level that we already proposed to recommend on an emergency basis.

The other military factor that should be mentioned is, the North Yemenis did suffer substantial losses in terms of materiel and ammunition expended and were in a weakened state. That was a further motivation to go ahead with what we had been contemplating all along. We are continuing to work on the basic problem of adequate training of the Yemenis in the use of this equipment, the support of it with spare parts, are the orderly introduction of it into their armed forces. We have not reconsidered the level of support, the total scope of the program.

Mr. BINGHAM. I am sure my time has expired. Thank you, Mr. Chairman.

Mr. HAMILTON. Mr. Winn.

Mr. WINN. Thank you, Mr. Chairman.

CONSEQUENCES OF BAGHDAD CONFERENCE

Mr. Secretary, are there any Arab countries now that have not severed diplomatic relationships with Egypt?

Mr. SAUNDERS. Yes; there are. At least Oman has not. Sudan has not. I believe there is one other. Somalia has not. There are three which have not.

Mr. WINN. Early on after the signing of the peace treaty, some of the Arab countries were saying one thing publicly, Morocco. Tunisia are two that I remember—correct me if I am wrong on the countries. They didn't seem to say much of anything earlier, but at least they sat on it for a while. Now, the last few days they have severed diplomatic relationships with Egypt.

What I am trying to find out is, can you tell the committee in public session or would you prefer under some other format to try to tell the members of the committee what they are really saying, what is for home town consumption and what should we know for the whole country's consumption?

Mr. SAUNDERS. Almost all of the Arab governments after the Baghdad Conference went along with the decisions that were made there, including the decisions to break diplomatic relations. At the same time, I believe, the more moderate governments support efforts to achieve peace between Israel and its neighbors. Most of them are skeptical about our ability to achieve final peace agreements by going along the route that we are on.

If we were able to demonstrate continued progress by following the procedures we began with, then I believe we would find that a number of those other governments would gradually allow their positions to evolve to a more positive position. A lot of them which adapted the Baghdad positions have indicated privately to us their concern about their appearing to be in open opposition to a course that the President of the United States has pursued with such vigor.

I think there is ambivalence in the position of those governments, but at the time they thought they needed to go along with the Arab consensus.

Mr. WINN. Again, right at first, when the treaty was announced, the more outspoken Arab countries made their feelings quite well known

through international press. There was a reaction, in some cases may be an overreaction on the part of the Members of Congress, particularly on certain funding bills. There was a feeling of retaliation. Here were countries we were working with, we were aiding by military or economic grants or whatever it might be. Now, since Morocco and Tunisia, that same feeling will prevail on those countries that were not quite so outspoken.

Mr. SAUNDERS. I cannot, of course, speak for the Members of Congress, but I would not expect such strong reaction, because—In the case of Syria, there was a general question as to what Syria's position was, or what was expected with regard to Jordanian support. There is another factor here, too. With the passage of time, after the Baghdad Conference, I think there is an increase in perception about what the underlying purposes of the program are.

As I said earlier, when I testified on a portion of the program in some of the countries like Syria, the program was conceived initially in 1974, and we resumed relations with Syria as a means of building a relationship with that country in parts of their life that were important to their government, that is, bringing better lives to their people.

The precise thought was, as time went on, there would be ups and downs in the political arena, but if we could build a common interest in some portion of our relationship, perhaps we could minimize the downturns, so that the relationship would not become totally broken, as it was in 1967.

Therefore, we would continue to have a relationship with which we could work as the political opportunities opened up again. We don't rule out in Syria's case its eventual participation in the peace process. Therefore, I think it is wise that we preserve as much of the relationship as we can against that date, because of course the effort to achieve peace is something that is paramount to all of us. Preserving the relationship is worth, I think, the investment we are making. Besides, economic development is something that I think would primarily benefit the people of the countries.

Therefore, it has a humanitarian aspect to it as well.

Mr. WINN. I understand that, but how does the average Member of Congress expect to know how to differentiate between what we see on TV and hear on the radio and what we read in the newspapers unless you guys do a better job of getting the word to us?

Mr. SAUNDERS. I don't frankly know how a better job can be done. We are available to each of you who wants to ask these questions. We come to these hearings at your request when invited.

Mr. WINN. I am not talking about this group right here. This is a small group. We are not talking about the Foreign Affairs Committee or the Armed Services Committee. I am talking about 435 Members of the House and the 100 Members of the Senate. Your message is not really getting up here. We don't really know how these other Arab countries feel toward us and what relationships they expect.

I know, but what about all the rest of them?

Mr. SAUNDERS. All I can say is, we are available to you when you want us, and we can come when you ask us, in any form that you impose, either the informal that this subcommittee does so well, or the formal. It is not an easy job to communicate with an organization that

has so many interests as the Members of this Congress have. It is quite difficult, frankly, to find you in your offices when we are invited up to meet with you. We traipse back and forth around the campus here, and find you between meetings, and spend 2 hours at it and never succeed.

So, the relationship is not the easiest one to conduct, and probably, therefore, is not entirely successful.

Mr. WINN. I have met with several members of your staff, too.

Thank you, Mr. Chairman.

Mr. SAUNDERS. We do want to get the word out. It is in our interest.

Mr. HAMILTON. A vote is pending in the House on the Mattox amendment. The subcommittees will stand in recess. When we return, we will turn to Mrs. Fenwick.

Mrs. FENWICK. If we can adjourn, I have two short questions.

Mr. HAMILTON. I think they are ready for the second bell here.

Mrs. FENWICK. I just wondered if there was any reaction in the Arab countries to Libya's action with regard to Chad and Uganda, we can hope for disenchantment on their part for those excursions. The second one is, how are we doing with the plan to get other countries to contribute to the difficulties that Egypt and Israel are having financially? Are we going to get any—

Mr. SAUNDERS. On the second part, I think we are making steady progress. There will be a meeting of the World Bank's consultative group in the fall. We are talking to the other members of that, Germans and Japanese and other Europeans. I think we will see a steady increase in their contributions.

Mrs. FENWICK. That is good. Yes, that is very good. Thank you, Mr. Chairman.

Mr. HAMILTON. The subcommittees stand in recess.

[Whereupon, a brief recess was taken.]

CONTRIBUTIONS FROM OTHER NATIONS

Mr. HAMILTON. The subcommittees will resume their sitting.

Mrs. Fenwick was asking about the contributions from other nations to the Middle East package. I am not sure that I heard or understood your response. You have efforts, do you, to try to get contributions from West European countries and Japan?

Mr. SAUNDERS. That is correct. Let me ask Mr. Wheeler to respond in more detail, since his side of the House represents us on that.

Mr. WHEELER. Actually, Under Secretary Cooper has been given the leadership for this. He has been talking to leaders of Japan, Germany, Italy, Canada—

Mr. HAMILTON. Is there any hope? That is the question.

Mr. WHEELER. So far, what has happened is that the World Bank has apparently agreed to increase its annual level of lending from about \$200 million to about \$300 million. Already, before the peace agreement, very serious considerations were being given by the Government to Germany and Japan to substantial increases in the level of assistance which has been running about \$100 million a year.

Mr. HAMILTON. Each or total?

Mr. WHEELER. Each country is now approaching \$200 million a year. We are hoping for continued increases in these levels in the years ahead if the funds are needed.

Mr. HAMILTON. So, taking the most optimistic estimate, what would you expect?

Mr. WHEELER. I am looking in calendar year 1980 for about \$1.1 billion, \$1.2 billion from non-Arab and non-American sources.

Mr. HAMILTON. Is it in the United States interest to include the U.S.S.R. in further negotiations?

ROLE OF SOVIET UNION

Mr. SAUNDERS. At the moment I believe we have to continue on the course in which we have embarked in the negotiations on the West Bank and Gaza as agreed by Egypt and Israel. As the negotiations later on come to include Syria and others, I certainly don't rule out going to a different forum or format with the Soviet Union involved.

We recognize that the Soviet Union has interests in this situation, and that it would be reasonable for them to be involved at some point. However, I don't think they can usefully be involved in the exercise which we are now in.

Mr. HAMILTON. On the West Bank?

Mr. SAUNDERS. On the West Bank and Gaza as agreed by Egypt and Israel.

Mr. HAMILTON. Do we keep them fully informed on a regular and frequent basis on the Middle East negotiations?

Mr. SAUNDERS. We try to keep them informed periodically. I would not use the word "frequent." When we get involved as extensively as we were in the negotiations of the past few months, we cannot begin to keep them up to date with all of the details, but we do keep them informed of the general direction of the negotiations.

Mr. HAMILTON. Do you think they can prevent the process from proceeding?

Mr. SAUNDERS. No, I don't think so. I believe that the forces at work in the Middle East themselves were the predominant factor here, and that the Soviet Union tends to exploit those forces or relate themselves to those forces rather than leading those forces themselves.

Mr. HAMILTON. Do they have the possibility, for example, of exercising their veto power in the United Nations over the United Nations Emergency Force?

Mr. SAUNDERS. Yes; they certainly do have that capacity.

Mr. HAMILTON. If that were to happen, what does that do to the peace process?

Mr. SAUNDERS. That would force us to try to put together a force from other nations.

Mr. HAMILTON. Non-U.N.?

Mr. SAUNDERS. Under non-U.N. auspices as the force directly related to the implementation of the treaty.

Mr. HAMILTON. Do you have any indication from the Soviet Union whether or not they will exercise a veto?

Mr. SAUNDERS. If you ask them today what their position is, you would find them saying that they are considering a veto, but that is not necessarily the last word. It is a position which they have taken at this point in the deliberations.

Mr. HAMILTON. If it becomes necessary to go to a non-U.N. force, who would pay for it and would the U.S. participate?

Mr. SAUNDERS. All we have said so far is that we would make efforts to assure that such a force could be put together. We have not talked

about who would pay for it or who would participate. I might say that it is obvious that staying within the U.N. framework has many advantages for a variety of reasons, the Syrian disengagement force, the U.N. force in Lebanon, and so forth. There is every reason for trying to stay within the U.N. framework. Our primary focus over the next weeks will be directed at winning support for the mandate.

ASSURANCES, AGREEMENTS, AND COMMITMENTS ALL MADE PUBLIC

Mr. HAMILTON. All right. With the treaty, the memorandum of agreement, the various understandings and assurances that have been made public, are there any other agreements that have not been made public? Let me expand on that. Are there any other agreements, understandings, assurances, written or unwritten, that have not been made public? Is everything on the record?

Mr. HANSELL. Everything that involves any commitments, undertakings or assurances by the United States has been provided to the committee, and, I believe, made public.

Mr. HAMILTON. The oil agreement has not been made public.

Mr. HANSELL. The memorandum of agreement between the United States and Israel on oil has been made public.

Mr. HAMILTON. Now, wait a minute.

Mr. HANSELL. The possibility of communication between the parties, confidential diplomatic communications between the parties as to which we acted as conduit at their request, is I think the only type of communication that would perhaps not have been either communicated or made public, but there would be no U.S. commitments involved. That is, these are diplomatic communications between them in which we acted as the vehicle.

Mr. HAMILTON. So, there are no new U.S. commitments, undertakings, assurances that have not been made public?

Mr. HANSELL. That is correct, sir.

Mr. HAMILTON. I was under the impression that the final text of the United States-Israel oil agreement had not yet been negotiated.

Mr. HANSELL. That is correct.

Mr. SAUNDERS. But there is an interim agreement which is the one—

Mr. HANSELL. Which provides for negotiating a definitive agreement. That negotiation process is underway.

Mr. HAMILTON. When do you expect that to be completed?

Mr. HANSELL. The interim agreement provides that the definitive agreement will be completed within 60 days from the time the treaty comes into force which, as you know, was just a day or two ago, so within the next 60 days that will be completed and it will be a public document.¹

MEMORANDUM OF AGREEMENT

Mr. HAMILTON. Why should we not consider the memorandum of agreement between the United States and Israel as a treaty?

Mr. HANSELL. No; for a series of reasons. The nature of the assurances and the undertakings are very different from those that would customarily be reflected in a treaty.

Mr. HAMILTON. In what way?

¹ See appendix 7, p. 257.

Mr. HANSELL. In several ways, the principal one being the point that we identified earlier, namely, that the language of the document calls for consultation and consideration by the United States, but imposes no obligation to take action. If you look at our conventional mutual defense treaties, for example, they provide that the parties, meaning the United States, will act to meet the common danger. That is a typical formulation. There are some variations on that theme.

This document is not of that kind or order at all. It provides, as you know, that we will consider—

Mr. HAMILTON. Paragraph 7 is very specific.

Mr. HANSELL. Paragraph 7 is a provision that we will continue to act as our law now provides. I agree there is an undertaking there to continue to apply those restrictions, but I am speaking in terms of action of the kind that would be customary in a treaty, particularly a security treaty, a defense treaty. That paragraph is basically affirming that we will carry out our law.

Mr. HAMILTON. What is the difference between commitments and undertaking assurances?

Mr. HANSELL. I suppose those are loosely defined as synonyms for one another. We have tended to use the term "assurance" when we are referring to promises of a diplomatic or a political nature. They are basically synonyms for one another; I can't say there are fine distinctions between those terms.

Mr. HAMILTON. Why don't we call this a treaty?

Mr. HANSELL. It is not a treaty because of the nature of the document, and of the undertakings and assurances. They are not treaty type provisions. There are no commitments to take action of a kind that would be found in a treaty.

Mr. HAMILTON. Let me ask you this. Is there any binding action that this memorandum of agreement commits the United States to undertake?

Mr. HANSELL. Yes, in the sense that we do, for example, in paragraph 2 agree to consult with the parties. If we were asked to consult in a situation which is covered by that paragraph, of course, we would do that. Under paragraph 5—

Mr. HAMILTON. Let me phrase the question this way. Are all of the actions that the United States must undertake pursuant to this document subject both to the President's judgment and our own constitutional process?

Mr. HANSELL. Yes, and applicable law as well.

Mr. HAMILTON. One of the criticisms that was made of this document was that the United States takes on all the obligations and Israel does not take on any of them. How do you respond to that?

Mr. HANSELL. Let me read a sentence from the testimony of Secretary Vance which I think perhaps puts it as well as it can be put:

We therefore undertook to offer to the parties a buffer against potential and unforeseen problems in implementing their treaty by assuring them that we will remain a full partner in the implementation process, just as we had been during the negotiating phase.

This document in essence is an assurance to the Israelis. As Mr. Saunders has said, we were prepared to do the same for the Egyptians. We do intend to stay with them as a partner in this process, not only in the negotiation but in the implementation of the treaty.

Mr. HAMILTON. In your view, in spite of the document, has the United States retained full flexibility to determine its actions and policies in the Middle East as its national interests determine?

Mr. HANSELL. Yes, sir.

Mr. HAMILTON. Paragraph 8 says that existing agreements and assurances between the United States and Israel are not terminated or altered by the conclusion of the Treaty of Peace with certain exceptions. I would like to ask you to list those exceptions, list the agreements, and the existing agreements and assurances between the United States and Israel. I would not expect you to do that now, but I would like to know what those are.

Is the United States-Israeli agreement of September 1975 now declassified?

Mr. HANSELL. I am quite sure it has been.

Mr. HAMILTON. Now, the Egyptians, of course, objected to this document rather strongly. Mr. Khalil said it was contrary to the spirit existing between our two countries, and did not contribute to strengthening relations. He said it was based upon alleged accusations against Egypt.

I suppose it is fair to say that this document has complicated our relationship with Egypt, has it not?

Mr. SAUNDERS. I have the feeling that the Prime Minister reacted more strongly than was warranted, partly, perhaps, because of a misunderstanding of what was intended here. One of his main problems with this document is that it was written against the possibility that there might be a violation of the treaty, which in fact is an assumption that Egypt might violate. When we offered a comparable document to Egypt, we felt that we were making it clear that there was no presumption that either side would violate the agreement.

Mr. HAMILTON. Is this something that Prime Minister Khalil took a shot at after it was made public? Has it not been a further irritation or is it a continuing irritation in the relationship?

Mr. SAUNDERS. There has not been further extensive discussion of it since he departed Washington.

Mr. HAMILTON. Mr. Hansell, in reference to paragraph 8, when we talk about existing agreements and assurances between the United States and Israel, are any of those secret?

Mr. HANSELL. Mr. Chairman, I would have to——

Mr. HAMILTON. If you want to check that answer, that is fine.

I also want to know if any of them are unwritten.

Mr. STUDDS. Or unthought. [Laughter.]

Mr. HAMILTON. When you give us a listing of them, put the dates on there, too, would you please?¹

I believe I will turn to Mr. Studds here.

Mr. Studds.

IRANIAN SALES

Mr. STUDDS. Thank you. Let me ask one more question, General Graves, with respect to the Iranian dialog we had earlier. Even you must admit that there is an arguable policy determination to be made in this country with respect to the destroyers in question. Either we need them or we don't need them. Presumably under our system that

¹ See appendix 6, p. 239.

is the determination to be made jointly by the President and the Congress.

Maybe this is more of a rhetorical question. I would suggest to you the way it has worked out, the President has effectively excluded the Congress from that determination, and has essentially made it on his own. For the purpose of argument, suppose we did not need those vessels, just suppose we didn't. I would submit to you if that were the case and the Congress were indeed to reach that conclusion, the U.S. taxpayer has been had, but there are only two things we can do at this point. One is, to buy the vessels which we do not need, assuming we do not need them, but of course that will cost the taxpayers hundreds of millions of dollars.

The other is to cancel the contract, which at this point, given what the President has done on his own in the last 3 months, would also cost the taxpayer hundreds of millions of dollars. Is that correct? They are stuck. The decision has been made by the President without consulting the Congress.

General GRAVES. Let me give you some numbers which provide insight to the question you have asked. As of last Friday, the balance in the trust fund was \$327 million.

Mr. STUDDS. Is it more apropos to ask what it was as of February 3?

General GRAVES. I want to give one other number first before going back. The cost of canceling the ships would be \$200 million, so today we could cancel the ships and we would be left with a balance in the trust fund of \$127 million.

Mr. STUDDS. I thought you just told me you could not calculate how much it would cost to cancel the ships.

General GRAVES. Our estimate of the claims that would result would be \$200 million.

Mr. STUDDS. If that is correct, we could cancel now and not lose anything.

General GRAVES. That is correct. The reason I gave the answer I did earlier was because there are other ongoing programs, and the cost of canceling those, our current best estimate is in the neighborhood of \$200 million, which would exceed the residual amount in the trust fund if we cancelled the ships.

Mr. STUDDS. Do you anticipate canceling those?

General GRAVES. We do not anticipate canceling all of these programs, because we are trying in all cases to work out diversions.

Mr. STUDDS. You mean sell them to somebody else?

General GRAVES. We have other customers. We are taking some items into the U.S. inventory because they are items for which Congress already authorized money. So if you are a purist, one would say today termination costs of the entire program exceed the balance of the trust fund. We believe we can work this out, but you are correct in saying that a key feature of bringing this to a conclusion without the trust fund going to zero is action by Congress to buy two ships.

Mr. STUDDS. OK, I congratulate you. If I were in your shoes—you have won without our knowing there was a battle, which is wonderful. You are worthy of your predecessor. [Laughter.]

That is the position we found ourselves in, and we have had it. You have got the ships, and good luck to you with them. I hope you need them. As I say, it was not with any decision of Congress

taking part in it, and it is at the expense, as usual, of the American taxpayer.

Let me, if I may, go back to what we are supposed to be asking questions about—I don't know whether this should be for Secretary Saunders or yourself, General. The bases which we will be replacing or removing or relocating from the Sinai, against what threats are they intended to guard, the new bases?

THREATS TO ISRAEL

General GRAVES. They are to provide security to Israel either from the direction of Egypt or from the direction of Jordan and Saudi Arabia, who lie to the east.

Mr. STUDDS. What did the Israelis rely on for the defense prior to construction of the Sinai bases?

Mr. SAUNDERS. I can't cite particulars, but I think the answer would be that before the 1967 war, they had a smaller air force based, of course, within the 1967 borders of Israel.

Mr. STUDDS. And it worked, didn't it?

Mr. SAUNDERS. In the 1967 war, it worked magnificently. The forces around them are quite different. The forces are larger. They are more modern.

Mr. STUDDS. And they have mostly been equipped by us, haven't they?

Mr. SAUNDERS. The bulk of the forces are Soviet-supplied aircraft.

Mr. STUDDS. You mentioned Saudi Arabia, you mentioned Egypt. The first two of those have surely largely been equipped by us.

Mr. SAUNDERS. I am thinking of the main combat forces in the 1973 war which were Syria and Egypt.

Mr. STUDDS. And of course it is the Egyptians whom we are now arming, so that necessitates the new bases for the Israelis to protect against.

Mr. SAUNDERS. Let's go back. This was a series of questions you raised last time we were here. I think you have to start with the fact that every sovereign government has a defense establishment which it maintains for the security of its people. Israel, not unlike many others, is going to maintain a military force to make sure that the country is not defeated.

As we all know, the Israelis say they cannot afford to lose a battle. Israel is maintaining a defensive force that it feels is essential in its position to defend against any potential threat. Part of that is being deployed at these bases. I think it can be said that nations do not arm themselves only to make war; they arm themselves—we are a case in point—we arm ourselves so we will be strong enough so that we don't have to fight a war.

I think Israel is a country that wants peace, and they are arming themselves to assure that they will not be defeated, but hopefully to deter others from attacking them.

AID TO EGYPT

Mr. STUDDS. If you could hear what goes on, on the floor, you would realize there are other reasons this country arms itself. You have hit on

one of them, that is for sure. We have been told that President Sadat needs to be able to demonstrate to his own people the benefits of peace and cooperating with the United States in this process. We now give Egypt some \$750 million a year in economic aid. Is that correct?

Mr. SAUNDERS. That is true, and the Public Law 480 program brings the total up to close to \$1 billion.

Mr. STUDDS. The new bill that you request would add about \$100 million more in each of 3 years in economic assistance, which is a very slight increase in aid, which as I understand it is already backed up in the pipeline all the way from Cairo to here. Is that correct?

Mr. WHEELER. Well, the expenditure rate under our program in 1979 is expected to be about \$650 million.

Mr. STUDDS. We are not able to spend all that we have already authorized in the program.

Mr. WHEELER. We expect to spend it as well as to spend those amounts covered by new obligations next year.

Mr. STUDDS. In any event, even if we are able to spend it all, this is about a 13-percent increase over the current levels.

Mr. WHEELER. Yes.

Mr. STUDDS. I am not sure how much of an impact this will have. I doubt you can argue very seriously that this modest increase would have a significant impact on the horrible situation economically in Egypt. The weapons obviously would be pleasing—the weapons we would be sending them, but I am not sure how we demonstrate the benefits of peace to 180 million people in a very poor country.

As we calculated it, the combined effect of the new request the administration has given us of the economic aid plus the FMS credits is that it will require them to pay \$35 million a year more in interest on a weapons loan than we will be giving them in economic aid. Is that not correct?

Mr. WHEELER. That is correct.

Mr. STUDDS. That is correct; so the rhetoric is, we are going to show them that peace pays, and it pays to cooperate with the United States, and we are going to give them some economic assistance. In fact, we are charging them \$35 million more for that for interest on weapons, which they probably don't need anyway.

Mr. WHEELER. We are looking for a demonstrable economic impact as rapidly as possible.

Mr. STUDDS. How is that going to help when this country cannot afford to pay that interest, can it?

Mr. WHEELER. Additional items under the commodity import program, we would hope, would provide a more ample supply of such things as vegetable oil—

Mr. STUDDS. I am all for vegetable oil. It is the other stuff that bothers me.

Mr. WHEELER. In addition, we are making every effort we can to accelerate the implementation of ongoing projects. What we are hoping is that many of these projects which we have already well along in the implementation process will begin to bear fruit and will show the Egyptian people a better standard of living.

Mr. STUDDS. I appreciate what you are saying. I guess the only point I am trying to make here is that the new program with respect

to Egypt surely cannot be considered much of an impact since it is going to cost them more than it is going to give them.

Mr. WHEELER. I think the impact is marginal, yes.

Mr. SAUNDERS. I believe—correct me on this, Mr. Wheeler, if I am wrong—the principal effort in the period immediately ahead now is to concentrate the payoff so that it is going to have an impact sooner to use the money that is going in more effectively.

This is the kind of thing that Under Secretary Cooper and Ambassador Strauss were talking to the Egyptians about. Also, it is going to enhance the private investment of our private sector.

Mr. STUDDS. Again, I know I appear to be harassing you with every single request that comes up, but the totality of the picture, if you add up U.S. arms in that region over the last few years, is pretty awesome. I don't know if you have ever tried the exercise. Some day if peace breaks out somewhere that is when you get busy, but if you add in U.S. military assistance to Israel and sales to Egypt and even a little bit to Jordan and Syria in there, God knows, the amount that you don't seem a bit embarrassed about to Yemen, nobody even wants to remember how much to Iran, it is hard to add up that much, and given the Saudi commitment, I can't imagine with their own FMS sales program, with commitments on behalf of North Yemen and Egypt to pick up that tab.

What in the world is Saudi Arabia buying per year in arms now, if you add up the Egyptian, the Yemenis, and their own contracts? Are they getting up to rival the Shah in annual expenditures?

ARMS SALES TO SAUDI ARABIA

General GRAVES. No; certainly not. [Laughter.]

Mr. STUDDS. Then you both share this steadfastness.

General GRAVES. The Saudis, in terms of annual sales, such as we address in the ceiling management program, are past the peak of their purchases.

Mr. STUDDS. They are declining. Is that what you mean?

General GRAVES. They will have lower sales because they have made their purchase of modern aircraft.

Mr. STUDDS. When you say that, do you take into account their obligation to pay for the Egyptian and Yemeni sales as well?

General GRAVES. Yes. It depends whether you are talking about the time when the sales were recorded, which is behind us, or you are talking about the progress payments that they are making in the future.

Mr. STUDDS. I will not play that game with you. God knows, you carefully say, considering the—of the ceiling, you have included that incredible Corps of Engineers program over there, which I think about every time I try to get the harbor dedged in Cape Cod. What is the most recent estimate of that blankety-blank corps program which comes under FMS, the total? What is that? What did we hear once, \$18 billion, \$19 billion?

General GRAVES. It was in the neighborhood of \$20 billion, of which \$12 billion is covered by FMS sales agreements. Whether they will ultimately have all of it built by the Corps of Engineers or will simply go out on the market and have it built without the corps is another question.

Mr. STUDDS. \$20 billion on top of God knows what in weapons sales. I just wonder. We totally obviously misread the situation in Iran, as we were quoting untold billions of dollars. It seems to me one can't avoid asking just how good—how many people do we have in Iran? If we didn't know what is going on in Iran, how do we know what is going on anywhere? We were close to having a congressional district in Iran, and we still didn't have any idea what was happening with tens of thousands of Americans, public and private, official and unofficial, over there.

We had three advisors in North Yemen and we decided they needed \$300 million worth of arms. I don't think we can tell, frankly, much about Yemen. I don't think frankly we can be sure what is going on in Saudi Arabia. I don't think if I were an average Saudi Arabian, whatever that is, how grateful I would be to the United States for the incredible cities in the desert the Corps of Engineers seem to be negotiating, and the weaponry and all the rest of it.

That is not a question. Thank you, Mr. Chairman.

AID TO EGYPT

Mr. SAUNDERS. May we go back to Egypt for a moment to put this military program into some sort of perspective both financially and historically? Twenty-three years ago, the Egyptians made a major move in the direction of the Soviet Union, the Aswan Dam, the total equipment of the Egyptian Armed Forces by Soviet forces.

In the last 5 years, there has been a shift in Egypt in terms of American diplomacy. There has been a shift in Egypt with the liberalization of the economy, in terms of Western orientation in that sector, which is important to the future of Egypt, and during that period, when Soviet supplies were stopped, Egypt had no major source of supply, and turned to some other European sources for other resupply, and has not ever really caught up from the losses of the 1973 war.

Now, we are talking about a program of \$1.5 billion over 3 years which, compared with—if it is less than the Soviet resupply after the war, they were talking about a modernization program 5 years after the 1973 war, so we are talking about something that is of relatively modest proportions, and it is part of a profound shift in Egypt's orientation vis-a-vis the other major powers of the world.

In that context, I think you are talking about a rather significant development at a relatively modest cost.

Mr. STUDDS. Fair enough. I would just add that I think the shift in Egyptian focus and thrust is at least as much or probably more a result of the failure of Soviet policy than the success of American policy.

Mr. SAUNDERS. You can make that judgment if you care to. As an American, I personally, having participated in this thing—

Mr. STUDDS. I didn't want you to take that personally.

Mr. SAUNDERS. I think Americans have reason to be proud.

Mr. STUDDS. We blundered first and they blundered. God knows it is our turn again, but I hope we will be more careful historically.

Mr. SAUNDERS. It depends on how you want to characterize American diplomacy.

Mr. STUDDS. Not charitably.

Mr. SAUNDERS. I think the peace treaty is the first such thing in 30 years—

Mr. STUDDS. I don't mean that. I was going back in time. Thank you, Mr. Chairman.

OIL AGREEMENT

Mr. HAMILTON. Let me ask a question or two about this oil agreement. Will any legislation be necessary pursuant to that agreement?

Mr. HANSELL. In order to be able to carry it out fully, we do understand that some legislation will be needed.

Mr. HAMILTON. How long does it run? When does it expire?

Mr. HANSELL. What we have agreed on at the moment is that there will be an oil supply arrangement for a total of 15 years. The precise beginning date is to be agreed on in the discussions, but we anticipate that that period would begin at about the time of the Israeli evacuation of the oilfields in the Sinai.

Mr. HAMILTON. And it will run 15 years from that time?

Mr. HANSELL. That is right.

Mr. HAMILTON. Will that oil be provided to Israel under the agreement at the going international market rate?

Mr. HANSELL. As you know, the provision would be a last resort arrangement. The memorandum provides that the parties intend that the prices paid by Israel for oil provided under it will be comparable to world market price current at the time of transfer, and that in any event the United States will be reimbursed for the costs incurred by the United States in providing oil.

So, the answer to your question in general is, yes, the prices would be comparable to world prices.

Mr. HAMILTON. Is there any element of aid involved in this agreement? Is there any expenditure by the American taxpayer?

Mr. HANSELL. There are not to be any because the United States is to be reimbursed for all its costs.

Mr. HAMILTON. Including transportation?

Mr. HANSELL. Including transportation.

Mr. HAMILTON. Will the agreement deviate in any way from the commitment made in 1975?

Mr. HANSELL. Yes, at least we anticipate that it will. It is yet to be negotiated, but the 1975 agreement was a floating arrangement. It was a 5-year last resort commitment, but without a beginning date, so that it was susceptible to being triggered when a request was made. Our firm anticipation here is that the 15-year period will begin approximately currently. There is no price provision in the 1975 arrangement. We will try to firm that up.

Mr. HAMILTON. How serious would Israel's shortfall in oil have to be before we would have to export?

Mr. HANSELL. I can't answer that. I am not sure it is a question that can be answered, because we anticipate a variety of ways in which we could help Israel to obtain oil if it were not able to obtain oil through its own resources. We obviously might well have access to world supply sources that would not be available to the Israelis, so that I think it is not possible to answer that question.

SETTLEMENTS

Mr. HAMILTON. All right. Now, Mr. Saunders, would it be possible in your judgment to get any support for the peace process from the Jordanians or the Palestinians unless there is a freeze on the settlements?

Mr. SAUNDERS. A freeze on the settlements is not the only achievement that could demonstrate that this is a serious process of negotiation. Results in the negotiations on other issues and addressing the settlements question in other ways through those negotiations could equally demonstrate the results.

Mr. HAMILTON. So, it is possible to get results even if there is not a freeze?

Mr. SAUNDERS. That is correct, even though this is one of the most sensitive issues on the Arab side.

Mr. HAMILTON. Would you state for me your understanding of the agreement between the President and Mr. Begin regarding the settlements?

Mr. SAUNDERS. At this point there is no agreement.

Mr. HAMILTON. What did you think the agreement was?

Mr. SAUNDERS. This goes back to the Camp David discussions and the period immediately after that. I remember there is in the record of our earlier testimony a rather extensive exchange on that.

Mr. HAMILTON. I am not unaware of that, Mr. Saunders.

Mr. SAUNDERS. At that time, we felt that there had been an understanding that there would be no new settlements during the period of negotiation, and that period of negotiation was defined by the Israelis and the United States. What they ultimately did was to say that they would observe a stop in settlements during the period while the Blair House talks were under way. Our understanding initially was a period which would relate to the talks on the West Bank of Gaza, where the settlements are at issue.

Mr. HAMILTON. We keep stating our policy on this settlements problem over and over again. The President did again yesterday afternoon in his news conference, but it does not seem to have any impact as far as the Israelis are concerned. Why is it best to let this problem ride on and try to solve it later? Why isn't it better to try to solve it now? If it is such a large obstacle to the peace process, why do we not try to resolve it now?

Mr. SAUNDERS. I believe at best it is most effective to address the problem in its precise elements. The elements of the problem are, who controls the land in the West Bank, who has the authority to transfer the land, who has the authority to expropriate land for any purpose?

It seems to me if one can address these specific elements of the problem in very practical ways, one may get closer to a solution than one does when one simply challenges the rights of Israelis to live on the West Bank. Our present posture is to declare that the placement of settlements in occupied territories is illegal under the Geneva Convention. The position of the Israeli Government is, this is not illegal. We end up in a standoff over that basic point, but if one can get down to the practical elements of the problem, I think one might find solutions that would meet the interests of the various parties. That is the effort that we will make.

Mr. HAMILTON. While we keep repeating this over and over again, the Arabs tend to see us as unable or unwilling to put leverage on the settlements problem, do they not?

Mr. SAUNDERS. That is correct.

Mr. HAMILTON. In the legislation that is drafted and submitted to us here entitled Special International Security Assistance Act of 1979, section 3(a), you say that in order to support the treaty between Egypt and Israel, and related agreements, the Congress finds that the national security interests of the United States are served, et cetera. Why do we need the language in there, "and related agreements," and what do we mean by that?

Mr. SAUNDERS. Mr. Hansell may want to comment further on this, but one of the principal related agreements is the joint letter signed by Prime Minister Begin and President Sadat to President Carter which lays out the scheme for the West Bank-Gaza negotiations. This is essential to the continuation of the Camp David process. That would be one example.

Mr. HAMILTON. Will all of these agreements be completed before we are asked to take action on this? The oil agreement will not have been negotiated?

Mr. HANSELL. That is the only one that remains to be completed. Everything else is in place.

Mr. HAMILTON. Does the PLO still have an office and representative in Cairo?

Mr. SAUNDERS. As of a few days ago, I was aware that it was there. I have not heard anything more recently than that.

Mr. HAMILTON. Do you have any reason to think that the PLO wants to keep the options open and not close the door on the Camp David process?

Mr. SAUNDERS. I believe that is the case.

Mr. HAMILTON. Would you consider any delay on the part of Egypt in taking the agreed-upon steps toward normalization of relations with Israel designed to serve as leverage in stalled talks on the West Bank and Gaza as violations of the terms of the treaty?

Mr. SAUNDERS. We would have to look at that when it occurs, because the treaty itself provides for a period of time within which the negotiations are to begin. It does not necessarily define a date on which they are to be concluded. I think one would have to judge the circumstances of the negotiations, that is, whether both sides were negotiating earnestly and just having difficulty reaching an agreement, or whether it was a clear-cut stalling.

BUDGET RESOLUTION

Mr. HAMILTON. Let me ask a question here that the Appropriations Committee wants us to ask for the record. The third budget resolution for fiscal year 1979 will soon be set by the Congress, which will probably leave the budget authority deficit of about \$2 billion between the ceiling of the budget authority and the actual budget request.

As is currently drafted, the Executive Office proposed appropriations bills for the new assistance program would require that the entire \$1.47 billion budget authority requests be appropriated in fiscal year

1979, together with the other supplementals for the international affairs function. The President's request could force the appropriations committees to make some hard choices between the supplementals for international affairs programs and domestic programs.

As a result, it has been suggested that the authorization bill provide "no-year" authority for each of the appropriations requests in order to permit the appropriations committee to provide the immediately required budget authority in fiscal year 1979 and provide the remainder later.

Would this formula be acceptable, or would it present problems? Mr. Wheeler or Mr. Saunders.

Mr. SAUNDERS. I would defer to what these two gentlemen say.

General GRAVES. As far as the military part of the program, Mr. Chairman, it would present problems. We would obligate the entire amount of the \$800 million for these contracts with the Air Force this year. We need to do that. Now, it is true the money is specified to be no-year money, but this is because it is a construction project. We have also provided for adding into the same account the money from Israel.

We will add an initial increment from Israel at the time we let these contracts, so that the contracts will probably come to an amount of approximately \$1 billion, but we need to be able to add additional sums from Israel later on, and to manage the appropriation for this construction in the normal manner, which is full funding at the beginning, and then the ability to obligate additional funds later downstream. We expect the entire process to last approximately 5 years, so we have set up a construction project in the normal way.

Therefore, as far as that part is concerned, we believe it is important to have the entire amount this fiscal year.

Now, with respect to the credit guarantee funds which of course, amount to \$370 million, as far as Egypt is concerned, we would like and we think it is sound practice to conclude the entire loan agreement with Egypt this year, because we will be concluding a series of letters of offer and acceptance with Egypt. We do not want to have these letters of offer and acceptance which depend on credit, to be signed before the credit funds are available.

Now, why must we have the letters of offer and acceptance as soon as possible? Well, because of the long lead time involved in many of these systems. It is perfectly true that the loan will be drawn down over a period of some 3 to 4 years to make the progress payments, but the procedure is, first, we have a loan agreement, then we consummate the letters of offer and acceptance, then we let the contracts with the U.S. suppliers, then the leadtime starts on production. They can't begin production until this process has been completed.

Again, we have an obligation problem with respect to the money for Egypt. With respect to Israel, it is less certain. We do not have the detailed plans of the Government of Israel. I am reluctant at this point, however, to say, "There is no problem; we can spread out the Israeli loan." I guess the thing that bothers me about the whole military portion is that this money at the beginning is tied to the withdrawal process, which is a key feature of this treaty, and I am hesitant to say that the United States can spread its contribution because this 3 years is a very tight period.

I would think it would be risky for the United States to hold back on some of the funding for this treaty.

Mr. HAMILTON. How much of the request for the appropriation is intended for obligation between enactment and October 1, 1979?

General GRAVES. We would obligate on the security side \$1,170 billion. Mr. Wheeler can speak to the \$300 million in the economic program. We would intend to obligate the entire amount between now and the 1st of October as far as the FMS credits and the grant are concerned. The outlays will be distributed as you discussed in your earlier hearing, Mr. Chairman. You went over those.

Mr. HAMILTON. Yes. Mr. Wheeler, do you want to comment on these same questions?

Mr. WHEELER. Yes, Mr. Chairman. As I understand the Appropriations Committee proposal, the \$300 million would be authorized now, but then it would be appropriated over a period of 3 years. Am I correct, Mr. Chairman, in suggesting the first year of appropriation would be fiscal year 1979?

Mr. HAMILTON. Yes.

Mr. WHEELER. It is our intention that this money be made available to Egypt over 3 fiscal years, so that from a technical point of view it would be possible for us to obligate it all in fiscal year 1979 or in 3 separate fiscal year installments. We are very anxious to keep this special appropriation separate from the regular funding for Egypt. We do not want it to create an expectation of a higher future level of regular assistance.

Mr. HAMILTON. It is the intention of the executive branch to obligate the entire \$800 million requested for the Israeli bases by October 1, 1979?

General GRAVES. Yes, sir. As a practical matter, we would like to have the money by the 15th of June.

Mr. HAMILTON. Thank you very much.

The committee stands adjourned.

Whereupon, at 5:50 p.m., the hearing was concluded.

[Supplemental questions submitted to Department of State by Representative Fenwick and responses thereto follow:]

SUPPLEMENTAL QUESTIONS SUBMITTED TO DEPARTMENT OF STATE BY
REPRESENTATIVE FENWICK AND RESPONSES THERETO

Question. What is the current amount of the Egyptian foreign debt?

Answer. At the end of the first three quarters of 1978, total civilian external debt stood at \$9.17 billion. Although this represents a 50 percent increase from the end of 1975, the terms of the debt, its structure, and the earnings have improved. For example, in 1978 less than 20 percent of borrowings were on commercial terms compared to over 30 percent in 1975. Total debt service amounts of 29 percent of estimated current account receipts and if certain official deposits owed to oil exporting nations are excluded debt service is only 10 percent of current account receipts.

Question. What is Egypt's current debt service? What is the projected debt service for the next five years, including that to the United States?

Answer. Based on data through the first three quarters of 1978, Egypt's 1979 debt service payments on public external debt obligations with maturities of over one year are estimated at about \$1 billion. This includes Egyptian government obligations to the U.S. and other bilateral lenders as well as to international organizations and private lenders. It does not include obligations of the Egyptian private sector to foreign lenders where there is not Egyptian government guarantee.

Based on the same data debt service, payments would be expected to decline steadily through the next five years by about \$100 million per year.

SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE FOR ISRAEL AND EGYPT

WEDNESDAY, MAY 2, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEES ON INTERNATIONAL
SECURITY AND SCIENTIFIC AFFAIRS
AND ON EUROPE AND THE MIDDLE EAST,
Washington, D.C.

The joint subcommittees met at 3 p.m., in room H-236, the Capitol, Hon. Clement J. Zablocki (chairman of the committee) presiding.

Chairman ZABLOCKI. The subcommittees will come to order.

We meet today to continue consideration of President Carter's request for the Special International Security Assistance Act of 1979. The proposed legislation is intended to do more than merely support the most recent achievements. It is intended to give further impetus to the search for a comprehensive peace settlement in the Middle East.

Today's hearing will focus primarily on the military and international security implications of the Assistance legislation requested by the President. Particular attention will be paid to the review of the most probable transfers of weapons from the United States to Egypt as well as the requests by Israel for use of the special FMS credits.

Testifying today will be: Dan O'Donohue, Deputy Director, Bureau of Politico-Military Affairs, Department of State; Morris Draper, Deputy Assistant Secretary for Near Eastern and South Asian Affairs, Department of State; Lt. Gen. Ernest Graves, Director of the Defense Security Assistance Agency; and Robert J. Murray, Deputy Assistant Secretary, Near Eastern, African and South Asian Affairs, Department of Defense.

In order that the two subcommittees can receive detailed answers to a number of questions touching upon highly sensitive matters, the chair would welcome a motion to go into executive session at this time, so that we can proceed with the questioning of witnesses.

We are awaiting one more member and we will then entertain a motion to go into executive session so that we can proceed with the questioning of the witnesses. It is the chair's understanding there are two or three other members coming. They are on their way.

Mr. WOLFF. If only one committee were meeting and the other subcommittee were invited to participate you would not need that many members, would you?

Chairman ZABLOCKI. The chair would have no qualms of beginning the meeting or seeking an executive session without a quorum if it is necessary to go into executive session. I understand one member might question this action.

Mr. FINDLEY. I move we go into executive session, Mr. Chairman.

Chairman ZABLOCKI. We have to have a rollcall vote.

Mr. BINGHAM. I don't think you have a majority of either subcommittee.

Chairman ZABLOCKI. We have to have eight members. We don't have a majority of either subcommittee.

The gentleman from Illinois moves that the joint subcommittees go into executive session. All those in favor will signify by saying "aye."

[Chorus of "ayes."]

Chairman ZABLOCKI. Those opposed, "no."

The clerk will call the roll.

Mr. VAN DUSEN. Mr. Hamilton.

[No response.]

Mr. VAN DUSEN. Mr. Fountain.

[No response.]

Mr. VAN DUSEN. Mr. Pease.

Mr. PEASE. Aye.

Mr. VAN DUSEN. Mr. Barnes.

Mr. BARNES. Aye.

Mr. VAN DUSEN. Mr. Rosenthal.

[No response.]

Mr. VAN DUSEN. Mr. Findley.

Mr. FINDLEY. Aye.

Mr. VAN DUSEN. Mr. Winn.

Mr. WINN. Aye.

Mr. VAN DUSEN. Mrs. Fenwick.

Mrs. FENWICK. Aye.

Mr. VAN DUSEN. By rollcall five "ayes."

Chairman ZABLOCKI. The Subcommittee on Europe and the Middle East can go into executive session.

I will say "aye" whether you recognize me or not.

The vote indicating that a majority has voted to go into executive session is so ordered.

Are there any persons in the room not qualified to be here because they are not the Departments' representatives or staff without proper clearance or guests?

The clerk will call the roll.

Mr. FRANK. Mr. Hamilton.

Mr. HAMILTON. Aye.

Mr. FRANK. Mr. Wolf.

Mr. WOLFF. Aye.

Mr. FRANK. Mr. Bingham.

Mr. BINGHAM. Aye.

Mr. FRANK. Mr. Studds.

Mr. STUDDS. Aye.

Mr. FRANK. Mr. Barnes.

Mr. BARNES. Aye.

Mr. FRANK. Mr. Broomfield.

[No response.]

Mr. FRANK. Mr. Findley.

Mr. FINDLEY. Aye.

Mr. FRANK. Mr. Winn.

Mr. WINN. Aye.

Mr. FRANK. Mrs. Fenwick.

Mrs. FENWICK. Aye.

[The subcommittees went into executive session. The following testimony was subsequently declassified for publication. The classified material is retained in committee files.]

Chairman ZABLOCKI. The Chair will recognize members who desire to ask questions. The chairman of the Subcommittee on Europe and the Middle East.

Mr. HAMILTON. No questions, Mr. Chairman.

The chairman of the Subcommittee on International Security and Scientific Affairs opened the meeting so Mr. Wolff if you do have any questions?

Mr. WOLFF. I reserve my time.

Chairman ZABLOCKI. Mr. Winn.

Mr. WINN. No questions.

Chairman ZABLOCKI. Mr. Bingham.

Mr. BINGHAM. [Security deletion.]

[Security deletion.]

U.S. ACTIONS IN SAUDI POLITICAL DEVELOPMENT

Mr. BINGHAM. Is there anything we can do to be helpful either in terms of helping to assure the stability of the present regime or possibly of developing potential contacts with some other regime?

STATEMENT OF MORRIS DRAPER, DEPUTY ASSISTANT SECRETARY FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE

Mr. DRAPER. I think our policy aims at broadening the basic feeling of support in Saudi Arabia for the association with the United States and making it clear the alternatives are poor ones as far as the Saudis are concerned. I think through the years, there has been a good deal of success in this direction.

The King 'Abd al-'Aziz, met President Roosevelt in World War II and at that time took a conscious decision to associate himself with the United States as being the real power; these traditions in Saudi Arabia have some real significance. It is a task of our foreign policy to reinforce those trends and, of course, part of this, I guess, includes a very open and candid dialog with Saudis of all leadership levels, specifically between Members of Congress and their government and between the administration and their government.

Mr. BINGHAM. What about military contacts there: Do we have formal or informal—perhaps informal contacts might be more important—with the military in Saudi Arabia so that we can sense their moods?

STATEMENT OF ROBERT J. MURRAY, DEPUTY ASSISTANT SECRETARY, NEAR EASTERN, AFRICAN, AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF DEFENSE

Mr. MURRAY. We have a fair number of Americans in Saudi Arabia. They are in touch with military people including young military people. A lot of them come over here to school. [Security deletion.] I

think one of the difficulties in Iran was that in many ways we were not intimately involved over the years in the substance of the policy in advising the Shah. We were rather detached.

I think we should be in contact with the military and with others in the society and we should do our best to maintain a broad level of contacts and not confine them to officials.

CORRUPTION IN SAUDI ARABIA

Mr. BINGHAM. Do your people either in the military or on the civilian side report dissatisfaction with the degree of corruption in Saudi Arabia?

Mr. MURRAY. I think corruption is one of the problems we hear about. But there are things on the plus side, too, as Mr. Draper said. The Saudis do seem to be less imperial in their approach to people, more open, in greater contact with people in the society. There are more opportunities for people in the country who are young and educated. They seem to share the wealth.

It seems to be a less complicated society in many respects and it is not as big. There are not as many people as there were in Iran. So there are a lot of dissimilarities as well as the presumption that Kings have not done very well in this century and the last traditional societies have a difficult time coping with modernity.

It is something we have to be very careful and watch and see what we can do to help as situations arise.

In any event, however, I don't think Americans can take responsibility for the internal events in another country. We can give them our best advice. We can help them as possibilities occur but in the end we cannot control the internal workings of the society.

Mr. DRAPER. There is one safety feature in Saudi society. That is the tradition of access to the highest levels of government, meaning that, as in earlier days a very ordinary person could go into the palace to see the king and present a petition. Even today, the halls of government are filled with petitioners, people that want redress or are seeking help or whatever and it is a fairly open society in that sense. It is a means of keeping a finger on the pulse of potential discontent.

FUTURE SAUDI AID TO EGYPT

Mr. BINGHAM. Are your figures for the special assistance based on the assumption that Saudi Arabia will—let me rephrase that—on what assumption with respect to Saudi Arabian assistance to Egypt are your requests in this based?

Mr. DRAPER. [Security deletion.]

For example, we did make some assumptions that certain past economic, as opposed to military, assistance programs would be continued in one form or another if not too much attention were paid to them.

The figures we came up with on the economic side were based on those considerations. As far as the military program is concerned—I am sure General Graves would want to contribute—we assumed the Saudis will continue to pay for the F-5's.

Mr. BINGHAM. That was stated yesterday. Do you have anything to add to that?

General GRAVES. No, sir. I think as far as the military program is concerned, the only assumption was in the area of the F-5's.

Mr. BINGHAM. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Mr. Findley.

SAUDI DISENCHANTMENT WITH THE UNITED STATES

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. Bingham brought up some fundamental questions about Saudi policy. Would you venture, Mr. Draper, to assess the root cause of Saudi disenchantment with the United States? I have heard it said that there really is not an Israeli-Arab problem today so much as there is an Israeli-Palestinian problem. Were it not for the Palestinian problems, would our relationship with Saudi Arabia be intense, in your opinion?

Mr. DRAPER. I believe that the Saudis have been somewhat unhappy with our strategy as it came through in the Camp David Accords and developed for two basic reasons. One was that the Saudis did not believe the United States paid adequate attention to the Palestinian issue, and second, that the Camp David Accords did not point to the direction of, and clearly to, the final objective.

In the immediate post-Camp David period, they were not openly critical but, as negotiations continued, I think that a growing feeling developed in the Saudi establishment that Sadat was giving relatively too much away, and had not adequately established linkage between the Egyptian-Israeli treaty and the next stages and they were quite alarmed at the prospect of a divided Arab world in the aftermath of the treaty.

FUTURE UNITED STATES-SAUDI RELATIONS

Mr. FINDLEY. The next stage to which you refer is the stage involving the West Bank and Gaza which is the Palestinian issue, so I assume from your answer the root cause is the Palestinian problem?

Mr. DRAPER. [Security deletion.]

Mr. MURRAY. Could I add something. I think there are three things that are high on the Saudi-United States relationship agenda and one is Palestinians and peace talks. Mr. Draper just explained the second is oil where we are pressing them from time to time to produce more than some Saudis would like or to have lower prices than some Saudis believe are fair, and the third is security. The general area of security, where up until recently they have felt we have responded inadequately to the Soviet threat. That has been big on their agenda for discussions with us. In early February at the President's direction, Secretary Brown went out with Secretary Vance's approval and told them we were going to be much more involved in security of the region, we would pay much more substantive attention to it. We recognized the vital interest we had there and following his visit we did respond and the Yemeni—the way Mr. Draper said—that they received that extraordinarily well.

The security side has been a plus for us in the last several months.

PROGRESS IN WEST BANK NEGOTIATIONS NEEDED

Mr. FINDLEY. If the United States, at this stage would state a position in favor of self-determination for the West Bank and Gaza Strip, how would the Saudis react to that new U.S. position?

Mr. DRAPER. [Security deletion.]

Mr. FINDLEY. It was said they will have the right to participate in the determination of their own future which is quite different from self-determination.

Mr. DRAPER. [Security deletion.]

Mr. FINDLEY. Does that mean self-determination?

Mr. DRAPER. [Security deletion.]

Mr. FINDLEY. But to help determine is quite different from the rather trying notion of self-determination, would you agree on that?

Mr. DRAPER. [Security deletion.]

Mr. FINDLEY. But not to control the determination.

Mr. DRAPER. [Security deletion.]

Mr. FINDLEY. Thank you Mr. Chairman.

Chairman ZABLOCKI. Mr. Pease.

Mr. PEASE. Thank you very much, Mr. Chairman.

VIEWS OF U.S. AID

I am sorry I was not here for the hearing yesterday. I had to go back to Ohio and I perhaps missed some of these elemental things, but do I presume correctly that both Israel and Egypt are agreeable to the amounts of aid we propose to give the other and the types of aid?

Mr. DRAPER. They have made no objections in an official vein. I think the leaders of each government recognize realistically that there are needs on the other side. It was agreed by all three governments that this was an essential ingredient of the peace treaty which has been of benefit to Egypt as well as Israel.

Mr. PEASE. FMS sales to Egypt are for F-5's?

Mr. DRAPER. No.

STATEMENT OF DAN O'DONOHUE, DEPUTY DIRECTOR, BUREAU OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE

Mr. O'DONOHUE. In terms of the peace treaty, we have provided the committee, I think a list of the items.

Mr. PEASE. Can you summarize that?

Mr. O'DONOHUE. [Security deletion.]

ISRAELI KNOWLEDGE OF EGYPTIAN ARMS REQUESTS

Mr. PEASE. Egypt has entered no objection to the list you outlined? Israel, I mean. Is Israel aware of it?

Mr. O'DONOHUE. I think they are.

Mr. MURRAY. Israel is aware of it because the letters have been discussed in general terms with them. They are aware of approximately what is on it and they have not objected to any of the items on there including the F-4 aircraft which you can say is the most sophisticated and capable item on the list.

Mr. O'DONOHUE. And the F-4 aircraft appeared in the press a month or so ago.

Mr. PEASE. And this peace package includes \$300 million additional in economic aid for Egypt, is that correct?

Mr. DRAPER. Yes.

USES OF ECONOMIC AID TO EGYPT

Mr. PEASE. What do we propose to use that for?

Mr. DRAPER. We are in the process of deciding how that will be used most effectively. It is \$100 million a year in addition to our present economic package which is a little short of \$1 billion. The one thing that has been agreed is to have some postgraduate fellowships for Egyptian students coming here to the United States. We are thinking in terms of 1,500 fellowships over this period beginning this school year in September.

Part of this will also be aimed at improving middle management skills and the Egyptian system by extending our aid participant program. The rest of the program we have not quite decided but we are weighing some of the Egyptian priorities and some of their current food needs which are quite considerable.

We are also probably going to adjust some elements of our present planned program to, among other things, speed up certain projects, make what we are doing a little more visible than it has been, and put high priority on things like urban and rural health, sewage and water systems.

VALUE OF PEACE TO EGYPTIAN PEOPLE

Mr. PEASE. The President's transmittal letter to Speaker O'Neill says, "Supplemental assistance to Egypt as well as Israel clearly demonstrates to the people of these two countries that we will help them reap the advantages of peace."

It occurs to me that we are already providing over \$800 million a year in economic aid to Egypt, that an additional \$100 million a year is a drop in the bucket, hardly likely to demonstrate to the people of Egypt, any more than we already are, the advantages of peace.

Mr. DRAPER. There are two parts in the answer. In the sense that we are talking about a 3-year commitment, a sustained commitment to Egypt, it is very, very important at this time as a vote of confidence. It is accompanied by other ideas and concepts including the stationing of an IBRD mission in Egypt itself to help attract other donor assistance and involvement without having the United States out in front.

Then, frankly, we looked at the improved balance-of-payments situation, the real growth in actual income which is over \$2 billion in the last 2 years and the medium term prospect. Egypt is not really doing too badly and we did not think that we could realistically propose anything more than this without an unbalancing of some of the present progress being made by the Egyptians and perhaps sparking a little bit too much inflation or upsetting this major idea of getting an international program going under the IBRD.

So in our talks with other potential donors we talked about the need for consistency and a multiperiod contribution so that the Eyp-

tian people will see over this period of the next few years that there is some real international involvement. If we adjust our programs to get programs moving more rapidly in areas which are high visibility—health, water, sewage, and so forth—I think we will make that impact and show the Egyptian people they have a real stake in peace.

U.S. VIEWS OF VALUE OF PEACE TO EGYPT

Mr. PEASE. It has been said on a number of occasions that Sadat is in difficulty if the advantages of peace are not apparent to the people of Egypt. Do we believe that? Is that just rhetoric or do we believe that?

Mr. DRAPER. I think that is true. I accompanied Ambassador Strauss on his mission to Egypt and to Israel where his objective was to promote a climate for increased trade and development and he was very careful to put across the point that—I should not say put across the point—we had to avoid raising expectations too high. He talks in terms of “I am only opening the first few pages of a book that has to be read.” He was getting across the point that this is a long-term process and, very interestingly, the Egyptian members of the private sector we met there said they were not expecting instant progress or within a year and they recognized it was a political necessity not to raise these expectations. But you can’t deal with the real expectations of the great mass of the poor Egyptians.

They are going to be expecting something and the time will probably come in a year or so when we will have increased restlessness because of that.

Mr. BINGHAM. Will the gentleman yield on that point?

Mr. PEASE. I would be happy to.

IMPORTANCE OF ECONOMIC AID TO EGYPT

Mr. BINGHAM. Was any consideration given, in the light of that very fact that it would help Egypt more to provide more economic assistance and help persuade the people that this treaty was a good thing for them, to perhaps giving less military and more economic assistance?

Mr. DRAPER. What we presented to the Egyptians—we are talking about a \$1.1 billion program of economic assistance—is really huge by any terms today.

Mr. BINGHAM. It has been huge but if you take into account the cut-off of aid from Saudi Arabia and Kuwait it is not going to look so tremendous to the Egyptians. It will mean a net decrease from what they had the last couple of years.

Mr. DRAPER. [Security deletion.]

You can see Egypt has improved its balance of payments. It is paying all its debts. Its canal revenues are going up. Its oil revenues will go up significantly when they recover the Sinai and they may be going toward a million barrels a day in the next 6 years. So they have a lot of fairly good economic indicators there and a hardnosed analysis of this would suggest the level we proposed is about the realistic one, especially when they recognize the sense of continuity we are projecting.

I think there is no question that President Sadat wants to put the highest priority on economic and social development. The fact we felt we had to put a military program in there of credits is because the defense establishment basically is becoming increasingly obsolescent since 1972. It is 1979, and a reasonable effort to recover and meet their legitimate defense requirements seems indicated.

NEED FOR MILITARY AID TO EGYPT

Chairman ZABLOCKI. Will the gentleman yield?

How would Egypt or other Arab States view an increase in economic assistance and cutback on military assistance to Egypt when we can't cut back on the massive military assistance to Israel? Wouldn't they perceive it as a failure on our part to keep Egypt militarily strong enough to defend itself?

MR. DRAPER. I think your point is absolutely right. The Arabs would be accusing—

Chairman ZABLOCKI. If we are looking for ways for the Saudis to look upon this deal and this agreement as a credible one, I think we must factor into that equation our military assistance to Egypt which is needed.

EGYPTIAN ECONOMIC AID AND THE PEACE PROCESS

MR. DRAPER. I agree with you 100 percent, Mr. Chairman. Absolutely.

MR. PEASE. Mr. Chairman, I would like to make the point, closing out this portion of my questioning, that we ought not to kid ourselves if we are really concerned about the reaction of the average Egyptian to a lack of material gain in the peace process, we ought not kid ourselves that \$100 million providing fellowships for 1,500 students coming to the United States is going to do the job. I don't know how we do it but some great attention needs to be paid to that if we are genuinely concerned.

U.S. CONSTRUCTION OF ISRAELI AIRBASES

Was it covered yesterday? Why we are constructing these airbases in the Negev rather than letting Israelis do it?

STATEMENT OF LT. GEN. ERNEST GRAVES, U.S. ARMY, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT OF DEFENSE

General GRAVES. Briefly it is to minimize the impact on the Israeli economy and to assist Israel in the management of the huge construction task that faces Israel because they not only have to relocate these airbases but they have the task of relocating all the rest of the Israeli forces in the Sinai and that will be a large management task.

MR. PEASE. The ownership will be entirely on the lands of the Israelis?

General GRAVES. It will be.

NUMBER OF U.S. MILITARY PERSONNEL FOR AIRBASE CONSTRUCTION

Chairman ZABLOCKI. I don't believe yesterday we had been advised as to how many military Army engineer personnel will be involved in assisting the bases.

General GRAVES. Let me add that the military management is not expected to exceed 30. There will be a U.S. Air Force contingent helping with the determination of requirements and then there will be some officers of the Army Corps of Engineers to oversee design and construction. The total management force from the United States is not expected to exceed 300. This will include quite a few civilian engineers, civilian inspectors, civilian administrators, and finance people managing the construction work.

POLITICAL CHANGE IN SAUDI ARABIA

Mr. PEASE. Finally, Mr. Chairman, this is a bit of a side issue but I was really interested in the line of questioning of Mr. Bingham earlier about Saudi Arabia and the future prospect for Saudi Arabia.

While admitting that Iran and Saudi Arabia are not alike in every respect, there certainly does seem to be potential for revolution in Saudi Arabia. I am curious to know if a revolution starts and it appears to be a genuine indigenous revolution perhaps fostered by some of those students who come to America and read the Declaration of Independence and about our Revolutionary War, is the United States going to be on the side of the King or the side of the people?

Mr. DRAPER. I think the one thing the United States is interested in, when there is a revolution or change, is that the participants not be unduly controlled or influenced by outsiders. I think that is one of our compelling questions that we have to answer in these cases.

Mr. PEASE. Assuming outsiders are not involved to any great degree.

Mr. DRAPER. I think it is too hypothetical for me to answer.

Mr. PEASE. Mr. Chairman, I would hope someone in the State Department and the department of hypothetical thinking is looking at that because we could be faced with that any time, and I think we really need to be watching the basis for our policy toward Saudi Arabia. In other words, are we going to continue the policy of assuming that the royal family will be in charge and therefore if we have friendly relations with them our interests are taken care of, or are we going to admit the possibility that the royal family may be out of power and that for one reason or another we cannot build our energy future and our foreign policy future on the royal family?

Mr. DRAPER. [Security deletion.]

Mr. PEASE. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Mr. Studds.

[No response.]

Chairman ZABLOCKI. Mrs. Fenwick.

Mrs. FENWICK. Thank you, Mr. Chairman.

I wonder if you knew of any opposition, such as indigenous groups forming—

Mr. DRAPER. [Security deletion.]

Mrs. FENWICK. Nothing in the Army?

Mr. DRAPER. [Security deletion.]

U.S. ADVICE TO SAUDI ARABIA

Mrs. FENWICK. Do you think we have been wise in the advice we have given, the kind of development we have encouraged? Are you

satisfied that we have not led them down the garden path? What worries me are reports we have heard about projects encouraged by us that don't fit into their lives at all. It may develop a feeling that a great deal of their money has been spent on a lot of things they didn't want and don't fit in with their lives.

Mr. DRAPER. [Security deletion.]

EGYPTIAN ECONOMIC ASSISTANCE PROGRAMS

Mrs. FENWICK. I was troubled by your statement we were concentrating on urban water systems and health not on agriculture and population.

Mr. DRAPER. In Egypt.

Mrs. FENWICK. Yes.

Mr. DRAPER. We have rural health programs in Egypt which are doing very well.

Mrs. FENWICK. Does that include family planning?

Mr. DRAPER. It does not yet include family planning although we are working with certain organizations there that would like to move more rapidly in this direction. It is a social problem in states like this. There was very strong resistance in the Nasser regime to any efforts to conduct any kind of family planning, in part because some of the Egyptian leadership felt they had to put the maximum of population pressure in the scales in the struggle with Israel.

I think in a peace situation a new set of arguments might be developed. It is also a fact that the educated women in Egypt are in their quiet way getting behind some of this movement, but right at the moment we don't have anything.

As far as attention to agriculture is concerned, I can assure you that we are very much involved in expanding arable land in Egypt and reclaiming lands. One important policy is trying to arrest the drift of the movement of the rural population into the cities, which is a gigantic problem, so as to give the people something in the rural area.

This is very much one of our concerns while improving irrigation systems and other things. It is not just us, by the way, but the World Bank also. We are very much involved in the agricultural area.

Mrs. FENWICK. What are these other countries? Do they have programs for Egypt the way we have—is there an organized consortium of donors?

Mr. DRAPER. We don't call it a consortium. The Egyptians feel that is a foul word, but we have a consultative group which includes European states and Japan, and has included Arab States under the World Bank. The Bank has agreed to take a stronger line and send a permanent mission to Egypt, and that may bring in considerable funds. We feel that there will be some expansion from European sources, although some of the Arab States are putting pressure on the donors not to involve themselves too deeply in Egypt.

Mrs. FENWICK. Who are the donors?

Mr. DRAPER. Belgium, the United Kingdom, Italy, Germany, Japan are good examples.

Mrs. FENWICK. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Mr. Hamilton.

ISRAELI AIRFIELD REQUIREMENTS

Mr. HAMILTON. General Graves, why does Israel need two airbases in the Negev instead of one?

General GRAVES. Sir, it is a question of dispersing their forces against attack. It is also a question of geographic coverage and vulnerability of the field which is very close to Jordan. That one is within artillery range of Jordan. It is also a question of the limitations of the sites in terms of the development that is possible.

U.S. CONTINGENCY FORCE PLANNING

Mr. HAMILTON. Mr. Murray, there was a report in the New York Times this past month about the United States devising contingency plans to establish a force of troops, including combat soldiers, for use in defense of American interests in the Middle East, particularly the Persian Gulf. Is that proceeding?

Mr. MURRAY. The article I would say has elements of truth, Mr. Chairman, but it is exaggerated. We customarily do contingency plans and we are for the Middle East and have been for over a year considering the possibilities of American forces in various contingencies, if we had to for instance evacuate Americans, if we had to resupply third countries or if we had to get to the point of actually using American forces. But we have not developed a special force in the way the paper has indicated.

U.S. PROJECTION OF FORCE

Mr. HAMILTON. Are we prepared to project power on the ground in the Persian Gulf to protect the oilfields of Saudi Arabia?

Mr. MURRAY. I would say we have the capability to do so.

Mr. HAMILTON. That kind of capability consists of what? How many men and what kinds of units?

Mr. MURRAY. It would depend greatly on the circumstances and I cannot give you a precise answer to that.

Mr. HAMILTON. 40,000 troops? Could we put 40,000 combat troops on the ground in the Persian Gulf in a period of time?

Mr. MURRAY. Over time.

Mr. HAMILTON. In Saudi Arabia? To protect the oilfields we could do it; is that right?

Mr. MURRAY. Over time.

Mr. HAMILTON. What time?

Mr. MURRAY. I can't answer that. I can say that it depends on things like lift, whether you use airlift or sealift. Whether you are willing to take risks in other parts of the world. Is something going on in NATO for instance. Then you might not want to put 100,000 there.

Mr. HAMILTON. Let us take the most extreme circumstance, the oil fields are in jeopardy tomorrow. How many men could you get there quickly?

Mr. MURRAY. I can't answer that off the top of my head, Mr. Chairman.

Mr. HAMILTON. Could you do it not off the top of your head, but in a few days?

Mr. MURRAY. I could ask that question. I can't tell you how long.
Mr. HAMILTON. I would like to get an answer as accurately as you can give it. I understand it is a difficult question.¹

Mr. MURRAY. Can I give another example? In the situation in Yemen where it was decided that Americans were out to play an active role, including the possibility of a military role, we moved the carrier *Constellation* in the Indian Ocean. We did that rapidly and in that instance it established superiority.

Mr. HAMILTON. I am interested in the question of projecting American power on the ground in the Persian Gulf, principally Saudi Arabia. That is what I am interested in. Not so much sea and airpower. Do we have a greater capability today to project that power on the ground than the Soviet Union would in the Persian Gulf area?

Mr. MURRAY. I believe so, sir, but I would like to add something for the record if I may.

Mr. HAMILTON. Subsequently.

Mr. MURRAY. Yes.

[The Department of Defense response follows:]

The U.S. can now project air-and-sea forces to the Persian Gulf more effectively than can the Soviets. Our advantages include: superior long-range airlift, more secure LOC's, and more operational experience. Soviet advantages include being closer, and being potentially capable of moving substantial forces into or through Iran by ground.

Mr. HAMILTON. Have we discussed with Saudi Arabia for example, our contingency plans here? Do we involve them at all in the process?

Mr. MURRAY. We have discussed with Saudi Arabia their forces, but we have not discussed with them our forces.

U.S. DEFENSE OF OILFIELDS

Chairman ZABLOCKI. What are the political aspects of putting our military force for the purpose of defending the oilfields in Saudi Arabia? Will Saudi Arabia agree?

Mr. DRAPER. I think it is very clear that the countries in the Middle East do not want an American base, however friendly they are with us. A permanent base. I think it is clear the countries out there in the Middle East, including those most friendly with us, do not want an American base.

Mr. WINN. You didn't answer his question.

Mr. DRAPER. To go on, I think the Saudi's would want us to go all out in their defense, if they were facing an external threat, for example, to the oilfields, and they would expect us to bring every bit of power we could to bear.

Mr. HAMILTON. Did you use the word "external threat"?

Mr. DRAPER. Yes.

Mr. HAMILTON. How about internal?

Mr. DRAPER. [Security deletion.]

IMPACT OF LOSS OF SAUDI OILFIELDS

Mr. HAMILTON. What strikes me is that the American economy is in immediate jeopardy if these oilfields go out. It does not matter

¹ The response received from the Department of Defense was in a classified form and is retained in committee files.

whether the threat is external or internal. If you lose Saudi oil production for a matter of days the American economy is in danger of real jeopardy. Jobs would be lost. Plants would be closed. Everything is affected. And the question then comes down to what extent are we willing to project our power for whatever cause if the oilfields are in jeopardy. And your answer is so far that we are prepared to do it if the treat is external and you are not sure as I understand it if the threat is internal.

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. But if it is that important we should have some idea of what we can do, don't you think? I understand the sensitivity of the question. I appreciate that.

Mr. MURRAY. We would find the control of Saudi Arabia by someone hostile to the United States is an extraordinarily uncomfortable thing and we would have to consider what actions to take up to and including the use of force. And we have the forces but there are difficulties in the forces, in the movement of the forces with speed to the Middle East or to other distant parts. And that is why programs which have for instance increased airlift are extraordinarily important.

Mr. BINGHAM. Would the gentleman yield?

Quoting Ambassador Akins. He said in his opinion there was no way that we could militarily save the oilfields if they were taken over by internal actions. There is no way we could militarily do anything effective about it. Do you agree with that?

Mr. MURRAY. There is no simple answer because the range of scenarios is enormous, and details matter. We could obviously help the Saudi Government recover specific facilities or areas from terrorists or small guerrilla groups, but even then we might find that the facilities had been badly damaged.

SOVIET VETO OF U.N. EMERGENCY FORCE

Mr. HAMILTON. Suppose you get a Soviet veto of U.N. peacekeeping forces in Sinai, what happens? What could be the composition of such a multinational force? Who is going to pay for it? What are you going to do?

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. They would pay for it? Or they would come back and ask us to pay for it?

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. This question is coming to the fore fairly soon, isn't it?

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. The peacekeeping mandate is running out when?

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. So we must be probing the Soviets now, are we not?

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. Thus far, is their reaction negative?

Mr. DRAPER. [Security deletion.]

Mr. HAMILTON. So we anticipate a Soviet veto at the present time?

Mr. DRAPER. [Security deletion.]

Mrs. FENWICK. Will the gentleman yield?

Is it still as necessary now, as the peace treaty has been signed.

Mr. DRAPER. [Security deletion.]

Chairman ZABLOCKI. We are in the process of a vote. I know some of the members still have questions. We will recess until 5:15 in order to vote on the Solarz amendment to the Simon amendment.

We have a vote on \$200 million in budget outlays with the Small Business Administration, for small business loans.

We will recess until 5:15.

[A brief recess was taken.]

Chairman ZABLOCKI. The subcommittee will please come to order.

Mr. Winn.

Mr. WINN. Thank you, Mr. Chairman.

PAYMENT FOR PEACEKEEPING ACTIVITIES

Thank you for reserving my time. I would like to get back to the peacekeeping question that Mr. Hamilton asked about. He asked you who would pay for it and obviously you had not given much thought to that. But, did you mention what other countries might join us if the Soviets veto this?

Mr. DRAPER. I have not yet, sir.

Mr. WINN. Would you?

Mr. DRAPER. This is almost pure guesswork so far.

Mr. WINN. But I think we are at a stage where we may have to be guessing.

Mr. DRAPER. [Security deletion.]

OPTIONS IF THERE IS NO U.N. PEACEKEEPING FORCE

Mr. WINN. What if those countries refuse and we are back to President Carter's letter to Sadat of March 26? He sent the same letter to Begin, identical letters. The letter says, "If the Security Council fails to establish and maintain the arrangements called for in the treaty, the President will be prepared to take those steps necessary to insure the establishment and maintenance of acceptable alternative multinational force." Doesn't that mean that the U.S. troops would be involved?

Mr. DRAPER. [Security deletion.]

Mr. WINN. What if those other countries refuse?

Mr. DRAPER. [Security deletion.]

Mr. WINN. Have you had discussions with these countries about that possibility?

Mr. DRAPER. [Security deletion.]

Mr. WINN. Would any of those countries that you mentioned in your opinion not be acceptable to Israel or Egypt?

Mr. DRAPER. [Security deletion.]

Mr. WINN. Do you have any idea which countries might not support the renewal of the mandate?

Mr. DRAPER. [Security deletion.]

Mr. WINN. Have the Soviets tried any linkage talks between that and the SALT agreements?

Mr. DRAPER. [Security deletion.]

Mr. WINN. Let me change the subject.

Earlier this week before this committee, Mr. Saunders stated that other countries have offered to assist the United States with the cost of implementing this Middle East peace treaty. I wondered if you were aware of any specific offer by any specific country that you could tell us about at this time?

Mr. DRAPER. [Security deletion.]

Mr. WINN. Is this aimed mainly at Egypt or also at Israel?

Mr. DRAPER. [Security deletion.]

STATUS OF ARAB ORGANIZATION FOR INDUSTRIALIZATION

Mr. WINN. What happened to the Arab organization for industrialization since the peace treaty was signed?

Mr. DRAPER. I think the status of that organization is in limbo because it was dependent upon investment from other Arab States, and I think it is quite clear the Arab States are not going to put any added money into this. The projects they had in mind, too, I think, are in a temporary form of limbo.

Mr. WINN. There were no commitments made by anybody following—

Mr. DRAPER. That is the case. We don't expect any new commitments.

Mr. WINN. Would this type of organization, if it could be rekindled under—would this type of consideration be constructive if we could get it going?

Mr. DRAPER. Maybe Mr. O'Donohue would comment on that.

Mr. O'DONOHUE. I think the organization itself has not posed a major problem before. It is still fairly modest. Its accomplishments were modest before the peace agreement. If they had or if they do get the funding which has been indicated previously they would be embarking on some coproduction schemes involving ALPHA jet ground-air attack, trainer aircraft, helicopters, this sort of thing. As Mr. Draper pointed out the whole question of funding is now very dubious. We will have to see.

From our point of view we would not see this as the major source for Egyptian or Middle East arms if it had developed even normally at this time as you mentioned. The real question is until there is a better fix on the Egyptian relations with Saudi Arabia and the other participants we really can't make a prediction as to whether it will get off the ground.

Mr. WINN. Is there anything else cooking in any type of organization or are there any plans that this committee should know about or that you are thinking about or talking about? Mr. Draper made the point most of the support will come from private sources.

Mr. DRAPER. [Security deletion.]

SAUDI SUPPORT FOR EGYPT

Chairman ZABLOCKI. If the Saudis have not made such payments, does that make matters even worse as far as relation between the Saudis and Egypt?

Mr. DRAPER. I am forced to agree that this is a bad moment in Egyptian-Saudi relationships because President Sadat was caustic

in his references not only to the Saudis but to the Syrian leadership and other Arabs, and King Hussein. The Saudis have to bear in mind, however, that for their own security a moderate regime in Cairo is important. How they will come down on this is hard to say. The Saudis have been trying to create the impression with us to some degree that, while they felt they had to go along with the Arab consensus at Baghdad, they don't want to do anything that would really affect the people of Egypt and they have left themselves a number of loopholes in various ways. But I think, clearly, they are not going to drive through those loopholes for a while.

EGYPTIAN PAYMENT OF FMS SALES

Chairman ZABLOCKI. If the Saudis are not following through with the payments, how will Egypt be in a position to pay for the FMS sales?

Dr. DRAPER. We have not been informed of any change as far as I know. In other words, we are assuming the Saudis are still going to make the payments on the F-5's.

Chairman ZABLOCKI. And if they do not?

Mr. DRAPER. [Security deletion.]

Chairman ZABLOCKI. Do we have that much influence with them?

Mr. DRAPER. [Security deletion.]

U.S. INFLUENCE WITH SAUDI ARABIA

Chairman ZABLOCKI. But the situation then was different. I don't think we have too many blue chips with Saudi Arabia. Certainly after a Member of the other body had made a statement about the Saudis I think we are on the skids, myself.

Mr. DRAPER. [Security deletion.]

Chairman ZABLOCKI. Do they want it that badly at the expense of having problems with other Arab States?

Mr. MURRAY. There is another thing, that is to say, that although the Saudis and President Sadat have their difficulties I don't think the Saudis would like to see an unstable Egypt and on the whole they would like Mr. Sadat, I think, to survive. They recall that Mr. Nasser was not very friendly with them and spent some time working against them, so I think they have an interest as well as we in seeing stability in Egypt, Mr. Chairman, so there is some incentive, despite the arguments between them at the moment, for them to go forward with the payments they have already promised and said they would provide.

BALANCED U.S. POLICY IN THE MIDDLE EAST

Chairman ZABLOCKI. Nevertheless is it not imperative that the United States in its policy continue a balanced approach in the Middle East in order to be influential with the Saudis and perhaps in the future with other Arab States?

Mr. MURRAY. Yes. I think that is so.

Chairman ZABLOCKI. Could you give for illustrative purposes some of the United States could take in this regard?

Mr. MURRAY. To provide the F-5's?

Chairman ZABLOCKI. Provide F-5's and on other policy positions for political reasons in the area to give the Arab states, those particularly who are friendly to the United States who slipped away from us including Jordan, some reasons to be more supportive of our efforts?

Mr. MURRAY. I will let Mr. Draper answer that.

Mr. DRAPER. We simply have to keep an open dialog. I might add that the Chief of the Jordanian Royal Court is coming here this weekend and we will have talks at a high level with him. He is the basic foreign policy advisor to King Hussein. We just have to have an exchange with him as part of this ongoing dialog about current problems. The real success that could happen is if and when we show some progress in the next stage of negotiations on the West Bank and Gaza and the Palestinian issue. Then we will have added credibility in the Middle East and the countries that are willing to give us the benefit of the doubt will be encouraged by what is happening.

That is why it is so important to show that progress.

I think the drama in the Middle East of the major evacuation by the Israelis of half of Sinai in a short period of time, the giving up of the oilfields in advance of when it was originally planned to do so, the opening of El A'rish, the visits between the two chiefs of state, President Sadat—plus Secretary Vance—and Prime Minister Begin, will all show that movement is there. We will have to build on that kind of momentum to show the doubters and skeptics that we are really moving forward.

Chairman ZABLOCKI. Are you optimistic that all principal parties will be involved in the second stage of negotiations on the West Bank and Gaza and the entire Palestinian question? To follow up my question, do you believe the Israelis are fully cognizant of the fact that a stable Egypt is also in Israel's best interest?

Mr. DRAPER. [Security deletion.]

Mrs. FENWICK. Will the gentleman yield?

ISRAELI SETTLEMENTS

Don't you think perhaps the settlements on the West Bank are the result of pressure from a group within their own party in the country itself rather than any determination on the part of the Government? Don't you think it is that kind of pressure—

Mr. DRAPER. Definitely it is a domestic political problem for Prime Minister Begin but the pressure there to settle is also quite genuine.

Mrs. FENWICK. I saw a member of the opposition party over the weekend and they are very much for some movement.

Mr. DRAPER. [Security deletion.]

U.S. CONTACTS WITH WEST BANK RESIDENTS

Mrs. FENWICK. I wondered if there was any movement on our part or any actions on our part to try to find some non-PLO Arabs on the West Bank and talk to them, build them up and make them feel we care about them. It seems to me awful to deal with terrorists, PLO, and yet we ought to be talking to some Arabs who aren't members. Can you find any? Are we trying?

Mr. DRAPER. [Security deletion.]

Chairman ZABLOCKI. This individual does not see any Israeli sincere intentions on the West Bank and he made it very clear. And he said, "I can't stick my neck out." No Arab will as long as the philosophy of the Israeli Government will hinge on the West Bank issue.

Mr. DRAPER. [Security deletion.]

Chairman ZABLOCKI. I think we will have leaders in the West Bank that will come to the forefront if there would be encouragement and some indication that their efforts will not be in vain.

Mr. DRAPER. Yes. I agree.

Chairman ZABLOCKI. May I turn to another question?

ROLE OF EGYPT IN THE WORLD

In the recent DIA briefing it was alleged that the Egyptians have come to view themselves as the policemen of North Africa and the Arab World. Does the United States envision such a role for Egypt in the future, bearing in mind the role of the Shah of Iran for the Persian Gulf and do we intend to supply Egyptian military forces with equipment necessary to deploy and sustain their armed forces far beyond the borders of Egypt proper? What is our position?

Mr. MURRAY. If I may start on that, Mr. Chairman. I don't think the Egyptians including President Sadat really see themselves as the policemen of the area. They do see themselves as having an interest in the area and what happens there and President Sadat has said things that to let you, if you wish, believe that he had grand visions in mind. In practice when you talk with him and with other Egyptians they realize the difficult condition of their armed forces now, difficult conditions of their economy and the great internal, therefore, problems that they must overcome and all the equipment that we are selling them will help to modernize a force that has been aging (a) by the natural process of aging, things getting older and (b) because the Soviet Union has not been supplying them with new items, spare parts, nor have they had any other reliable foreign supplier.

So the equipment we are providing them will help—it certainly won't in any sense complete the modernization of their forces—it will not give them any really extended range operating capabilities. We see very little signs that they actually have any visions of military operations at far distant places. Now they can be helpful to area states through advisors or perhaps through spare parts supplies to some people. They very, very much watch what happens in the Sudan for instance and they could be helpful but that is on the whole not a very significant endeavor.

It is not something they are gearing up for in a special way nor does it come out of a Shah-like vision about a policeman role.

TRAINING OF EGYPTIAN MILITARY PERSONNEL

Chairman ZABLOCKI. Your response to my question leads me to another. You said the Egyptians realize the difficult position of their military forces. Would you comment on the general level of competence of the typical Egyptian enlisted personnel, noncommissioned officer? Did you mean in your response that they might not be sufficiently trained to be able to absorb and properly utilize defense articles and services that will be made available to them?

Mr. MURRAY. I would like to ask General Graves to comment and I would make one comment to begin with. I think the equipment we have agreed to supply, subject to them deciding they wish to purchase it and the Congress approving it, is equipment that we believe they can absorb. It won't necessarily be easy in all cases as some things require skill and they will have to work at it and they will have to work at the training program.

Chairman ZABLOCKI. How many are being trained in the United States at the present time?

Mr. MURRAY. They are not being trained on the equipment we propose to sell them because we have not gotten to the point of actually selling them things yet but there are some being trained.

Chairman ZABLOCKI. What training are we giving them?

General GRAVES. We did bring four Egyptian IP's, instructor pilots here to transition into the F-5, precursor to—

Chairman ZABLOCKI. Four?

General GRAVES. This is their approach, which I think is an important element of the answer to your question. They are a professional military force. They have operated sophisticated equipment for 20 years. They acquitted themselves credibly in the 1973 War using Soviet equipment. Their approach is to let us train a few people as a cadre, and then they, in turn, train a much larger number of Egyptians. They are not going, for example, for a massive training program in English. They will not, as we have done in some other countries, attempt to anglicize their entire force so they can have a one-on-one with Americans.

They will have a nucleus that will of course have to know English but they will take this skill, this knowledge and they in turn will train their own people. So at this stage we are at an initial area. As you know they have four services. They have an Army, a Navy, an Air Force, and an Air Defense Service. Their Air Defense Service is equipped with extensive Russian equipment. One of the proposals is now to go to Hawk and they have people that know air defense equipment.

There is no question because I have talked with them. They know air defense. They know missiles and they know that they will have to become familiar with our particular equipment, but we don't have to ground the Egyptian Air Defense Force in the theory of modern air defense. The same thing would apply to their Air Force. They have been operating Mig aircraft. Now they have to transition to our F-5's and our F-4's. But again we are talking about people that are highly skilled so I personally don't feel that it is different from the job we do in our own forces when we introduce a new weapon system.

They have skilled pilots. They have to learn new aircraft. Their Navy is very impressive in terms of its competence to operate their ships.

COMPARISONS OF EGYPTIAN AND OTHER NATIONS' PERSONNEL

Chairman ZABLOCKI. Would you, in order to give us a better perspective, compare their performance to that of personnel from other countries such as Morocco, Yemen, Jordan, and Saudi Arabia. How do they compare with the Egyptians?

General GRAVES. As far as Yemen is concerned, we know about transition training that is going on for the Yemen pilots with respect to the F-5's and there is no question in my mind that the Egyptians are showing a higher skill than the Yemenis in those terms. I would say that they are doing as well as our experience with either the Pakistanis or the Moroccans. They have a force which has professional qualities in terms of military knowledge, technical aptitude and the like.

Mr. BINGHAM. Would the gentleman yield?

How would you compare them to the Iranians that have been under training?

General GRAVES. I believe they are as capable or more capable than the Iranians. Of course their military tradition goes back. You have to look at their involvement in World War II. The relationship they had with Great Britain for many years. They have roots in that relationship. They also, quite interestingly, had extensive contact with the Soviet Union and so I guess what I am saying is there has been a longer history of contact with various Western powers, or European powers, if you want to speak of where there is a high level of sophistication in military science. From my own contact with the senior people they are no backward Third World nation in terms of military capability. Now I don't want to minimize what it is going to require for them to shift from a variety of Soviet equipment to a variety of American equipment. That would be a big job for our own forces but I don't have reservations with respect to their professional competence.

I don't think there is any country in the world that brings to a logistic situation the sophistication of the United States, so I think their approach to logistics is one area in which we will hopefully be giving them upgrading. That is the American system and we are better at it than anybody in the world. That is one place we will probably have to help.

UNITED STATES-ISRAELI DEFENSE COOPERATION

Chairman ZABLOCKI. If I may now ask a question on behalf of Mr. Hamilton who is unable to be here. The question deals with our understanding of the proposal that the United States and Israel enter into agreements for cooperative research and development and military procurements. This proposal was made in a letter to the Israeli Defense Minister from Secretary Brown. How would such cooperative projects be different from or similar to cooperative projects involved in the United States and their NATO partners? As you know the House recently passed amendments to the Arms Export Control Act which would insure the right of NATO members participating in cooperative projects to procure the final products of such R. & D. efforts without the threat of congressional veto.

Does the administration tend to seek similar guarantees of sales of defense articles developed jointly by the United States and Israel? And the third question in this respect is with regard to what changes in DOD procurement regulations will be required if Israeli industry is to be able to fully participate in competitive bidding for the U.S. defense market?

You may want to provide this for the record.

Mr. MURRAY. I will be pleased to provide it for the record.
[The information follows:]

The Memorandum of Agreement specified that cooperative R&D projects will be identified and negotiated into a separate annex based on mutual interest and clearly established benefits to the United States as well as to Israel. It is important for the United States and its friends to make maximum use of very finite resources for research and development as well as procurement to keep our security strong. In our view, use of Israel's innovative technological base as an extension of our own would result in development, production, and repair of selected equipment at lower costs. In that sense, the programs are likely to be similar to those with NATO. We do not, however, envision the Israeli projects as attaining the scope of our NATO efforts with respect to weapons standardization and interoperability. Israeli programs will not be considered which are deemed to be incompatible with that broader goal. We will consider only those programs which do not have an adverse effect on our broader NATO goals.

It would be premature at this point to seek similar guarantees of sales of defense articles developed jointly by the United States and Israel. The AECA amendment does not guarantee that any sales by a NATO participant in a particular cooperative R&D project may be made on a non-participant in such projects. If final products of such R&D efforts fall under the provisions of the Arms Export Control Act, clearly Congressional notification will be required. However, until we have a clearer idea of the precise nature of the cooperative programs, we would prefer to continue on a case-by-case basis as currently prescribed by law.

No change will be required for those products and services which both governments mutually negotiate into the annexes of the Memorandum of Agreement (DOD competitive procurement will be limited to items identified in the annexes).

SINAI SUPPORT MISSION

Chairman ZABLOCKI. I understand that the President has requested authority to transfer the physical plant of the Sinai Field Mission to Egypt as excess to U.S. Government property. Is that true?

Mr. MURRAY. Yes.

Chairman ZABLOCKI. What other U.S. agencies or private voluntary organizations might have use for that physical plant and has the U.S. Government discussed with the Government of Israel the possibility of using the Sinai Field Mission sites for some joint scientific or technical activity? In the event no civilian use of Sinai Field Mission physical plant is found will the United States make the physical plant available to the U.N. force for its use?

Mr. MURRAY. I will be pleased to answer the first set of questions for the record that you asked and I think the second set of questions are more properly in Mr. Draper's hands and if I may ask him to do that.

Mr. DRAPER. We will submit those for the record.

[The information follows:]

Question. What other U.S. Government agencies, U.N. agencies, or Private Voluntary Organizations might have use for the physical plant?

Answer. We have been unable to identify any U.S. Government or U.N. agency or any private voluntary organization that might have use for the Sinai Field Mission physical facilities following closure of the Mission next January. It is located on a barren plateau above the Giddi Pass in western Sinai, a site selected for its suitability as a headquarters for the U.S. early warning mission under the Sinai II Agreement but not really suitable for other civilian purposes. The Director of the USAID Mission to Egypt visited the SFM Headquarters in March to determine whether it could be used as a base for development projects in the Sinai following implementation of the Egyptian-Israeli Peace Treaty. The SFM camp, however, is not suitable for such purpose; it is too large for the kinds of operations that may be feasible, and the cost of the support and maintenance staff that would be required to make use of the base would be prohibitive. For the same reasons, the facilities are not suitable for any Private Voluntary Organization that might contemplate activity in the Sinai.

The only use that the U.N. might make of SFM facilities in the Sinai would be as a headquarters for a U.N. force monitoring implementation of Peace Treaty arrangements. We understand, however, that suitable alternative arrangements have been worked out to accommodate the U.N. forces now in the area for the three-year period preceding full implementation of the Peace Treaty.

Question. Has the U.S. Government discussed with the Government of Egypt the possibility of using the Sinai Field Mission sites for some joint scientific or technical activity?

Answer. There has been some very informal and preliminary discussions of such a possibility with Egyptian officials, but, to date, there has been no serious proposal to use the SFM facility in support of joint scientific or technical activity.

Question. In the event that no civilian use of the Sinai Field Mission physical plant is found, will the U.S. Government make the physical plant available to the United States force for its use?

Answer. The request for legislative authority to transfer the physical facilities and related property of the SFM to the Government of Egypt is based on the assumption that there will be no further U.S. Government need to use the facilities once the Mission is terminated. If, on the other hand, a continuing need for the facilities should develop for the U.S. to support arrangements for implementing the terms of the Egyptian-Israeli Peace Treaty, we would propose to use them for this purpose.

Question. What is the current plan for the disposition of the equipment including sensors, computer terminals, vehicles, furnishings and assorted support items for the Sinai Field Mission following the termination of that facility's activities later this year?

Answer. All of the sensors, communications and related electronic and surveillance equipment at SFM will be returned to the United States where there is a continuing need for such equipment. Other items such as vehicles, furnishings, equipment and supplies will be declared "excess" and offered to other U.S. Government Missions in adjacent countries. Thereafter, in accordance with U.S. laws and property management regulations, remaining "excess" property would be offered to the United Nations and private American voluntary organizations in the area. There are no computer terminals at the SFM headquarters.

Question. What is the best current estimate of the value of the Sinai Field Mission physical plant that will be left in the Sinai? What will its estimated value be when and if it is declared excess and transferred to Egypt?

Answer. We estimate that the original cost to the U.S. Government of the buildings and ancillary equipment that we might turn over to Egypt, provided there is no other U.S. Government requirement for them, was about \$10 million. The precise list of items to be included would be the subject of negotiations at the time of transfer. In 1976 we estimated that it would cost about \$8.3 million to move and relocate these facilities to another site in the area. The cost today of such a move would probably be in excess of \$11 million.

Question. Would sale of the physical plant to Egypt be financed by the use of the supplemented Economic Support Fund monies authorized by the Special Security Assistance Act of 1979?

Answer. We do not propose to sell the SFM physical plant to Egypt. If there is no further U.S. Government need for the facilities, they would be transferred at no cost to the Government of Egypt.

Chairman ZABLOCKI. Mr. Bingham.

Mr. BINGHAM. Thank you.

SURVEYS OF EGYPTIAN MILITARY REQUIREMENTS

I would like to pursue the question of Egyptian military requirements. Can you tell us in what order the specific tasks were assigned to the three teams that I understand were dispatched there?

General GRAVES. Yes, sir. The first group that went there was not formally called a team. It was a group of navy personnel who went there to discuss with the Egyptian Navy the interest of the Egyptian Navy in obtaining U.S. ships and also to discuss with the Egyptian Navy requests from the Egyptian Navy regarding any assistance in maintaining their present ships, more specifically the pressure testing

of the hulls of some submarines that had been obtained from the Soviet Union. Because of the age of the submarines they were not able to assure their safety, and they wanted our help.

The second team is an air defense team, which is there today, and that team is making a requirement survey of the Egyptian air defense forces in relation to the proposal to furnish [security deletion] batteries of improved Hawk which would replace a portion of the Soviet air defense system which cannot be supported any longer in the absence of Soviet logistic support.

The third team would be in the area of vehicles for the army. They will look into the area of armored personnel carriers, recovery vehicles and the like. They will conduct a requirement survey to determine what the requirements of the Egyptian Army are in the vehicle area.

I should mention another team but this is an Egyptian team which is in the United States now for the purpose of discussing with our Air Force the acquisition of aircraft. The reason that it has come this way is because undoubtedly most of the aircraft would be acquired from our forces rather than from new procurement, more specifically F-4 aircraft. The Egyptians came to look at these F-4 aircraft, to find out about them, and to reach a decision as to whether they would procure them. Their efforts do correspond to the four services of the Egyptian forces.

PROSPECTIVE ARMS SALES TO EGYPT

Mr. BINGHAM. Do you recall how many Hawk batteries we were talking about in the Jordan sale?

General GRAVES. Thirteen.

Mr. BINGHAM. [Security deletion.]

General GRAVES. [Security deletion.] In terms of the total air defense region it is a smaller part. In other words the 13 batteries in Jordan are deployed as a country defense. Jordan is a much smaller country than Egypt.

Mr. BINGHAM. What is the status of the sale of remotely piloted vehicles?

General GRAVES. The FMS sale was processed, but Egypt declined to sign the letter of offer. After we had notified Congress, we provided a letter of offer, but Egypt, I think primarily for financial reasons, was unable to proceed.

Mr. BINGHAM. What type of craft were these, cruise missiles?

General GRAVES. No, sir, they were strictly remotely controlled reconnaissance vehicles. They go out and take photographs. Egypt is now investigating and discussing with us the possibility of acquiring some surplus or excess U.S. vehicles. We are reducing our own inventory of this type of equipment because we are going more to other reconnaissance means, and Egypt may acquire some of those instead.

Of course this would be a much reduced cost to them since they would be excess to our requirements.

EGYPTIAN IMET TRAINING

Mr. BINGHAM. Do you anticipate increasing IMET to Egypt?

General GRAVES. We have proposed \$1 million in the 1980 budget which, of course, would be an increase over what was provided previ-

ously. We think that amount is adequate but we are looking forward to the advantage of IMET in terms of developing our interrelationship with the Egyptian military.

Mr. MURRAY. Could I add something? One of the points the Egyptian Minister of Defense made to me when General Graves and I were in Egypt was he very much wanted to emphasize this kind of training with us because all his forces have been trained by the Soviets and he wanted them to have associations with Western peoples particularly with Americans. He put a very high premium on it.

May I also say, Mr. Bingham, that in all of this we are just at the beginning of a relationship with the Egyptians so this list for Egypt is not as tightly drawn if you will, as one for Israel for example. The Egyptians themselves still need to understand our systems before they make decisions.

Mrs. FENWICK. Will the gentleman yield?

EGYPTIAN PURCHASE OF DESTROYERS

Just on the point of what they are buying. I understand they have asked for destroyers rather than missile boats. On the other hand missile boats are cheaper. Why did they ask for destroyers?

Mr. MURRAY. To replace old destroyers they have. They are discovering our destroyers are also old destroyers. These are the ones we would make available to them. They might like smaller patrol craft and indeed they do want patrol craft. In fact we don't have any patrol craft. If you want patrol craft you go to a shipyard and you order them and you wait for years and eventually you get them. They were looking for some shorter cuts.

Chairman ZABLOCKI. Would the gentleman yield?

If they wanted destroyers couldn't we have sold them the ones from Iran?

General GRAVES. They couldn't afford those, Mr. Chairman.

Chairman ZABLOCKI. They could have gotten them at a bargain. We are telling our people now that the Navy is getting them at a bargain.

Mr. BINGHAM. It is still \$628 million.

Mr. MURRAY. A bargain to one man, Mr. Chairman, is not necessarily a bargain to another.

Chairman ZABLOCKI. We could give them a wholesale right.

Mrs. FENWICK. A knocked down rate.

EGYPTIAN LOGISTICS AND SUPPORT

Mr. BINGHAM. I have a couple more questions. What about Egypt's logistic support and maintenance efforts. Will they be requiring some assistance from us? You mentioned training in this regard. Will they also be requiring assistance?

General GRAVES. We will provide logistic assistance with respect to each system that we provide. We probably will not be at least initially attempting some overall support efforts such as the peace log program in Iran, because peace log was an effort to revamp or upgrade the entire Air Force logistic system for Iran where we were heavily engaged.

In the case of Egypt we will provide support for the specific aircraft systems that we are providing, but we are not proposing to reorganize the entire Egyptian logistic system.

Mr. BINGHAM. That involves incentives to speed up deliveries to them.

General GRAVES. In the case of Peace Log we got the contractor heavily engaged and then we had the problem of providing incentives for the contractor to bring this effort to a conclusion and turn it over to the Iranians rather than becoming a permanent fixture in the Iranian logistic system.

EGYPTIAN ANGER AT SAUDI ARABIA

Mr. BINGHAM. Mr. Draper, why do you think President Sadat got teed off on the Saudis, the way he did?

Mr. DRAPER. He was holding himself in.

Mr. BINGHAM. He was?

Mr. DRAPER. [Security deletion.]

TRANSFER OF SENSITIVE WEAPONS TECHNOLOGY

Mr. BINGHAM. Finally General Graves could you comment on the concern that some of us have about the transfer of technology in the area comparable to concerns that were expressed about the transfer of the AWACS to Iran, which fortunately never took place. To what extent is that general consideration given priority in the thinking about transfers in this area?

General GRAVES. Let me say that we do give careful scrutiny to each weapon system. In the case of Egypt we do not believe that any of the systems represent a new level of risk to the United States. We will be providing the export version of the improved Hawk. We are providing improved Hawk worldwide. I don't mean to say we want to turn over improved Hawk to the Soviet Union but I don't think supply of this to Egypt when we have already supplied it to Jordan and Israel and other places represents a higher level of risk.

The one weapons system in this entire array that might raise a question would be the [security deletion] which is the latest model of the [security deletion].

The technology for the production of the [security deletion].

Mr. BINGHAM. This is just Israel?

General GRAVES. It is going with the [security deletion] because the two are matched, if you will, in the capability. The [security deletion] represent a comparable level of advanced technology and to provide one and not the other would be not exploiting them. We are not providing [security deletion] to Egypt. So that is the single example that needs to be made.

Let us say it has been thoroughly considered in the Pentagon and people are comfortable with providing the [security deletion].

Mr. BINGHAM. Thank you, Mr. Chairman.

DIVERSIONS OF IRANIAN ARMS

Chairman ZABLOCKI. I have a question on a list of diversions of Iranian material. It seems like quite a shopping list here. Iran apparently has really a vast amount of military materials that we are

now not going to send to them. I see that in the Middle East area Israel, Jordan, Saudi Arabia, and Yemen are going to receive equipment destined for Iran, but Egypt is not getting any of these diversions.

General GRAVES. That is a question of types and timing. Most of the items on that list are types of equipment that we were supplying to these other countries anyway and, in most cases, had already supplied the same type. It fitted in with the timing of deliveries and their requirements to fill their requirements with Iranian diversions.

At this stage we have not identified any items on the Iranian list that would conveniently go to Egypt. However, let me make a point that we are diverting improved Hawk missiles from Iran. Some will go to Jordan and some will go to Israel, and depending upon the sale of improved Hawk to Egypt it is conceivable some Iranian improved Hawk missiles will go to Egypt.

They are not on your list, Mr. Chairman, because your list is of those which are relatively firm, and none of the Egyptian programs is at this stage sufficiently firm to qualify for the list you have.

Chairman ZABLOCKI. I have some additional questions arising from the list of diversions. For example, the Israelis are going to receive the F-16 aircraft. These are not in addition to the 75 already ordered?

General GRAVES. No, sir. It is only advancing the delivery date.

Chairman ZABLOCKI. As far as all of these quantities of materials being diverted from Iranian orders to the list of countries I have before me. These diversions are taking place only because they either have the contract for or there may be a letter of offer to these countries for these weapons or materials?

General GRAVES. I suspect there are very few, if any, instances on that list where the sale had not already been notified to Congress last year or the year before. The letter of offer and acceptance had already been concluded, and we are simply using the Iranian items to make the delivery, as in the case of Israel, earlier than we otherwise would.

There may be some special instances, but I can't think of any right now, where it is a new sale. It is just supplying items on an old sale.

DIVERSIONS OF IRANIAN ARMS TO TURKEY

Chairman ZABLOCKI. I note that Turkey is not on this list. Is it because Turkey falls into the same category where you say they are not prepared to receive it or haven't they asked? I understand the executive branch is going to ask for supplemental for some \$50 million in FMS for Turkey.

General GRAVES. I think that is just a matter of the items they are requiring, Mr. Chairman. The main deliveries have been made to Turkey now. F-4 aircraft, for example, which were not involved in Iran. Various vehicles. I think it is a coincidence rather than a pattern.

COSTS OF DIVERTED MATERIELS

Chairman ZABLOCKI. A very simple question, but diversions of Iranian materiel are at cost, not at discount?

General GRAVES. No, sir, the policy on that is that they are diverted at the cost, whatever they cost.

Chairman ZABLOCKI. The only advantage to the recipient country of diverted materiel would be the time element?

General GRAVES. There might be some cost advantages because of inflation.

Chairman ZABLOCKI. Have you been to the shopping centers lately. If you are there in the morning you may be able to buy the item at a much lesser amount than at 5 o'clock in the afternoon because they took the inflationary cost and put the new sticker on it.

General GRAVES. That is my point.

Chairman ZABLOCKI. But you are going to sell it at the preinflationary price?

General GRAVES. We will sell it at the price we contracted it for Iran a year or two or three ago and it is being delivered in the next year or so. It might be significantly cheaper than if we were contracting new for it now. This is the point in the case of the four ships going to the United States.

Chairman ZABLOCKI. It is a good thing we are getting a bargain for a change.

Mrs. FENWICK. If there are other questions, Mr. Chairman, may we submit them for the record?

Chairman ZABLOCKI. There is a vote on the Symms amendment to the Simon amendment to reduce funds for food stamps by \$500 million. We ought to show Mr. Symms the shopping list.

COST OF DIVERTED IRANIAN F-16 TO ISRAEL

Could we have for the record for example the cost of the F-16 aircraft for Israel? They were contracted for at the same time.

General GRAVES. There wasn't any saving in cost because of learning curve effects. The first aircraft cost more than the later aircraft but inflation offsets that so they cost about the same, no matter which time you buy them.

Chairman ZABLOCKI. We are not making any money with this diversion?

General GRAVES. No. As a matter of equity we did not. We thought from an equity point of view we should not.

Chairman ZABLOCKI. You have to be a businessman.

General GRAVES. But the Arms Export Control Act is specific in this regard. It says we shall neither make money nor lose money on these sales. Congress has been very—

Chairman ZABLOCKI. The Arms Export Control Act prevents you from making any money?

General GRAVES. That is right, yes, sir. It is very specific on that.

Chairman ZABLOCKI. We better take a look at that. I am in full agreement we don't lose money but I think if we have an opportunity, if the country wants our military items and we have them available and if we make a couple of bucks on it, I don't think that is unreasonable.

General GRAVES. The act is so structured that we are supposed to charge only actual costs and we spend a lot of time making sure that is all we do.

Chairman ZABLOCKI. I believe Congress did not foresee we would have a diversion situation as we have here in Iranian materiel. You should take a look at that act.

General GRAVES. Just one more sentence. In working out the memorandum of understanding with Iran on the diversions we were very careful to establish a procedure where we would reimburse the Iranian trust funds for that part that Iran had spent for these weapons that could be useful to another purchaser. The other purchaser would pay only that exact amount so nobody would gain or lose by these diversions.

Chairman ZABLOCKI. Thank you very much, gentlemen.

The committee stands adjourned.

[Whereupon, at 6:25 p.m. the joint subcommittees adjourned to reconvene at 8 p.m., Tuesday, May 8, 1979.]

[Responses by General Graves to additional questions submitted by Representatives Broomfield and Fenwick follow:]

RESPONSES BY GENERAL GRAVES TO ADDITIONAL QUESTIONS SUBMITTED BY REPRESENTATIVES BROOMFIELD AND FENWICK

Question. One of the reasons used by U.S. Embassy officials in Cairo for selling F-5's and other equipment to Egypt is that such sales and the related training, operations would give the U.S. greater access to Egyptian officers. The Egyptian government in the past had limited such contacts. Can Egyptian officers below the rank of general now meet with U.S. officers without permission being granted by higher authorities? The U.S. had an extensive sales and training program with Iran, yet Iranian Air Force personnel were among the first military men to come out against the Shah. Do arms sales programs thus really have much of a beneficial impact when internal strains emerge in a society?

Answer. Equipment sales to the Government of Egypt (GOE) have greatly increased U.S. access to Egyptian officers. U.S. Military personnel have access to Egyptian officers at all levels. Survey teams returning from Egypt report that they were allowed to talk to any military personnel they wished to. The U.S. Office of Military Cooperation (OMC) has established excellent rapport all levels in both the Egyptian Ministry of Defense and the services directly involved in U.S. programs. While Egypt has continued the same rules as in the past for personnel of the Defense Attache's Office (DAO), OMC personnel are allowed to contact any Egyptian military personnel connected with U.S. programs. There is a real need for the Armed Forces in Egypt to modernize; they have received little new equipment since the early seventies and much of the Soviet origin equipment provided Egypt has long since gone beyond its expected useful life. Modernizing the equipment of the Egyptian forces and establishing close relationships between the U.S. and Egyptian military are part of the overall fabric of improved U.S.-Egyptian relations. We look to these steps to enhance Egypt's feeling of security and to provide the conditions under which Egypt may improve economic and social conditions. This combination of measures is aimed at strengthening Egypt's ability to deal with the internal strains that inevitably accompany rapid development such as Egypt is attempting.

Question. Would there be any restrictions on the use of the Egyptian equipment outside Egypt, for example, in the Sudan?

Answer. Yes. In accordance with sections 3(a)(2) and 3(d) of the Arms Export Control Act, purchasers must agree not to transfer title to, or possession of, any purchased defense item and not to use, or permit the use of, such item for purposes other than those for which furnished without prior U.S. consent and prior report to the Congress of any intent to grant such U.S. consent. These statutory provisions are implemented in the Letter of Offer and Acceptance.

Under the terms of the 1952 mutual defense agreements with Egypt, such reimbursable assistance may be used by Egypt "solely for Egypt's internal security and legitimate self-defense or as may be further mutually agreed" between the USG and Egypt "for the promotion of international peace and security within the framework of the Charter of the United Nations."

Therefore, any use of Egypt involving the deployment of these items in Sudanese territory, pursuant to Egyptian participation in a regional or collective arrangement or measure consistent with the U.N. Charter, would require Egypt to secure prior USG consent therefor. Failure by Egypt to secure such

prior USG consent could result in Egyptian ineligibility for future FMS credits in accordance with section 3(c) of the Arms Export Control Act.

Question. What is the status of the proposal to sell F-4 phantom jets to Egypt? How many would be involved?

Answer. Discussions are currently ongoing with the Egyptians for the purchase of an as yet undetermined number of F-4E aircraft from the U.S.

SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE FOR ISRAEL AND EGYPT

TUESDAY, MAY 8, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C.

The committee met at 10:37 a.m., in room 2172, Rayburn House Office Building, Hon. Clement J. Zablocki (chairman) presiding.

Chairman ZABLOCKI. The committee will please come to order.

We meet this morning to hear testimony from Hon. Cyrus Vance, Secretary of State, and Hon. Harold Brown, Secretary of Defense, on the President's legislative proposal for additional assistance to Egypt and Israel in support of the recent treaty signed by the two countries.

PURPOSE OF LEGISLATION

Specifically, the President's requested legislation, a copy of which is before each member, will provide assistance for the construction of airbases in Israel to replace those to be given up in the Sinai, additional foreign military sales credits for both countries and it also provides economic support assistance for Egypt.

Subsequent to the submission of this request, the President has also requested the authorization to transfer facilities of the U.S. Sinai field mission to Egypt.

The proposed legislation would authorize fiscal year 1979 supplemental appropriations totaling \$1.47 billion which in turn would finance programs totaling \$4.8 billion.

The Subcommittee on International Security and Scientific Affairs and the Subcommittee on Europe and the Middle East have already conducted joint hearings on the President's request as well as on the peace treaty.

This afternoon, the two subcommittees will meet to consider recommendations to the full committee on the request for legislation. It is the Chair's intention to bring the subcommittees' recommendations before the full committee tomorrow following completion of the markup of the Export Administration Act.

Secretary Vance, Secretary Brown, it is indeed a pleasure to welcome you again to the committee. May I suggest that you present your prepared statements or summarize them if you prefer and then the committee members will direct questions to you together as a team.

Secretary Vance, you may proceed, please.

STATEMENT OF HON. CYRUS R. VANCE, SECRETARY OF STATE

Mr. VANCE. Thank you very much, Mr. Chairman. It is indeed a pleasure for me to be here and to meet with the committee again today.

NEW ERA OF PEACEFUL COOPERATION

Together with our Egyptian and Israeli colleagues, we have traveled a long and, at times, a very difficult road during the past 17 months. That journey has been rewarded by the conclusion of an agreement which represents a watershed in the region. The Middle East has been changed for the better and the world has moved a step closer to peace.

A few days ago at a site near the battlegrounds of the past, Israel and Egypt exchanged the instruments of peace. The era of bloodshed is over. A new era of peaceful cooperation can lie ahead.

It should be noted that the process leading to this event did not begin with this administration. The negotiations and the agreements concluded in the wake of the 1973 war laid the groundwork for further progress. These were the disengagement agreement of January 1974 and the Sinai II agreement completed in September of 1975.

The members of this committee are already familiar with the main provisions of the treaty. Let me simply note that the treaty applies the essential equation of the Security Council Resolution 242 to the Sinai Peninsula, Israeli withdrawal from the territory occupied during the 1967 war and on the part of Egypt, acknowledgment of Israeli sovereignty, territorial integrity and political independence, and Israel's right to live in peace within secure and recognized borders.

The validity and value of Resolution 242 have been borne out by the success of the negotiations between Egypt and Israel. It continues to be the agreed basis for those remaining negotiations necessary to conclude a comprehensive peace in the Middle East.

CONGRESSIONAL ACTION ON THE PEACE AGREEMENTS

My particular purpose today is to concentrate on the agreements reached which will involve congressional action. Let me turn to the financial undertakings of the United States associated with the peace process. All of these undertakings were agreed subject to appropriate congressional action.

In evaluating these requirements, it is essential to keep in mind the far greater potential cost of failing to make progress toward peace in the Middle East. Four wars in that region have cost the U.S. taxpayers several tens of billions of dollars in direct costs alone. The cost of peace is modest when compared with the cost of further war.

I want to stress three general points about the aid package for Egypt and Israel we are seeking as an addition to the present basic programs for both countries.

First, the proposed fiscal year 1979 supplemental assistance is a coherent, interrelated package which requires urgent congressional action. It is a careful balance between foreign policy and budgetary requirements.

Second, the funds requested are to be available to finance programs over a 3-year period.

Third, the impact on our budget is considerably lower than the overall amount of money that will be generated for the loan. This is because our foreign military sales loans will be provided by the Federal Financing Bank, guaranteed by the U.S. Government. Accordingly, as you indicated, Mr. Chairman, Congress is being asked to

authorize and appropriate \$1.47 billion over 3 years in order to finance programs with a total value of \$4.8 billion.

Secretary Brown will speak in greater detail about our military assistance request. Let me make a few general observations about the package as a whole.

The bulk of the additional assistance for Israel and Egypt is to help them meet urgent security requirements. This totals about \$4.5 billion, approximately \$3 billion for Israel and \$1.5 billion for Egypt.

Of that amount for Israel, about \$800 million will be in the form of grant aid to help finance the construction of two fields which will be moved from the Sinai to the Negev. This assistance will enable Israel to withdraw in the 3 years agreed under the treaty in a manner consistent with its security requirements. The remaining sum for Israel and the entire military program for Egypt are in the form of foreign military sales financing to be provided on favorable terms.

The military program for Israel will help defray the costs of withdrawing forces from the Sinai and relocating them in the Negev. The Government of Israel estimates that the direct costs of withdrawal will be roughly \$4 billion. This program will also enable Israel to continue modernizing its military establishment in light of continuing security threats in the area.

For Egypt, the \$1.5 billion military program will help Egypt to replace obsolete military equipment.

In addition to the security assistance, there is \$300 million more in economic assistance for Egypt over 3 years to help President Sadat address the real human needs of his people and so that peace can be translated into a better life for the people of that nation.

We have also urged our friends and allies to contribute economic assistance in support of peace between Egypt and Israel.

A PRICE FOR PEACE?

It is fair to ask why there should be such a price for peace. At the very least, why is the United States supplying additional military equipment to countries who have just concluded peace with one another?

The answer to both those questions derives from the fact that in concluding this treaty both Egypt and Israel are taking steps into the unknown. The unknown in an area as volatile as the Middle East carries its own risks. In order for both governments to lead their people through these uncharted waters, they must be confident that they can deal effectively with the threats to their continued security.

In addition, as President Carter has said, both Egypt and Israel face immediate economic problems as they enter the post-treaty era. The financial cost to Israel of withdrawal from the Sinai will be substantial. For its part, the Egyptian Government has an urgent and critical need to demonstrate to its people the economic benefits of peace.

We will work to accelerate implementation of our program, the proposed additional assistance will provide funds to move quickly to meet these new requirements.

Mr. Chairman, I can also discuss, if you wish, the oil supply agreement. I have discussed that before this committee so I would be prepared to do so, depending upon what you choose for me to do.

U.S. OIL SUPPLY COMMITMENT TO ISRAEL

Chairman ZABLOCKI. Mr. Secretary, perhaps you will briefly summarize the oil agreement. In view of the shortage of oil in this country, it is a political issue.

Mr. VANCE. In the context of the peace treaty, the United States has also revised and extended the 5-year emergency oil supply commitment which arose from the Sinai II agreement to a total of 15 years.

As with the prior commitment, Israel would turn to the United States only if Israel could not make independent arrangements to meet its own domestic consumption requirements through normal procedures.

Under the new agreement, Israel will pay for any oil which might be provided from the United States at rates comparable to world market prices at the time of transfer. Israel would reimburse the United States for costs incurred by the United States in providing oil from whatever source.

We have also agreed to negotiate a memorandum of agreement which will reflect the principles which I have outlined to you. The negotiations for that have started. They are to be completed within 60 days of the exchange of documents of ratification which took place about 2 weeks ago and we expect to meet that date.

If any additional legislation is required after the agreement is completed, we will come to the Congress for that authorizing legislation.

FUTURE OF THE PEACE PROCESS

Now if I may turn to the future of the peace process, the peace and stability that we seek can only be achieved ultimately by making this treaty the cornerstone of peace between Israel and all its neighbors. For the United States, no less than for the parties in the region directly involved, continued progress toward a comprehensive peace is essential. It is for this reason that we intend to remain a full partner in the negotiations.

In this connection, we are fortunate indeed that Ambassador Bob Strauss has agreed to lead the U.S. delegation in these important negotiations.

The Egyptian-Israeli Treaty has fulfilled one of the two framework agreements worked out at Camp David. At that same time, the Governments of Egypt and Israel also committed themselves to principles and procedures for a series of negotiations leading to peace between Israel and each of its Arab neighbors. The achievement of that peace depends on the success in each negotiation and each new negotiation builds on what has occurred.

RESOLUTION OF THE PALESTINIAN PROBLEM

In addition to the peace treaty, Prime Minister Begin and President Sadat signed a second document on March 26. In a joint letter addressed to President Carter, they pledged to begin within 1 month after the exchange of instruments of ratification, negotiations to implement the process agreed upon at Camp David whose ultimate ob-

jective, in the words of the Camp David framework agreement, is "the resolution of the Palestinian problem in all its aspects."

That process will start with negotiations on the establishment of the self-governing authority in the West Bank and Gaza in order to provide full autonomy to the inhabitants. These negotiations will soon begin with full American participation. I anticipate, Mr. Chairman, that these negotiations will probably begin the 24th or 25th of this month and I shall go and head the U.S. delegation at those negotiations. Bob Strauss has not yet been able to free himself from his current responsibilities and therefore I will be there to head the delegation.

The Egyptian-Israeli Treaty has permitted us for the first time in more than three decades of conflict to turn our attention to the practical solution of a central issue of that conflict, the Palestinian issue.

It is evident that the issues involved in the Palestinian question are far too complex to be dealt with all at once. Because of this, we have long felt that the only realistic approach is to establish a transitional period during which the decisions that need to be made can be dealt with in a logical sequence. That approach was agreed to by Egypt and Israel at Camp David, and they have invited other parties to the Arab-Israeli conflict to support it and to join the negotiations.

In their joint letter to President Carter accompanying the treaty, President Sadat and Prime Minister Begin have agreed to negotiate continuously and in good faith, with a goal of completing those negotiations within 1 year so that elections will be held as expeditiously as possible after agreement between the parties has been reached.

Their goal is to reach agreement on arrangements for electing a self-governing authority in the West Bank and Gaza, and on the powers and responsibilities of that body.

Successful conclusion of the next phase of negotiations would thus bring into being a self-governing authority in the West Bank and Gaza for a 5-year transitional period, during which negotiations will take place to determine the final status of these areas.

These negotiations provide a means—indeed, in my judgment, the only practical means now available—by which Palestinians can participate in determining their own future. They will be able to participate throughout the process, from the establishment of the self-governing authority to the final resolution of the status of the West Bank and Gaza.

SECURITY OF ISRAEL

I also want to reiterate that in all future negotiations, as it has been in the past, the United States will remain attentive to what we firmly believe is an essential ingredient for long-term regional stability in the Middle East, the security of Israel.

No one should underestimate the difficulty of the challenges that remain before a comprehensive peace in the Middle East becomes a reality. Those challenges must be met. The United States must remain actively involved in the peace process because the alternatives pose far greater dangers to stability in the region, to the interests of the United States, and to world peace.

We will continue this process regardless of the impediments we may face. We invite others involved in the conflict to join us and urge all nations concerned with peace to support our effort.

We see no workable alternative to the process that is now moving ahead. The problems remaining are too complicated and too sensitive to be solved all at once. With each problem resolved, it becomes all the more possible to resolve the next; with each act of trust, the next act requiring even greater trust becomes more possible.

In the end, the overall solution can emerge, as we put in place the firm building blocks on which a comprehensive peace can stand.

In this endeavor, Mr. Chairman, we solicit the counsel of this committee and of any party in the Middle East who will share with us our commitment to a comprehensive peace.

Chairman ZABLOCKI. Thank you, Mr. Secretary, for your excellent statement.

[Secretary Vance's prepared statement follows:]

PREPARED STATEMENT OF HON. CYRUS R. VANCE, SECRETARY OF STATE

I appreciate the opportunity this morning to discuss with the Committee obligations undertaken by the United States in connection with the Treaty of Peace Between Egypt and Israel signed on March 26.

Together with our Egyptian and Israeli colleagues, we have traveled a long and at times very difficult road during these last 17 months. That journey, however, has been rewarded by the conclusion of an agreement which represents a watershed in the region. The Middle East has been changed for the better and the world has moved a step closer to peace.

A few weeks ago, at a site near the battlegrounds of the past, Israel and Egypt exchanged the instruments of peace. The era of bloodshed is over. A new era of peaceful cooperation can lie ahead.

It should be noted that the process leading to this event did not begin with this Administration. The negotiations and agreements concluded in the wake of the 1973 war laid the groundwork for further progress—the disengagement agreement of January 1974 and the Sinai II agreement completed in September of 1975.

The Members of this Committee are already familiar with the main provisions of the Treaty. Let me simply note that the treaty applies the essential equation of Security Council Resolution 242 to the Sinai Peninsula—Israeli withdrawal from territory occupied during the 1967 war and, on the part of Egypt, acknowledgement of Israeli sovereignty, territorial integrity and political independence and Israel's right to live in peace within secure and recognized borders. The validity and value of Resolution 242 have been borne out by the success of the negotiations between Israel and Egypt. It continues to be the agreed basis for those remaining negotiations necessary to conclude a comprehensive peace in the Middle East.

ASSISTANCE PACKAGE

My particular purpose today is to concentrate on agreements reached which will involve Congressional action. Let me turn to the financial undertakings by the United States associated with the peace process. All of these undertakings were agreed subject to appropriate Congressional action.

In evaluating these requirements, it is essential to keep in mind the far greater potential cost of failing to make progress toward peace in the Middle East. Four wars in that region have cost the U.S. taxpayers several tens of billions of dollars in direct costs alone. The cost of peace is modest when compared with the cost of further war.

I want to stress three general points about the aid package for Egypt and Israel we are seeking as an addition to the present basic programs for both countries:

First, the proposed FY 1979 supplemental assistance is a coherent inter-related package which requires urgent Congressional action. It is a careful balance between foreign policy and budgetary requirements.

Second, the funds requested are to be available to finance programs over a three year period.

Third, the impact on our budget is considerably lower than the overall amount of money that will be generated for the program. This is because our foreign military sales loans will be provided by the Federal Financing Bank, guaranteed

by the U.S. Government. Accordingly, Congress is being asked to authorize and appropriate \$1.47 billion over three years in order to finance programs with a total value of 4.8 billion.

Secretary Brown will speak in greater detail about our military assistance requests. Let me make a few general observations about the package as a whole.

The bulk of the additional assistance for Israel and Egypt is to help them meet urgent security requirements. This totals about \$4.5 billion—approximately \$3 billion for Israel and \$1.5 billion for Egypt. Of the amount for Israel, about \$800 million will be in the form of grant aid to help finance the construction of two airfields which will be moved from the Sinai to the Negev. This assistance will enable Israel to withdraw in the three years agreed under the Treaty in a manner consistent with its security requirements. The remaining sum for Israel and the entire military program for Egypt are in the form of foreign military sales financing, to be provided on favorable terms.

The military program for Israel will help defray the costs of withdrawing forces from the Sinai, and relocating them in the Negev. The Government of Israel estimates that the direct costs of withdrawal will be roughly \$4 billion. This program will also enable Israel to continue modernizing its military establishment in light of continuing security threats in the area. For Egypt, the \$1.5 billion military program will help Egypt to replace obsolete military equipment.

In addition to the security assistance I have outlined, there is \$300 million more in economic assistance for Egypt over three years to help President Sadat address the real human needs of his people and so that peace can be translated into a better life for the people of that nation.

We have also urged our friends and allies to contribute economic assistance in support of peace between Egypt and Israel.

It is fair to ask why there should be such a price for peace. At the very least, why is the United States supplying additional military equipment to countries who have just concluded peace with one another?

The answer to both those questions derives from the fact that in concluding this Treaty both Egypt and Israel are taking a step into the unknown. The unknown in an area as volatile as the Middle East carries its own risks. In order for both governments to lead their people through these uncharted waters, they must be confident that they can deal effectively with threats to their continued security.

In addition, as President Carter has said, both Egypt and Israel face immediate economic problems as they enter the post-Treaty era. The financial cost to Israel of withdrawal from the Sinai will be substantial. For its part, the Egyptian government has an urgent and critical need to demonstrate to its people the economic benefits of peace. We will work to accelerate implementation of our current programs; the proposed additional assistance will provide funds to move quickly to meet these new requirements.

OIL SUPPLY AGREEMENT

In the context of the peace treaty, the United States has also revised and extended the five year emergency oil supply commitment arising from Sinai II to a total of 15 years. As with the prior commitment, Israel would turn to the U.S. only if Israel could not make independent arrangements to meet its own domestic consumption requirements through normal procedures.

Assured long-term oil supplies are crucial to Israel's security. Oil supply commitments were an integral part of the negotiating process. Viewed in that light, we believe this commitment by the United States is worth the small potential added responsibility that may be assumed.

Under the new agreement, Israel will pay for any oil which might be provided from the US at rates comparable to world market prices at the time of transfer. Israel would reimburse the US for costs incurred by us in providing oil from whatever source.

Our undertaking provides for conclusion of a Memorandum of Agreement between the US and Israel within 60 days after exchange of instruments of ratification of the Treaty. This Memorandum will deal with the specific details of the arrangement. Israeli and US negotiating delegations have begun that task. Once detailed agreement is reached, we will review it against existing legislative authority and promptly seek from the Congress any new authority necessary for its full implementation.

I want to emphasize three points in connection with this oil supply arrangement:

First, both sides recognize that this undertaking is a legal commitment on the US, subject to the necessary legislative authority.

Second, relatively small amounts of American produced oil are likely to be involved. The Israelis have not had to call on our commitment since 1975, and we are confident they will do everything possible to avoid that situation in the future. If Israel requested U.S. assistance, however, we would first help with the procurement of oil from abroad and turn to our own production only as a last resort.

Finally, even should Israel at some point turn to us for its full oil requirements, it would require an amount equal to less than 1 percent of our consumption—hardly noticeable to us.

FUTURE OF THE PEACE PROCESS

Before turning to Secretary Brown, let me say a few words about the future of the Middle East peace process and the US role.

The peace and stability we seek can only be achieved ultimately by making this Treaty the cornerstone of peace between Israel and all its neighbors. For the United States, no less than for the parties in the region directly involved, continued progress toward such a comprehensive peace is essential. It is for this reason that we intend to remain a full partner in the negotiations.

In this connection, we are fortunate that Ambassador Bob Strauss has agreed to lead the United States delegation in these important negotiations.

The Egyptian-Israeli Treaty has fulfilled one of the two framework agreements worked out at Camp David. At that same time, the Governments of Egypt and Israel also committed themselves to principles and procedures for a series of negotiations leading to peace between Israel and each of its Arab neighbors. The achievement of that peace depends on success in each negotiation, and each new negotiation builds on what has occurred.

In addition to the Peace Treaty, Prime Minister Begin and President Sadat signed a second document on March 26. In a joint letter addressed to President Carter, they pledged to begin, within one month after the exchange of instruments of ratification, negotiations to implement the process agreed upon at Camp David whose ultimate objective, in the words of the Camp David framework agreement, is "the resolution of the Palestinian problem in all its aspects."

That process will start with negotiations on the establishment of the self-governing authority in the West Bank and Gaza in order to provide full autonomy to the inhabitants. These negotiations will soon begin, with full American participation. The Egyptian-Israeli Treaty has permitted us, for the first time in more than three decades of conflict, to turn attention to the practical solution of a central issue of that conflict—the Palestinian issue.

It is evident that the issues involved in the Palestinian question are far too complex to be dealt with all at once. Because of this, we have long felt that the only realistic approach is to establish a transitional period during which the decisions that need to be made can be dealt with in a logical sequence. That approach was agreed to by Egypt and Israel at Camp David, and they have invited other parties to the Arab-Israeli conflict to support it and to join the negotiations.

In their joint letter to President Carter accompanying the Treaty, President Sadat and Prime Minister Begin have agreed to negotiate continuously and in good faith, with a goal of completing those negotiations within one year so that elections will be held as expeditiously as possible after agreement between the parties has been reached. Their goal is to reach agreement on arrangements for electing a self-governing authority in the West Bank and Gaza, and on the powers and responsibilities of that body. Successful conclusion of the next phase of negotiations would thus bring into being a self-governing authority in the West Bank and Gaza for a five-year transitional period, during which negotiations will take place to determine the final status of these areas.

These negotiations provide a means—indeed the only practical means now available—by which Palestinians can participate in determining their own future. They will be able to participate throughout the process, from the establishment of the self-governing authority to the final resolution of the status of the West Bank and Gaza.

I also want to reiterate that in all future negotiations, as it has in the past, the United States will remain attentive to what we firmly believe is an essential

ingredient for long-term regional stability in the Middle East—the security of Israel.

No one should underestimate the difficulty of the challenges that remain before a comprehensive peace in the Middle East becomes a reality. But those challenges must be met. And the United States must remain actively involved in the peace process because the alternatives pose far greater dangers to stability in the region, to the interests of the United States and to world peace.

We will continue this process regardless of the impediments we may face. We invite others involved in the conflict to join us, and urge all nations concerned with peace to support our effort. We see no workable alternative to the process which is now moving ahead. The problems remaining are too complicated and too sensitive to be solved all at once. But with each problem resolved, it becomes all the more possible to resolve the next—with each act of trust, the next act requiring even greater trust becomes more possible. In the end, the overall solution can emerge, as we put in place the firm building blocks on which a comprehensive peace can stand.

In this endeavor, we solicit the counsel of this Committee and of any party in the Middle East who will share with us our commitment to a comprehensive peace.

Chairman ZABLOCKI. Secretary Brown, you may proceed.

STATEMENT OF HON. HAROLD BROWN, SECRETARY OF DEFENSE

Mr. BROWN. Mr. Chairman, I would propose to read most but not all of my statement. Perhaps the committee will bear with me if I skip a few sentences here and there.

It is a privilege, Mr. Chairman and members of the committee, to appear before you today in support of President Carter's proposed legislation to strengthen Middle East peace.

I believe that we as a nation should take considerable pride in the major role played by the United States in facilitating the signing of the peace treaty between Egypt and Israel. Certainly, great credit is due to President Sadat, Prime Minister Begin, and President Carter, and to my friend and colleague, the Secretary of State, Cy Vance.

The treaty brings to an end 30 years of war that has cost Egypt and Israel so much in lives, in material substance, and in effort. The United States also has spent a great deal of money on this war. Now we propose to spend a smaller amount on peace.

The treaty does more than serve the interests of Egypt and Israel. It is intended to be the cornerstone of a comprehensive, just, long-term peace with resulting stability for the entire region.

It is in the security interest of the United States that the region evolve into a peaceful and stable one. Our oil access, for example, would again be seriously threatened by regional conflict. Indeed, the only major oil interruption we have experienced occurred in the context of the 1973 Middle East war.

Resolution of the Arab-Israel conflict, which began with the Camp David accords, and in fact, the resolution began even before with President Sadat's visit to Israel, and continues with this peace treaty, is a vital factor in the protection of American interests.

The signing of the treaty is but the first step toward a durable peace between the two states and the achievement of a comprehensive settlement in this troubled part of the world. Further steps are needed.

REGIONAL SECURITY

One factor in this equation is regional security. The United States encourages in the region strong friendly states able to defend them-

selves from external aggression. Strong states are best able to assure their territorial integrity without requiring direct U.S. involvement. Without this defensive ability, any state is much more vulnerable and subject to external destabilizing influences.

This legislation, reflecting the President's agreement to continue to help Israel and to begin to help Egypt in the modernization of their armed forces, will make a vital contribution to the defense posture of both countries and hence to peace in the entire region.

As Secretary Vance has indicated, but it deserves repetition because the facts have sometimes been misunderstood, the assistance included in the legislative package of the administration as proposed for congressional consideration needs to be restated.

This will be in the form of \$800 million in grant aid for two Israeli airbases, \$2.2 billion in foreign military sales credits for Israel, \$1.5 billion in FMS credits for Egypt, and \$300 million in economic aid for Egypt. The complete package will extend some \$1.1 billion of grants and \$3.7 billion in loans to Israel and Egypt, and will require an appropriation of \$1.47 billion and a total package authorization of \$4.8 billion.

The budgetary contribution of the United States to this peace treaty is thus \$1.47 billion rather than the \$4.8 billion in total assistance that has sometimes been taken to be the cost to the United States. The actual cost is even less than the budgetary contribution because \$370 million of the budgetary contribution is actually a set-aside to take care of failure to repay which has never happened in this program with countries to whom we extend FMS credits.

In other words, the appropriation is for more than the losses that we have experienced in the past.

PRINCIPAL SECURITY ISSUES

Let me turn to the principal security issues involved.

Israel rightly needs to be certain of its security during and after withdrawal from the Sinai. This matter of security was an important element in the negotiations. The United States agrees that a continuing strong Israeli defense capability is essential. The legislation we are proposing and the other agreements we have made help to assure such a capability by facilitating the withdrawal of Israeli forces into new bases within the Negev and by continuing modernization of Israeli defense forces.

Israel now maintains a large portion of its active military force structure in the Sinai. In accordance with the peace treaty, within 3 years, "Israel will withdraw all its armed forces * * * behind the international boundary * * * and Egypt will resume the exercise of its full sovereignty over the Sinai." Relocation of Israeli forces in the Sinai now has implications for Israeli security in three specific areas: Airbase requirements, ground forces, and other redeployments and early warning demands.

ISRAELI AIRBASES

Israel now has four airbases in the Sinai, two of which are forward operating bases at Refidim and Ophir, and two of which are main operating bases at Etam and Etzion. Within 9 months, Israel must

abandon Refidim and within 3 years, Israel must give up the remaining three bases.

The bases at Etam and Etzion are of prime concern because they normally house all the Israeli squadrons deployed in the Sinai. To replace them, Israel requires two new main operating bases.

In order to enable Israel to complete its withdrawal within the time allowed by the treaty, the President has agreed, subject to the approval of Congress, to assist in the construction of two airbases by providing funding and management assistance.

The two proposed bases will be located at Ovda and Matred in the Negev. These sites are the most suitable in terms of terrain, location, availability, and construction cost. The U.S. Air Force will be the project manager for this undertaking. The Corps of Engineers will be the construction agent.

DOD ESTIMATED COST

The Defense Department's estimate of the cost of building the airbases in the time allowed is about \$1 billion in fiscal year 1980 dollars, exclusive of infrastructure costs for roads, utilities, and the like. We propose that this amount be drawn from the \$3 billion total assistance package for Israel contained in the legislation. Of this amount, \$800 million is proposed to be made available through grants for defense articles and services. Israel will fund all airbase construction costs beyond the \$800 million, drawing on FMS credits as appropriate.

The airbase requirement is a particularly challenging endeavor for several reasons. First, as I mentioned, there is a definite time constraint. The peace treaty, in annex I, article I, requires Israel's complete withdrawal of its armed forces and civilians from Sinai not later than 3 years from the date of exchange of instruments of ratification of the treaty.

The newly built airbases in the Negev should be sufficiently completed so that the Israeli Air Force can begin deploying to them fully 6 months prior to the abandonment of Etam and Etzion so that they can provide continuity of air defense.

Normally, construction of this nature would take more than 5 years. Accelerating the pace means construction firms will have to work virtually around the clock, 7 days a week. Much new equipment will have to be acquired at the outset of the project in order to avoid costly and time consuming breakdowns once construction has begun. The equipment must be able to sustain long-term usage under constant and difficult operating conditions.

OTHER COSTS TO ISRAEL

In addition to the airbase construction, there are other costs which will be imposed on Israel as a result of the withdrawal. One of them involves the ground forces.

Israel now maintains two active armored divisions in the Sinai. These units, with their infrastructure, will have to be displaced from their present Sinai locations to new facilities in Israel. That will require significant construction.

Supporting infrastructure will also be needed, road networks, water and powerlines and landline communications, in order to support Army and Air Force redeployments.

Israel will have to move its Sharm-El-Sheikh and Et Tur Naval facilities to Elat and its Mediterranean naval facility at Dafna to Ashdod.

The loss of the Sinai will reduce Israel's early warning capability by forcing the closure of Israeli forward positioned early warning sites. These sites provide important early warning information and new measures must be taken to insure, as a matter of prudence, Israel has high confidence in its early warning. This will require new construction and new procurement.

We estimate that the total cost of these withdrawal actions will be between \$3 billion and \$4 billion. Israel's estimate is \$4 to \$5 billion but it includes, for example, the possibility of a third airbase which is not included in what we are talking about. This can only be a tentative estimate for considerable refinement remains to be done with respect to the withdrawal and the relocation. We are helping to support the additional costs of construction and equipment by making available \$2.2 billion in FMS credits over and above the \$800 million grant.

Israel's Armed Forces need to remain a modern militarily effective force. We are confident that for the immediate future, Israel is fully able to defend itself against external attack. In the long run, modernization of Israel's Armed Forces must continue.

ADDITIONAL ARMS SUPPLIES FOR ISRAEL

The President, accordingly, has agreed to the sale of additional arms supplies for Israel to be purchased over the next several years. The committee has been provided with a classified list of this equipment and proposed sales will be formally submitted to the Congress in the usual way in accordance with the Arms Export Control Act.

Modernization of Israel's Armed Forces is desirable and should continue but the peace with Egypt has enabled Israel to make substantial reductions in planned force expansion. As a result, Israel will have smaller forces than had been expected under its prior Matmon C Force Plan.

We believe Israel's security can best be assured by Israel itself. That is why, from the point of view of U.S. national security, I recommend this legislation which will facilitate a successful Israeli withdrawal from Sinai and I also recommend continuing American assistance in modernizing Israel's Armed Forces, so Israel will remain in a satisfactory posture to defend itself.

This policy of helping Israel help itself does not absolve the U.S. from maintaining a watchful attitude toward the security of Israel. Indeed, the U.S. has agreed specifically for example in the improbable event that violations of the treaty occur to "take appropriate measures to promote full observance of the treaty of peace." We do not expect that we would ever have to use U.S. Military Forces to insure Treaty compliance.

I believe the U.S. must be continually concerned with the security of all friendly regional states for vital American interests are at stake in the Middle East.

MILITARY AND ECONOMIC ASSISTANCE TO EGYPT

The proposed legislation includes funds for both military and economic assistance to Egypt. The amount of money allotted in the form of foreign military sales credits for military assistance, although larger than the additional amount in this specific request for economic assistance, is much less than the already existing and ongoing rate of economic assistance to Egypt. That totals about \$1 billion a year including Public Law 480 and the military assistance is at the rate of loans of \$1.5 billion over 3 years.

There is no doubt in my mind that a sound economy is at least as important as a strong defense posture to the future of Egypt and to the stability of the region. Indeed, I place first priority on economic development and I know President Sadat and the Government of Egypt do also. The future of Egypt will not turn primarily on the strength of its armed forces.

Effective Egyptian Armed Forces are obviously necessary to the defense of the country against possible aggression. Further, while we do not intend and nor do we believe does President Sadat intend, that Egypt will become a regional policeman. Egypt can play a positive role in helping other states in Africa and the Middle East. It is important therefore, that the Egyptian Armed Forces have the appropriate military capability to carry out these tasks.

Since expelling Soviet advisers in 1972 and renouncing its bilateral treaty with Moscow in 1975, Egypt has been without substantive external assistance in meeting its legitimate defense needs. Last year, President Carter proposed and the Congress agreed to the supply of F-5 aircraft to Egypt to help modernize the air force. Now, in the context of peace between Egypt and Israel, the President proposes to provide additional military assistance to Egypt.

Again, a classified listing of equipment approved by the President has been provided to the committee. As you will note, it includes additional aircraft, air defense equipment, armored personnel carriers, and frigates among other things. This list is substantially smaller than what is required for full modernization of Egypt's Armed Forces, even with reductions from the present size of those forces. It is nevertheless a very respectable beginning to the modernization process.

In summary, what we are recommending as part of this initiative for peace are programs or assistance amounting to \$1.47 billion in budget authority for Israel and Egypt to help the relocation of Israel's Armed Forces as they withdraw from the Sinai and to help in the modernization of the armed forces of both countries.

This assistance is militarily justified by the circumstances. This legislative proposal is for a substantial sum of money and it is a generous contribution to the peace. While peace is expensive, war is more expensive.

Mr. Chairman and members of the committee, this legislation will be, in my judgment and in the judgment of the Carter administration, a major American contribution to peace in the Middle East, to the security of Egypt and Israel and to the long-term stability of the region.

I recommend its approval by this committee and the Congress unequivocally.

Thank you very much, Mr. Chairman.

[Secretary Brown's prepared statement follows:]

PREPARED STATEMENT OF HON. HAROLD BROWN, SECRETARY OF DEFENSE

Mr. Chairman and members of the committee, it is a privilege to appear before you today in support of President Carter's proposed legislation to strengthen Middle East peace.

I think that we as a nation should take considerable pride in the major role played by the United States in facilitating the signing of the peace treaty between Egypt and Israel. Certainly, great credit is due to President Sadat, Prime Minister Begin, and President Carter—and to my friend and colleague, the Secretary of State, Cyrus Vance.

The treaty brings to an end 30 years of war that has cost Egypt and Israel so much in lives, in material substance, and in effort. The United States, also, has spent a great deal of money on this war. Now we propose to spend a smaller amount on peace.

The treaty does more than serve the interests of Egypt and Israel; it is intended to be the cornerstone of a comprehensive, just, long-term peace with resulting stability for the entire region. It is in the security interest of the United States that the region evolve into a peaceful and stable one. Our oil access, for example, would be seriously threatened by regional conflict; indeed, the only major oil interruption we have experienced occurred in the context of the 1973 Middle East war. Resolution of the Arab-Israel conflict, which began with the Camp David accords and continues with this peace treaty is a vital factor in the protection of American interests.

The signing of the treaty is but the first step toward a durable peace between the two states and the achievement of a comprehensive settlement in this troubled part of the world. Further steps are needed. One factor in this equation is regional security. The United States seeks a region with strong friendly states, able to defend themselves from external aggression. Strong states are best able to assure their territorial integrity without requiring direct U.S. involvement. Without this defense ability, any state is much more vulnerable and subject to external, destabilizing influences. This legislation, reflecting the President's agreement to continue to help Israel and to begin to help Egypt in the modernization of their armed forces, will make a vital contribution to the defense posture of both countries, and, hence, to peace in the entire region.

Let me briefly review the legislative package the administration has proposed for congressional consideration. This assistance will be in the form of \$800 million in grant aid for two Israeli airbases, \$2.2 billion in foreign military sales (FMS) credits for Israel, \$1.5 billion in FMS credits for Egypt and \$300 million in economic aid for Egypt. The complete package will extend some \$1.1 billion of grants and \$3.7 billion in loans to Israel and Egypt and will require an appropriation of \$1.47 billion and a total program authorization of \$4.8 billion. The budgetary contribution of the United States to this peace treaty is thus \$1.47 billion, rather than the \$4.8 billion in total assistance that has sometimes been taken to be the cost to the United States.

I would now like to turn to the principal security issues involved.

ISRAEL

Israel rightly needs to be certain of its security during and after withdrawal from the Sinai. This matter of security was an important element in the negotiations. The United States agrees that a continuing strong Israeli defense capability is essential. The legislation we are proposing, and the other agreements we have made, help to assure such a capability by facilitating the withdrawal of Israeli forces into new bases within the Negev and by continuing the modernization of Israeli defense forces.

Israel presently maintains a large portion of its active military force structure in the Sinai. In accordance with the peace treaty, within three years, "Israel will withdraw all its armed forces * * * behind the international boundary * * * and Egypt will resume the exercise of its full sovereignty over the Sinai." Relocation of Israeli forces now in the Sinai has implications for Israeli security in three specific areas: Airbase requirements, ground forces redeployments, and early warning demands.

Air bases

Israel now has four air bases in the Sinai, two of which are forward operating bases at Refidim and Ophir, and two of which are main operating bases at Etam

and Etzion. Within 9 months, Israel must abandon Refdim and, within 3 years, Israel must give up the remaining three bases. The bases at Etam and Etzion are of prime concern because they normally house all the Israeli squadrons deployed in the Sinai. Israel requires two new main operating bases to house the squadrons now at Etam and Etzion. These squadrons cannot be deployed to other bases without imposing unacceptable risks to Israeli security through overcrowding.

Construction of these facilities without U.S. assistance would be an extraordinary burden on Israel in two respects: First, it would strain Israel's economy, which is already experiencing severe inflationary difficulties; second, it would overtax Israel's construction industry. In order to enable Israel to complete its withdrawal within the time allowed by the treaty, the President has agreed, subject to the approval of Congress, to assist in the construction of two airbases by providing funding and management assistance.

The two proposed bases will be located at Oyda and Matred, in the Negev. These sites are the most suitable in terms of terrain, location, availability, and construction cost. The U.S. Air Force will be the project manager for this undertaking; The Corps of Engineers will be the construction agent. We will work in partnership with Israel; both parties will share responsibility to assure the completion of all construction necessary for initial operational capability prior to the date agreed for final relocation of Israeli forces into the Negev.

The Defense Department's estimate of the cost of building the airbases in the time allowed is about \$1 billion in fiscal year 1980 dollars (the mid-point of construction) exclusive of infrastructure costs for roads, utilities, and the like. We propose that this amount be drawn from the \$3 billion total assistance package for Israel contained in the legislation. Of this amount, \$800 million is proposed to be made available through grants of defense articles and services. Israel will fund all additional airbase construction costs, drawing on FMS credits as appropriate.

The airbase requirement is a particularly challenging endeavor for several reasons. First, as I mentioned, there is a definite time constraint. The peace treaty, in annex I, article I, requires that "Israel will complete withdrawal of all its armed forces and civilians from the Sinai not later than 3 years from the date of exchange of instruments of ratification of this treaty." The newly built air bases in the Negev should be sufficiently completed so that the Israeli Air Force can begin deploying to them fully 6 months prior to the abandonment of Etam and Etzion in order to provide continuity of air defense.

Normally, construction of this nature would take more than 5 years. Accelerating the pace means that the construction firms will have to work virtually around the clock, 7 days a week. Much new equipment will have to be acquired at the outset of the project in order to preclude costly and time-consuming breakdowns once construction has begun. The equipment must be able to sustain long-term usage under constant operating conditions.

Ground forces relocation

In addition to the airbase construction, there are other costs which will be imposed on Israel as a result of the withdrawal. One such cost involves the ground forces. Israel presently maintains two active armored divisions in the Sinai. These units, with their supporting infrastructure, will have to be displaced from their present Sinai locations to new facilities in Israel. This relocation will require significant construction.

Supporting infrastructure will also be required—road networks, water and power lines, and landline communications—for Army and Air Force redeployments.

Naval forces relocation

Israel will have to move its Sharm-El-Sheikh and Et Tur naval facilities to Elat and its Mediterranean naval facility at Dafna to Ashdod.

Early warning

The loss of the Sinai will reduce Israel's early warning capability by forcing the closure of Israeli forward positioned early warning sites. These sites provide important early warning information, and new measures must be taken to ensure, as a matter of prudence, Israel has high confidence in its early warning. This will require new construction and new procurement.

We estimate that the total cost of these withdrawal actions will be between \$3 and \$4 billion. This can only be a tentative estimate for considerable refine-

ment remains to be done with respect to the withdrawal and relocation. We are helping support the additional costs by making available \$2.2 billion in FMS credits.

Military equipment modernization

It is important that Israel's Armed Forces remain a modern, militarily effective force. We are confident that, for the immediate future, Israel is fully able to defend itself against external attack. To ensure that this is so over the longer run, however, modernization of Israel's armed forces must continue. Accordingly, the President has agreed to the sale of additional arms supplies for Israel to be purchased over the next several years. A classified list of this equipment has been provided to the committee, and proposed sales will be formally submitted to the Congress in the usual way, in accordance with the Arms Export Control Act.

While modernization of Israel's Armed Forces is desirable and should continue, the peace with Egypt has enabled Israel to make substantial reductions in planned force expansion. As a result of the peace, Israel will have smaller forces than had been expected under its prior Matmon C Force plan.

We believe Israel's security can best be assured by Israel itself. This is why, from the point of view of U.S. national security, I recommend this legislation, which will facilitate a successful Israeli withdrawal from Sinai, and also recommend continuing American assistance in modernizing Israel's Armed Forces, so that Israel will remain in a satisfactory posture to defend itself.

This policy of helping Israel help itself does not absolve the United States from maintaining a watchful attitude toward the security of Israel. Indeed, the United States has agreed specifically, for example, in the improbable event that violations of the treaty occur, to "take appropriate measures to promote full observance of the treaty of peace." We do not expect that we would ever have to use United States military forces to insure treaty compliance. I do believe, nevertheless, that the United States must be continually concerned with the security of all friendly regional states, for vital American interests are at stake in the Middle East.

EGYPT

The proposed legislation includes funds for both military and economic assistance to Egypt. The amount of money allotted for military assistance is larger than is allotted for economic assistance, (though much less than the already existing rate of economic assistance). There is no doubt in my mind that a sound economy is at least as important as a strong defense posture to the future of Egypt and to the stability of the region. Indeed, I place first priority on economic development, and I believe President Sadat and the Government of Egypt do also. The future of Egypt will not turn primarily on the strength of its armed forces.

Effective Egyptian Armed Forces are obviously necessary, however, to the defense of the country against aggression. Further, while we do not intend—nor, we believe, does President Sadat intend—that Egypt will become a regional policeman, Egypt can play a positive role in helping other states in Africa and the Middle East. It is important, therefore, that the Egyptian Armed Forces have the appropriate military capability to carry out these tasks.

Since expelling Soviet advisors in 1972, and renouncing its bilateral treaty with Moscow in 1975, Egypt has been without substantive external assistance in meeting its legitimate defense needs. Last year President Carter proposed and the Congress agreed to the supply of F-5 aircraft to Egypt to help modernize the Air Force. Now, in the context of peace between Egypt and Israel, the President proposes to provide additional military assistance to Egypt.

A classified listing of equipment approved by the President has been provided to the committee. As you will note, it includes additional aircraft, air defense equipment, armored personnel carriers, and frigates, among other things. This list is substantially smaller than what is required for full modernization of Egypt's Armed Forces. It is, nevertheless, a very respectable beginning to the modernization process.

CONCLUSION

In summary, what we are recommending as part of this initiative for peace are programs of assistance amounting to \$1.47 billion in budget authority for Israel and Egypt, to help in the relocation of Israel's Armed Forces as they withdraw from the Sinai and to help in the modernization of the armed forces

of both countries. This assistance is militarily justified by the circumstances. The legislative proposal is a substantial sum of money, and a generous contribution to the peace. But, while peace is expensive, war is more expensive.

Mr. Chairman and members, this legislation will be, in my judgment and in the judgment of the Carter administration, a major American contribution to peace in the Middle East, to the security of Egypt and Israel, and to the long-term stability of the region. I unequivocally recommend its approval by this committee and the Congress.

Thank you.

Chairman ZABLOCKI. Thank you, Mr. Secretary.

Secretary Vance, you have stated in your statement that the supplemental assistance package is a coherent interrelated package, that it is a careful balance between foreign policy and budgetary requirements.

CHANGES IN FUNDING REQUIREMENTS FOR ISRAEL

As you know, there may be amendments proposed to change the funding formula for Israel. What effect would it have on the balance you speak of?

Mr. VANCE. Mr. Chairman, I feel to change the funding requirements is (a) not necessary and (b) would not help in terms of the balance.

I believe, Mr. Chairman, the careful work that went into analyzing the amounts that could be properly and necessarily expended to provide the security which we believe both of these nations need in the post-Treaty period is one which has been carefully drawn.

I would say that we will of course review each year the situation and will report to the Congress the results of our review.

FOSTERING BETTER SAUDI ATTITUDE TOWARD THE PEACE PROCESS

Chairman ZABLOCKI. Mr. Secretary, you have also stated that "We have urged our friends and allies to contribute economic assistance and support of peace between Egypt and Israel." What allies are you speaking of? Does it include Saudi Arabia? If so, what steps has the executive branch considered to foster a better Saudi attitude toward the peace process?

It is my understanding that Saudi Arabia in the past has been most helpful economically to Egypt.

What allies are you speaking of in your statement?

Mr. VANCE. I am speaking of a number of allies around the world including our allies in Europe, our friends and allies in the Middle East and our allies in the Pacific.

We have had discussions with many countries in this regard. I firmly believe that we will see a positive response to the discussions that we have had with respect to the need to provide economic assistance to the nations as they move forward in the post-treaty period.

As far as Saudi Arabia is concerned, we have been in discussions with Saudi Arabia as you well know, on a wide variety of subjects covering both the peace process and in addition to that, the questions relating to the stability of the area. That is an ongoing process which we will continue.

Saudi Arabia has been a staunch and good friend and ally for many years and that relationship is of great importance to us. We will continue to work to strengthen that relationship.

One of the steps which we took in seeking to improve and strengthen that relationship was the trip that my colleague, Harold Brown, made to that area. Others have also been there to meet with the Saudi leaders and we remain in contact through our Ambassador and through visits which various Saudi leaders have made to the United States.

U.S. COMMITMENT TO ISRAELI SECURITY

Chairman ZABLOCKI. Secretary Brown, you quoted from the memorandum of agreement between the United States and Israel on page 7 when you referred to the need for the United States to maintain a watchful attitude toward the security of Israel. The memorandum of agreement states, and I quote :

* * * provide support it deems appropriate for proper actions taken by Israel in response to demonstrated violations of the treaty of peace.

It is my understanding further that the United States will be prepared to consider, if a violation of the treaty of peace is deemed to threaten the security of Israel and I quote from the memorandum of agreement :

Such measures as the strengthening of the United States presence in the area, the providing of emergency supplies to Israel and the exercise of maritime rights in order to put an end to the violation of the Treaty of Peace.

Does that mean we would be using military force?

Mr. BROWN. There is, as you indicated from what you read at the beginning, Mr. Chairman, a commitment to take appropriate measures and that of course, would have to come under our own constitutional and legal constraints. We do not anticipate having to use military force.

Chairman ZABLOCKI. You do not rule it out?

Mr. BROWN. I would not rule out the use of military force to defend our vital interests in the area but what our vital interests are has to be determined in the context of particular events.

Mr. VANCE. I would like very much to speak to this. I do not believe that either of the parties to this treaty have any intention whatsoever of violating the treaty and I want to make that very clear. I think we must start from that premise.

I deeply believe this is the case. I have spent an awful lot of time with the leaders of these countries and their advisors. I believe they have entered into this commitment of the treaty solemnly and with the intention of making it work.

Insofar as the treaty itself is concerned, it speaks for itself. On the memorandum of agreement, it does not commit us to take specific action other than to consult with the parties to consider certain steps and to take such actions as we deem appropriate at that time. Those are the commitments which are made in the memorandum of agreement.

What we were talking about when we made reference to strengthening U.S. presence in the area would be to put additional ships in the area, for example, visits to the area by ships or planes. It provides also for the providing of emergency supplies to Israel which is quite evident and for the exercise of maritime rights in order to put an end to the violation. Those are the kind of activities we are talking about.

Let me say, because it should be very clear, that we offered to the Egyptians a memorandum of agreement which was identical to that which we offered to and signed with the Israelis. The Egyptians chose not to enter into such a memorandum of agreement but at any time should they desire to do so, we are ready, willing, and able to do so.

Chairman ZABLOCKI. The Egyptians were fully aware of the type of memorandum we had offered to Israel?

Mr. VANCE. Yes.

Mr. BROWN. Mr. Chairman, I should note that the examples given or almost all of them are things that were either contemplated or in most cases done in past situations in the Middle East.

Chairman ZABLOCKI. Thank you, Secretary Vance and Secretary Brown.

Mr. Broomfield.

POLITICAL IMPACT OF MOA ON UNITED STATES-ARAB RELATIONS

Mr. BROOMFIELD. I would like to follow up on the chairman's question on this memorandum of agreement. How would you assess the political impact of this agreement upon U.S. relations with Egypt and the Arab world?

Mr. VANCE. I think insofar as the political impact on Egypt, it has had no real adverse effect. There was criticism at the time of some of the provisions of the agreement or some of the wording of the agreement. I do not think there is any doubt in the minds of the Egyptians as to our friendship and our desire to have a deep and close relationship with them.

I do not think it has hurt our relationships with Egypt.

Mr. BROOMFIELD. Did Israel insist upon a memorandum of agreement for signing the peace treaty?

Mr. VANCE. They had mentioned the signing of such a memorandum of agreement several months before we concluded the peace treaty. It came as no surprise when we got down to the final weeks of discussions that they said they did indeed want such a memorandum of agreement.

UNITED STATES-SAUDI RELATIONSHIP

Mr. BROOMFIELD. Secretary Vance, what can you tell us about the strained relationship that we apparently have with Saudi Arabia right now?

Mr. VANCE. There is obviously no doubt that we have a different view about the Camp David frameworks and the implementation of those frameworks, including the signing of the treaty between Egypt and Israel.

We have a very clear and sharp difference between us as to the effects of the signing of those various documents. It is our deep and sincere conviction that these agreements and the treaty provide the best and most practical framework and path for moving toward the resolution of the problems of the Middle East including the achievement of a comprehensive settlement.

The signing and ratification of the Egyptian-Israeli treaty is as we have said, the cornerstone of an edifice that will eventually be a comprehensive treaty. It is a necessary first step. It is a practical step, to have done otherwise would have been to stand on the status quo.

Under the agreements which have been signed, for the first time, we will be coming to grips with the Palestinian question and until the Palestinian question is faced and resolved, there cannot be a lasting peace, in my judgment.

Mr. BROOMFIELD. I guess what bothers me is that the Saudis just do not seem to be letting up in their opposition and there seems to be a greater unity among the Arab States in opposition to completing the peace process over there.

If the Saudis should cut off aid to Egypt, what impact would that have on the peace process? My understanding is it is a substantial amount of money and military commitment.

Mr. VANCE. They have provided various kinds of aid to Egypt. They have provided economic assistance and they have provided assistance for the purchase of military equipment. We have basically two kinds of assistance.

We will continue to use our best efforts to urge them to continue assistance to Egypt. They are a solvent nation. They will have to make their own judgment as to whether or not, as the weeks and months unfold, they are going to do that or not.

We certainly believe the continual providing of aid is necessary to advance the peace process.

Mr. BROOMFIELD. We would certainly have to consider any shortfall that might develop as a result of Saudi Arabia cutting off support for Egypt, is that not true?

Mr. VANCE. There are a number of others who also are interested in the peace process around the world. We referred to them before and the need for others to participate in providing economic assistance. We hope and expect others will play their part and will participate in providing economic assistance to make up any shortfall that will come from the cutting off of economic assistance from the Arab world.

Mr. BROOMFIELD. What are the next steps now in the peace process?

WEST BANK AND GAZA NEGOTIATIONS

Mr. VANCE. The next steps are to start the negotiations which will deal with the West Bank and Gaza. As I indicated, those negotiations will start in about 2 weeks in Beersheba. As the process goes forward, the negotiations will alternate between Beersheba and El 'Arish.

The negotiating team has already been announced for Israel, consisting of five members of the Cabinet. The Egyptians have not yet indicated who will be on their negotiating team but I believe it will also be a senior group with Ministers comparable to those on the Israeli team. As you know, we will be represented by Bob Strauss and his negotiating team as soon as Bob is able to relieve himself of his other responsibilities and take over.

Mr. BROOMFIELD. Thank you.

Chairman ZABLOCKI. Mr. Fascell.

Mr. FASCELL. Thank you, Mr. Chairman.

Secretary Vance, recent press reports state or allege that Prime Minister Begin has submitted a document to a committee of 11 Ministers for the review of this committee with the recommendations that Israel will prevent the establishment of the Palestinian

state in the West Bank and Gaza and will claim sovereignty over those areas at the end of the 5-year autonomy period.

Would you comment on that?

Mr. VANCE. Mr. FASCELL, let me say that I think it would not be appropriate for me to comment in detail on the reported suggestions of Prime Minister Begin with respect to the two matters to which you refer. Those suggestions which he has made on the autonomy negotiations, the West Bank and Gaza negotiations, have not been made public yet.

Let me say that I expect both parties prior to the negotiations are going to stake out what I would call maximal positions. This is to be expected in negotiations. I think you will probably see this on both sides. I would hope and expect as negotiations go forward, we will see flexibility appearing and positions which may be stated now will be modified in the course of the negotiations.

Mr. FASCELL. Mr. Secretary, American people generally recognize that war is more expensive than peace and that the United States has a commitment in the Middle East peace process, both monetarily and politically.

OTHER STEPS TO ACHIEVE PEACE

Other than the agreements already entered into and the agreement to continue to negotiate constantly, continuously, and in good faith, I think it would be very useful to identify, if possible, at least in broad concept, the other monetary and political steps which the parties themselves will be taking to achieve peace. There is a nagging feeling reflected in the Congress and in the American people that the United States is acting almost on its own to buy the peace.

Mr. VANCE. First, I believe that in the long run, you are going to see a reduction in military expenditures. I think it is public knowledge already that Egypt has been considering the possibility over a period of time of reducing its military forces by approximately one-third. I think a similar kind of consideration is going on in Israel as well.

This is not going to happen overnight. I think this is what we can foresee down the road.

In addition to that, according to our current statistics on the best estimates we have, it would appear that even on the military side insofar as Israel is concerned, that they will become in about 1983 in a position to reduce the amount that they will require in terms of assistance from us.

I have some tentative figures with respect to that. I would prefer not to go into them in open session because they are tentative Israeli figures and they should be the ones that would announce that.

I think that hopefully the same thing may be true with respect to Egypt. The problems are going to be very difficult. They are going to have to wrestle with extremely difficult economic problems in Egypt and we are going to have to give them technical assistance along with others to help cross the necessary bridges which will lead to a stronger and more stable economy.

Mr. FASCELL. We can say in general that there will be substantial monetary and political costs to both Israel and Egypt in order to achieve peace in the Middle East?

Mr. VANCE. Yes, I think so.

Mr. FASCELL. Mr. Secretary, other than the agreements and the negotiations which you have described in your testimony today, are there any other explicit, implicit, patent, latent, direct or indirect, written, oral, present or future commitments which the United States has agreed to?

Mr. VANCE. No.

U.S. PARTICIPATION IN THE NEGOTIATIONS

Mr. FASCELL. Mr. Secretary, in your testimony, you talked about full American participation in one place and a full partner in the negotiations for the resolution of the Palestinian problem and all its aspects. Exactly what does that mean?

Mr. VANCE. It means that we will participate in all of the negotiations. We hope and expect that the parties themselves will take the lead in putting forward their respective positions and in the discussions of those respective positions, we will be a participant at the table and, as in the past, if the time comes when they feel they want to ask us to help by suggesting bridging devices if they find they cannot agree, we would be willing to do so.

We are committed to seeing the peace process work and therefore, we have pledged to both of them that we will work with them to make the peace process work.

IMPACT OF EXPANSION OF SOVIET NAVAL CAPABILITY

Mr. FASCELL. Mr. Secretary, in the context of the negotiations which are about to begin what does the expansion of the Soviet Naval capability in the Indian Ocean mean? What impact does it have, if any?

Mr. VANCE. Temporarily, both the Soviet Union and the United States have increased their military forces in the Indian Ocean. We will have to watch and see over time what will be in our national interest. I would not like to speculate further.

Mr. FASCELL. Mr. Secretary, you have today issued a public invitation once again to all other interested countries to participate in the diplomatic efforts which are now underway and in the negotiations and to become parties to the negotiating process.

I assume correctly, I hope, that full diplomatic efforts by the United States and others have been undertaken to help secure response favorably to that invitation.

Mr. VANCE. I can assure you of that without qualification.

Chairman ZABLOCKI. Mr. Rosenthal.

Mr. ROSENTHAL. Thank you, Mr. Chairman.

DEBT BURDEN OF EGYPT AND ISRAEL

Secretary Vance, the Senate committee, in language reported out, indicated at some time in the future, Congress might want to take a look at the debt burden incurred by both Israel and Egypt under the terms of the loan guaranteed with funds made pursuant to this legislation and they also added a section saying:

The President shall transmit to the Speaker of the House and to the respective committees a report concerning economic conditions prevailing in Israel and Egypt which may affect the respective ability of those countries to meet their obligations, to make payment under the financing authorized by this legislation.

Do you find that language generally satisfactory?

Mr. VANCE. I do. I do not think it is going to be necessary to make adjustments but I do not have any objection to the language.

Mr. ROSENTHAL. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Mr. Derwinski.

Mr. DERWINSKI. Thank you, Mr. Chairman.

U.S. AS PRINCIPAL MILITARY SUPPLIER TO EGYPT

I think the speech writers for both of you distinguished Secretaries should be complimented for rehashing all this old material.

I have a philosophical observation and then a question for Secretary Brown. I noted in your statement, Mr. Secretary, to which the chairman referred, there is a phrase about the United States maintaining "a watchful attitude toward the security of Israel." That is on page 7.

You go on and discuss the fact that nevertheless, the United States must be continually concerned with the security of "all friendly regional states." I assume you would even extend that to all friendly regional states in all regions of the world.

I would feel better about such language if we were going ahead with B-1 production, nuclear carrier development, neutron weapon deployment and other practical military steps. I think we would do a much better job of watchful attitude toward the security of friendly states if we had more than rhetoric to back it up.

My question is, will the United States now become Egypt's principal supplier of military equipment and will there be any restrictions on the Egyptian deployment of any equipment they obtain from us?

Mr. BROWN. Let me answer your question, Mr. Derwinski, and then if I may, comment on your comment.

We have said we would be a supplier of military equipment to Egypt. We do not expect to be the only supplier among the Western countries. Indeed, Egypt has procured equipment from France of substantial amounts and I would expect they would continue to do so.

I would say we would expect to be a major supplier, not the preponderant supplier, although we might in the end supply more than anyone else. We have not imposed any restrictions as to where Egypt deploys its equipment within Egypt. If it deploys equipment outside of its own borders that we have supplied them, the usual restrictions apply and the Secretary of State will have to make the usual findings on that kind of issue.

With respect to U.S. military strength overall, I yield that in my concern that it be sufficient. If I were an Egyptian or an Israeli, I would not be greatly comforted to know that the United States had neutron bombs or B-1's, simply because neither of those is of particular utility in military terms in that region. They may have their place but in the Middle East, conventional arms are what is important.

The United States needs, for its own security, to be able to deploy military forces quickly in various parts of the world. I am determined

that we need to have that and we will continue to have and expand as needed that capacity.

U.N. EMERGENCY FORCE

Mr. DERWINSKI. Secretary Vance, I have a thoughtful question for you. The U.N. Emergency Force mandate expires in July. Your friendly adversaries, the Soviets, have indicated they would veto any extension. Their known leverage with Libya, Syria, and Iraq and their major presence in Ethiopia all create geopolitical problems for you in the Middle East.

Given the decision to veto the United Nations Force mandate, do you foresee worse case possible situation where your Soviet friends would be able to torpedo Middle East peace initiatives?

Mr. VANCE. The answer is no, if that worse case were to take place, it would not. As you know, the United States in connection with the signing of the Peace Treaty has indicated it would use its best efforts if that case should arise, to help put together a force which could provide the peace-keeping function in lieu of the United Nations Forces.

Let me say further with respect to your thoughtful question that I do not necessarily accept the fact that because it has been bruited around in the corridors of the United Nations at this point, that there will be a veto, that in the end, that will be the case. Obviously this is the subject of importance and concern and a subject which we are discussing with many different nations.

Mr. DERWINSKI. Thank you.

Chairman ZABLOCKI. Mr. Hamilton.

Mr. HAMILTON. Thank you, Mr. Chairman.

SAUDI FINANCING OF F-5'S TO EGYPT

Secretary Brown, when we had the arms sale package last year of F-5 aircraft by Egypt, we were told the Saudis had agreed to finance the purchase. I have heard recent reports that Northrop was not given the money due to it.

Is that correct?

Mr. BROWN. The F-5 purchase by Egypt is still under negotiation as to the source of funds. The Saudis have been negotiating on the question of how long a period those funds are to be delivered over and those negotiations are not completed yet.

Mr. HAMILTON. Have any payments been made?

Mr. BROWN. I think none have been made yet.

Mr. HAMILTON. All payments are still due at this time?

Mr. BROWN. That is correct.

Mr. HAMILTON. What is the total cost of that package?

Mr. BROWN. \$525 million is what the cost is that we had worked out for the package. It depends on how much you include in the way of support equipment. The flyaway cost of the aircraft is less than that, depending upon how extensive a support base you want, the price could run more. The \$525 million will buy the number of aircraft the Egyptians have been allotted.

Mr. HAMILTON. Is there any indication at this time that the Saudis are trying to back out of that?

Mr. VANCE. All I would say is at this point, the subject is still under discussion.

Mr. HAMILTON. In those discussions, are they trying to back out?

Mr. VANCE. I do not think I should go into the discussions.

STRATEGY TO BRING JORDAN AND THE PALESTINIANS
INTO THE PEACE PROCESS

Mr. HAMILTON. Secretary Vance, you have indicated in your statement that we have to bring the Palestinians and the Jordanians into the peace process. I am interested to know what your strategy is to bring that about? Presumably, the major focus of your attention will be to succeed in the talks that are going on between Israel and Egypt and if those talks succeed, that would bring them in. We all know that is going to be a long, tough, and difficult road.

While that process is going on, what is your strategy to bring the Palestinians and the Jordanians in?

Mr. VANCE. I believe that we should continue our regular discussions with Jordan. I had discussions yesterday with one of the senior Jordanian officials who is here in the United States on a visit at this time. I will be talking to him again.

Insofar as the Palestinians are concerned, I think informal conversations with Palestinians on the West Bank could prove helpful in beginning to move toward hopefully ultimately active participation.

Mr. HAMILTON. Are you willing to talk to all sectors of the Palestinian community?

Mr. VANCE. On the West Bank?

Mr. HAMILTON. On the problems of the West Bank, yes.

Mr. VANCE. Provided they live on the West Bank.

Mr. HAMILTON. In testimony before the subcommittee, Mr. Secretary, the Assistant Secretary, Mr. Saunders, answered this question, and I will read the question and identify the answer. The question was, "Is it correct to say that the United States can have informal direct communication with the PLO and that to do so did not secure the approval of Israel before doing so?"

Mr. Saunders' responded, "In part, I believe that is correct."

Do you agree with your Assistant Secretary's observation?

Mr. VANCE. Let me give you a full answer. As you know, we have stated since the time in 1975 when we entered into the Sinai II understanding with the Israelis, that we would not recognize or negotiate with the PLO until they recognized the right of Israel to exist and accepted 242 and 338 as a basis for negotiations of a Middle East settlement.

At the same time, it is clear that there may be cases where, for example, in Lebanon, for security purposes, we may have to discuss with the PLO things which could affect the security of our people in the Embassy. We would have and have had such discussions from time to time. That is different from recognizing or negotiating with the PLO.

We are free under the understanding to do what is in the national interest of the United States but in doing so, we would always consult in advance with Israel as we promised to do.

Mr. HAMILTON. Your Assistant Secretary, Mr. Secretary, said that you could have informal direct communication with the PLO and to do so, need not secure the approval of Israel. Do I take it you are affirming his answer?

Mr. VANCE. I am insofar as such things as the discussions which we have on security problems which affect our people in Lebanon, for example.

Mr. HAMILTON. What about insofar as the future of the West Bank is concerned?

Mr. VANCE. I have said that insofar as the future of the West Bank, we feel free to discuss with people who are residents on the West Bank, for example, the mayors, matters relating to the peace negotiations and without regard to what their politics may be, as long as they are residents on the West Bank or in Gaza.

Mr. HAMILTON. Mr. Secretary, my question is, are you prepared to have informal direct communication with the PLO?

Mr. VANCE. I think I answered your question. I said if the people are on the West Bank, resident on the West Bank, then we are prepared to discuss with them things relating to the peace process regardless of their politics.

Mr. HAMILTON. Thank you, Mr. Secretary.

Chairman ZABLOCKI. Mr. Wolff.

PURPOSE OF EGYPTIAN AND ISRAELI BUILDUP

Mr. WOLFF. Mr. Secretary, you have indicated we are committed to see the peace process work, and that you have no concern over future military problems between Egypt and Israel.

I take it the buildup on both sides is to respond to an external threat? Am I correct?

Mr. VANCE. Yes. It is both to modernize their forces and to give them a defense capability which is sufficient to protect them against possible threats.

Let's take Egypt, for example. As a result of the Peace Treaty, there is or will be no threat with respect to their Eastern flank. There are other African nations which present a possible threat and they have to have the capability to defend themselves against any such threat.

I would want to emphasize and Harold would probably want to expand on that, that the equipment which they will be getting will be primarily to modernize their forces. As you know, in 1974 and 1975, the Soviets, who were their principal supplier, cut off all arms supplies to them except for a few spare parts. Because of that, they have to replace their equipment.

Mr. WOLFF. I understand that. What I was trying to clarify is this: The buildup is for "modernization," but modernization against what threat?

Mr. VANCE. I told you in Egypt and I will now come to Israel if I may. Would you like me to speak to Israel?

Mr. WOLFF. I am somewhat concerned over the answer you gave to Mr. Hamilton on the PLO because I do not think it was fully clarified.

You did indicate we would speak to people concerning our security and also people who are on the West Bank. Is it correct to say that we do not consider these people as representative of any particular organization?

Mr. VANCE. Yes; you may have somebody who is the mayor of a West Bank city who may have PLO leanings.

Mr. WOLFF. But you will not negotiate with the PLO as such?

Mr. VANCE. No; not with the PLO as such.

ENTRY OF PLO SPOKESMEN TO THE UNITED STATES

Mr. WOLFF. How can we reconcile this statement with the fact that the State Department has permitted a number of the PLO spokesmen to come to this country with the objective of disturbing this peace which we are attempting to maintain and support?

Mr. VANCE. I think the only members of the PLO who have come to this country to my knowledge are those who are accredited to the United Nations plus Mr. Al Hout who was recently here.

Mr. Al Hout was invited by four of our distinguished universities to come to this country and to speak in those academic communities on the problems of the Middle East.

In light of our basic position with respect to the admission of people on visas for a limited period of time, to come to the United States, a principle which we espoused very strongly at the Belgrade Conference and which we believe reflects the commitments made at Helsinki, we decided in that case and it will be done on a case-by-case basis—

Mr. WOLFF. What are your criteria for deciding such waivers? I have been extremely interested in the whole Irish question. You have denied various people of political parties from Ireland to come to the United States based on their connection with so-called terrorist organizations.

Is there a distinction between the terrorist organizations of the PLO and other terrorist organizations?

Mr. VANCE. Before recommending that there be a waiver to permit him to come in for a limited period of time, in the case of Mr. Al Hout, I checked into what his position had been on terrorism. His position, as a result of that study, turned out to be that he had been speaking against the use of terrorism and that was one of the factors that entered into my decision in that case in saying yes, let's give the waiver.

Mr. WOLFF. Thank you.

Chairman ZABLOCKI. Mr. Findley.

INFORMAL TALKS WITH THE PLO

Mr. FINDLEY. Mr. Secretary, I listened intently to your exchange with Mr. Hamilton. I found nothing in what you said in conflict with what Mr. Saunders had said to the subcommittee.

As I heard your words, you said with respect to informal talks with the PLO, we would be free to do what is in the national interest of the United States but if we saw fit to have these informal talks, we would of course consult in advance with Israel. Is that a correct reading?

Mr. VANCE. As a matter of law, that is correct. As a matter of the form of the commitment, yes. I went on to spell out what I meant.

CYCLE OF VIOLENCE IN THE MIDEAST

Mr. FINDLEY. Mr. Secretary, it troubles me that at this juncture in the peace process, you have made a major statement and Secretary

Brown has made a major statement and neither has made reference to the rising level of violence in the Middle East. You are here testifying on behalf of a peace treaty support bill and yet violence is rising.

It troubles me greatly. I would like to know what we are doing to break this cycle of violence. I am troubled for a lot of reasons. I almost see a feeling of provocation in some of the violence.

The real hope of peace is for Palestinians and Israelis to live side by side in peace and they somehow have to achieve that status through peaceful discussion.

The other day, Israeli airplanes struck 40 miles north of Beirut and I guess in self defense or in retaliation of the terrorism. I deplore the terrorism that has occurred and I am sure you do, too.

Mr. VANCE. I do.

Mr. FINDLEY. I think we have to acknowledge that in contrast with the potential for terrorism which the PLO has, the terrorism in the wake of the treaty and Camp David has really been moderate and if this rising level of violence continues, we are going to get a lot more terrorism. If that happens, how can we hope to begin talks with the PLO and bring them into the peace process?

My question is, what is our Government doing at this juncture to break this cycle of violence?

Mr. VANCE. Let me answer specifically with respect to Lebanon which is apparently what you are talking about.

There are two sets of problems. The first is the problem with respect to southern Lebanon and to the Christian enclaves in that part of the country where there has been fighting between Major Haddad's forces and the United Nations forces which are in the area.

We all felt it was a positive step when 500 members of the Lebanese Army were moved down into south Lebanon for the first time in order to begin to take over the responsibilities of the Lebanese Government for restoring law and order in their country.

We deplored the fact that after that, there were shellings of the United Nations forces by Major Haddad's forces.

We are trying first to deal with that problem. That is one of the problems.

Mr. FINDLEY. What do we do? Just deplore it and that is the end of it?

Mr. VANCE. It involves many parties. It involves the parties in Lebanon. It involves the various elements within the Lebanese community, the various factions within the Christian community and the other political groupings. In addition, it affects Israel because of the actions that Israel has taken.

We also have this second set of issues which results from the cycle of terrorism and retaliatory violence which you and I both deplore. That is another set of issues which is mounting in its severity.

We have to work with all of the parties to try and bring this to a halt. It is not an easy job.

U.S. INFORMAL TALKS WITH THE PLO

Mr. FINDLEY. Mr. Secretary, one of the parties in a sense, the central party is the PLO. There is no likelihood the PLO is going to talk to Israel, that Israel at this junction is going to talk to the PLO. We hold

the key, if our Government will begin informal talks with the PLO, it would save lives, it would halt violence, it would relieve tensions. I think it is the key to the peace process and would hopefully quickly bring the Arab states back into a more cooperative attitude.

I cannot understand why our Government is not beginning informal talks with the PLO in order to try to break this cycle.

Mr. VANCE. Let me add a point in what you have said, namely, that insofar as the PLO and the Palestinians in Lebanon are concerned, they are obviously in close touch with the Syrians. We are in touch with the Syrians as well. They are in touch with the Lebanese Government whom obviously we are in touch with. We know what the PLO is saying. It is not as though that was a factor that was not known to all of the individuals and parties involved who were trying to stop this violence and the cycle of violence from continuing.

Mr. FINDLEY. Are not direct talks better than indirect communication? Do you not risk misunderstanding and exaggeration and bad blood by going through third parties?

Mr. VANCE. Not necessarily.

Mr. FINDLEY. You are satisfied with your present relationship with the PLO?

Mr. VANCE. I think that under the commitments we have made, that we are doing the best that we can.

Chairman ZABLOCKI. The time of the gentleman has expired.

Mr. Studds.

PUBLIC SUPPORT OF COSTS OF PEACE AGREEMENTS

Mr. STUDDS. Mr. Secretary, as you know, the President has spoken often of the need for a foreign policy which the American people understand and support and I believe he has said participate in. I have never been entirely sure what he means by the last but certainly with respect to the understanding and their support, I must tell you that in this instance, at least as of now in my judgment, the American people neither understand nor support the package which you are presenting to us.

You have been asked and you responded in your testimony to some of the questions which people are asking. I understand the extent to which you are trying to convey to them that an outbreak of peace is less expensive than an outbreak of war and that peace requires presumably less money in weapons, although I am not sure about that, than war does.

There are some questions which we all get bombarded with and, frankly, I am not sure I know the answers to and let me try a few of them on you.

AID FOR EGYPT

Egypt is a desperately poor country. There are things that the people of Egypt need infinitely more than they need more weapons at this point.

The Saudis we thought—or at least I thought until I heard Mr. Hamilton's questioning of you—had a commitment to pay for the aircraft in last year's big round of sales.

With respect to the \$1.5 billion in FMS credits in this package, do I understand the Saudis are to pick up that as well?

Mr. VANCE. No.

Mr. BROWN. No; that has never been our understanding.

Mr. VANCE. We do not count on that.

Mr. STUDDS. If the Saudis were to cut off the Egyptians in the last round of sales, I cannot imagine how that country is going to come up with the money to pay for that.

I would agree with you that it is critical that President Sadat survive and as I think you have testified in the past, it is critical in order to insure that he would be able to demonstrate to his own people that the policies he has been following in the peace process would pay off.

I am not sure arms are the way to convince the people of Egypt that is the case. It certainly did not save the Shah of Iran. As I look at the new package you have come to us with concerning Egypt, it is \$100 million a year of economic aid and Secretary Saunders testified that is \$35 million a year less than the interest on the military loans which we are giving to Egypt, once we get into the full process.

We will be getting \$135 million in interest on the foreign military credits which will not even be made up for by the economic aid we are giving to Egypt.

I am wondering what kind of sense does that make?

Mr. VANCE. Let me try to put this in proper context. You talk as though we were not giving any economic assistance. We are giving them \$1 billion of economic assistance this year. We have indicated we will give them \$1 billion this next year. In addition to that we are adding this additional sum so as to give them an additional increment.

If you compare the amount they are getting next year when this legislation is passed, you will find they are getting \$1.1 billion in economic assistance and only \$500 million will be the equivalent amount in FMS loans for the military side.

Mr. STUDDS. I know that. I was talking about the incremental requests that you have come to us with.

ISRAELI SETTLEMENTS

Let me express to you a similar reservation which we hear with respect to Israel. The Fourth Geneva Convention, as you know, prohibits the introduction of civilian settlers from an occupying power into occupied territories. Israel has established over 70 nonmilitary settlements in occupied territory with some 8,000 civilian settlers. We understand additional settlements are being planned during the course of the coming year. In that year, I believe we are scheduled to give Israel more than \$2 billion in economic and military assistance.

In your judgment, is this aspect of Israeli policy one which detracts significantly from the prospects for a comprehensive peace settlement in the region?

Mr. VANCE. We have stated for many years and I have reaffirmed on countless occasions our position with respect to the question of the building of settlements in occupied territories. We believe it to be contrary to international law. Second, we believe it to be an obstacle to peace.

The building of new settlements or the authorizing of new settlements at this time, just as we are moving into the negotiations, I think, is clearly unhelpful to the peace process.

Mr. STUDDS. Under those circumstances, Mr. Secretary, we heard testimony that an estimate was the Israelis plan to spend some roughly \$35 million on settlements in the coming year. What would be the position of the administration given what you have just said on an amendment to subtract that \$35 million or whatever it is we think Israel is going to spend on settlements which we construe to be illegal and severely harmful to the peace process from the package of aid to Israel?

Mr. VANCE. I would have to reflect on that for an answer.

SAUDI ROLE IN SALE OF F-5 TO EGYPT

Mr. STUDDS. Thank you. Let me make another observation. I was somewhat taken back by the colloquy between yourself and Mr. Hamilton with respect to the Saudi role or questions about the Saudi role in last year's sale.

I, as you will recall, was one of the many members of this committee who spent a good deal of time agonizing over the wisdom or lack of wisdom of that tripartite sale to Egypt, Israel, and Saudi Arabia. One of the factors that finally made me decide you were correct, somewhat to my own astonishment, in asking us to support that sale, was the testimony about how helpful the Saudis were being in the peace process.

Mrs. Benson testified and I quote:

Saudi Arabia has been a moderating influence in the area of the country and has strongly supported President Carter's peace initiative.

I notice she is not sitting behind you at the moment but she may want to amend that.

Mr. VANCE. When that statement was made, that was an accurate fact. That had been the case and was the case at that time. Since the Baghdad Conferences, the declared position of the Saudis has changed. It is a fact and nobody can or should gloss over that fact.

Mr. STUDDS. Thank you.

Chairman ZABLOCKI. The time of the gentleman has expired.

Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman.

ISRAELI BASES

Secretary Brown, in your testimony, you talk about four airbases and two or three naval bases that Israel will have to pull back from that are in the Sinai.

My question is what happens to those bases once Israel leaves them? Have these bases been negotiated with Egypt? Do the wind and the desert take them over? What happens to them? Does Egypt pay Israel for them?

Obviously you are going to have airfields there and buildings that are still going to be intact.

Mr. BROWN. The arrangement, Mr. Hall, is those airbases can be used by the Egyptians for civil aircraft. They cannot be used as military bases. There are some elements of those bases, aircraft shelters, for example, that have no particular civil aircraft function and the

Israelis are going to have to decide how they leave those, whether they leave them intact or whether they demolish them before leaving.

The Egyptians have agreed that there will not be military units at those bases. They will be in an area that is to be demilitarized. There is no payment by Egypt to Israel for these bases because they were built on what is Egyptian territory.

APPROPRIATION OF FUNDS TO EGYPT

Mr. HALL. Secretary Vance, we are giving \$300 million in economic assistance to Egypt. In what way are we appropriating the funds? Does it go directly to President Sadat or did he spell out how he is going to spend those moneys?

Mr. VANCE. It goes directly to Egypt. We have been discussing with them the priorities of the Government in the economic field. We have indicated that we believe the agricultural side, the increase in necessary housing and some limited infrastructure projects which would provide more potable water are the kinds of projects we hope they would use this money for and this is in the process of discussion with the Egyptians.

Mr. HALL. There are no ties to the money? We do not put demands on it?

Mr. VANCE. We will discuss it with him and we will probably reach agreement on what we believe this ought to go to by the time the money is actually turned over.

Mr. HALL. Thank you.

Chairman ZABLOCKI. Mr. Winn.

Mr. WINN. Thank you, Mr. Chairman.

U.N. MANDATE

Mr. Secretary, following up on the line of questioning by Mr. Derwinski, in the event that the U.N.'s mandate is not extended, the United States has pledged in identical March 26 letters to Prime Minister Begin and President Sadat to "take those steps necessary to ensure the establishment of an acceptable alternative multinational force."

My questions are these: What other countries would participate in such a force and have we approached them? Who would pay for such a force? Would it be possible to ask Canada or Australia to provide forces for this job without sending in U.S. forces? Would you come to Congress for the approval of U.S. participation in such a case or in such a force prior to giving a commitment?

Mr. VANCE. We have not discussed with other nations the nations whom we would approach if that should be the case. There are obviously a number of nations who have great expertise in peacekeeping who would be the logical candidates to approach if that were to be done. It is premature at this point for us to be discussing that matter with other countries.

Insofar as U.S. forces are concerned, I believe it would be a mistake for the United States to put U.S. forces into such a peacekeeping force. It has been a wise decision in the past to not use the forces of the

so-called superpowers in peacekeeping operations. What we have limited our assistance to in the past is logistical support, air transport, and the like.

I think that is a sound principle. I think it is a principle that we should follow in the future should we have to do so.

I believe there was one other question you asked.

Mr. WINN. Would you come to Congress before you made a commitment on such a force?

Mr. VANCE. We would certainly consult with the Congress, yes.

Mr. WINN. Thank you very much.

Thank you, Mr. Chairman.

Chairman ZABLOCKI. The Chair would like to note that there is a rollcall vote in the House. I would suggest we continue without interruption. If the members would vote and hurry back, we can continue. There are 12 members remaining that would be subject to call for questions. I would suggest those who have been at the beginning of the session remain and others go to answer the rollcall and come back.

The Chair will call Mr. Fithian.

Mr. FITHIAN. Thank you, Mr. Chairman. Mr. Secretaries, we are happy to have you here today. I want to congratulate you and the President on the tremendous efforts which you have made toward peace in the Middle East.

CRITICISMS OF THE PEACE PROCESS

I would like a little help from you in answering some criticisms of this policy. One of these that has been voiced by thoughtful citizens in our area is that the United States in this process has in essence consolidated the "have-nots" of the Middle East so far as oil and natural resources are concerned and joined them while we also have consolidated the "have" nations of the Middle East and alienated them.

How would you suggest that we reply to that criticism? I think in essence that criticism is that while we applaud the strides to peace, we have in the long haul hurt our own national self-interest.

Mr. VANCE. In the Middle East, as a result of the Camp David negotiations and the peace treaty, we have brought about an agreement between two countries, one of which has no oil and the other of which has oil and is finding increasing oil. As you know, Egypt is more than self-sufficient and is developing more oil at the present time and probably will continue to do so in the future. They are an oil exporter.

If you are talking about some of the other nations who have supported the peace process, such as Sudan and Oman, they are continuing to receive oil from the Arab states despite the fact that they have been supportive of the peace process.

I would question the assumption underlying your question as a starter. In addition to that, I think you have to take a look at what the benefits are that have flowed from what has been done.

You now have peace between the largest Arab nation in the region and Israel, the strongest country militarily in the region and a staunch democracy.

The path has not been opened to begin to deal, as I indicated earlier, with the Palestinian question, which is necessary if we are to achieve a comprehensive peace. It is our belief that as the peace process goes forward, we will find as was the case in the past, that if we can make progress in the negotiations, others who are now on the sidelines or who are being critical, will join the peace process.

If you look back at what happened at Rhodes, if you look back at what happened in Sinai II, you will see when the actions were first taken, it was Israel and Egypt alone but later other Arab nations came in and joined. We hope that will be the case in the future.

Mr. FITHIAN. Thank you, Mr. Secretary.

EGYPTIAN HELP AGAINST SOVIET INFLUENCE IN THE HORN OF AFRICA

Secretary Brown, just a very quick question because I will have to depart very shortly, what help if any might Egypt give us down the road should the United States find it necessary to stiffen our resistance to Soviet intrusion and influence in the Horn of Africa?

Mr. BROWN. The Egyptians themselves have a considerable concern about possible threats to their security from that region because their water supply, as you know, largely depends upon rivers that rise in or flow through Ethiopia and Sudan. We do not, as I say, see the Egyptians as a policeman in the area nor do they so see themselves.

Nevertheless, advice, support, military training which they might offer to surrounding countries in the region could stabilize or could help to stabilize the political military situation there.

Mr. FITHIAN. Thank you, Mr. Secretary.

Chairman ZABLOCKI. It appears we will have to recess for about 5 minutes.

The committee will stand in recess for 5 minutes.

[Whereupon, at 12:20 p.m., a short recess was taken.]

Mr. FASCELL. The Chair will now recognize the gentleman from California, Mr. Lagomarsino.

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

PRICE OF WAR VERSUS PRICE OF PEACE

Secretary Vance, I do not know if my mail is typical of that of other members of the committee or not, but I can tell you, in a somewhat sad way, that the vast majority of the mail I have received on this issue has been very negative insofar as supplying additional moneys, as we are being asked to do.

I respond by using many of the same arguments that you have this morning, saying the price of war would be much more than the price of peace, and so on, and also what might well happen with regard to our very vital oil supplies.

On page 3 of your statement you say that four wars in that region have cost the U.S. taxpayers several tens of billions of dollars in direct costs alone.

Do you have that information with you today? Could you furnish it to us?

Mr. VANCE. I do have it with me.

Mr. LAGOMARSINO. I think it would be very helpful to some of us at least in responding to our mail to have that actual information.

Mr. VANCE. I would be very happy to give you a report which I sent to Frank Church when I was testifying before the Senate Foreign Relations Committee on this. It is awfully hard to do any sort of precise study on this, but we did the best estimate we could, trying to take into account direct and indirect costs of the four wars.

The figure we came up with can be put in the range of between \$55 and \$70 billion.

Mr. LAGOMARSINO. This is for all 4 wars?

Mr. VANCE. Yes.

Mr. LAGOMARSINO. What about the 1973 war itself?

Mr. VANCE. The 1973 war, we immediately paid or had to expend some \$2.2 billion to replace the Israeli equipment which was lost during that war. That is just one indication.

One thing that we should never forget in talking about the costs is the costs in human lives that are lost in war.

Mr. LAGOMARSINO. Another point people make is, how come peace costs more than when those to states were at war?

Mr. VANCE. The answer I would give is there are initial costs that are connected with peace such as the costs on Israel's part of withdrawing from the Sinai, which are substantial. Those are one-time costs that have to be incurred.

As I indicated earlier in answer to a question from one of the other members of the committee, I think as one looks down the road in the longer term, both on the military and economic side, we are, as a result of peace rather than war, going to be able to see a reduction in expenditures.

U.S. FOREIGN ASSISTANCE

Mr. LAGOMARSINO. Another point that constituents make and one which I find much harder to answer because I tend to agree with them is the one saying if we have to do this and let's assume we do, why not reprioritize our other foreign aid programs and put off those things or eliminate those things that are not as vital and necessary as this? In other words, why add this onto the top of everything else?

Mr. VANCE. When you take a look at our foreign assistance programs, the actual real cost increase this year is only 4 percent, which is less than the cost of inflation. We cut the foreign assistance programs to the bare bone this year.

I wish we could have an awful lot more for foreign assistance than we do have. I think in many countries around the world, what we expend in economic assistance is of inestimable value both to us and to the Western and the free world in our relationships with the developing world. I wish we had more money rather than less.

ARAB SUPPORT FOR THE TREATY

Mr. LAGOMARSINO. Can you tell us what leaders of which Arab States support the treaty?

Mr. VANCE. The Sudanese and the Omani have publicly declared their support of the efforts under the Camp David accords. Insofar as publicly declared positions of other states, I think there are no others at this point who have publicly declared their position. Sometimes there are public positions and private positions.

ACCELERATION OF F-16 DELIVERIES TO ISRAEL

Mr. LAGOMARSINO. Secretary Brown, why has the treaty necessitated an acceleration of F-16 deliveries to Israel?

Mr. BROWN. The Israelis have as your question indicates, Mr. Lagomarsino, always contemplated having a certain number of F-16's. They have always wanted them delivered as early as possible. In fact, they had asked for earlier delivery a year ago.

What has happened is that the cancellation by the Iranians of their F-16 purchase has made it feasible for us to accelerate those deliveries. That has not caused any change in our military assistance to Israel. It is merely a rearrangement of the delivery schedule and is not a consequence of the peace treaty.

ROLE OF PRESIDENT SADAT

Mr. LAGOMARSINO. There are some other questions about this. There has been some speculation that President Sadat envisions a broader role for Egypt in the area over and above the maintenance of Egypt's own territorial integrity.

To what extent if any are we interested in such a role for President Sadat in that area?

Mr. BROWN. We want him to help produce stability in the region to the extent that Egypt can be of help. I see that not as a broad military security responsibility but as a limited case-by-case opportunity, taking advantage of limited case-by-case opportunities for Egypt to supply training or merely by its own military strength, to be able to support surrounding countries.

Mr. LAGOMARSINO. Thank you. I have no further questions.

Chairman ZABLOCKI. The Chair would like to remind the members that under the so-called Findley rule, we call upon all of the members who were here at the beginning of the session before we go back to rotating questions from both sides.

There are three remaining members who were here at the beginning: Mr. Goodling, Mr. Pritchard, and Mr. Findley. The Chair recognizes Mr. Pritchard.

Mr. PRITCHARD. Thank you, Mr. Chairman.

I guess this is more of a comment than a question.

ROLE OF STRAUSS IN THE MIDEAST

Secretary Vance, I am somewhat distressed that the administration has called on Bob Strauss to take this role, almost as if he is the only one that we have in this entire administration who can negotiate. He has been playing a crucial role in foreign trade. We still have trade problems. To reassign him abruptly into this area which has not

been his field of expertise and to bypass the State Department is not very reassuring. Would you comment, please.

Mr. VANCE. I do have a comment. I think we are very fortunate to have Bob take on this. Bob was going to leave the Government. Bob had decided that as soon as he finished his work on the trade negotiations, he was going to go back in the private practice of law.

When the President and I went through a series of names, many names, because we felt it was critically important that we get somebody who could devote their full time to the negotiations in light of the importance of the negotiations, Bob was the best choice.

The President and I simply cannot continue to spend the amount of time we have had to spend during the last year and a half on one subject—as important as it is. Therefore, we felt it was absolutely critical that we get somebody who is a first class negotiator, who has the total confidence of the President and certainly my confidence, to take on this job.

Bob really made a great sacrifice in agreeing to come back into the Government to take this on and we are lucky.

Mr. PRITCHARD. That is an excellent defense of the appointment. I accept your reasoning.

U.S. ROLE IN STRENGTHENING EGYPTIAN ARMED FORCES

Secretary Brown, you were discussing our contribution to strengthening the foundation of the Egyptian Armed Forces. You said what we were providing them would not bring them up to speed but represents a good first step. I assume that implies that we have quite a number of other steps down the road, further contributions to maintaining the Egyptian Armed Forces.

Mr. BROWN. Mr. Pritchard, I do not think we can predict what is going to happen after 3 years. In fact, I am not at all sure we can predict what is going to happen during those 3 years.

The foreign military sales credits and the corresponding list which is actually a longer list than can be paid for by those credits, therefore some prioritization will have to take place. It will make a substantial difference both to Egyptian military capability and to their own confidence in themselves and in us.

What happens beyond that depends upon Egyptian economic circumstances, depends upon how their plans to reduce the size of their military forces proceed, depends on how well and how rapidly, because I am sure they will be able to do it, they can absorb this change of equipment which will be required because they are transitioning from Soviet to various kinds of Western equipment, not only United States. Most of all it will depend upon the evolution of the peace process.

I do not want to say that I foresee necessarily a growth or a continuation at the same rate for an indefinite period. I do not think we have any way of knowing that.

EGYPT'S ECONOMIC PROBLEMS

Mr. PRITCHARD. My observations in Egypt lead me to the conclusion that Cairo desperately needs to reduce arms expenditures in order to develop the neglected civilian economic sector, Egypt requires sub-

stantial credit to defray the enormous cost of this task. I just do not see how Egypt, with its unrestrained, rapid growth in population, will be able to cope with the inevitable economic problems in the future.

One of the things they have to do is reduce their military spending. From that standpoint, this peace treaty is most encouraging.

Mr. BROWN. There is no doubt at all in my mind, Mr. Pritchard, that reducing their arms expenditures is a necessary although not sufficient condition for their economic prosperity. There is no way to do that other than a successful prosecution of the peace process.

Mr. PRITCHARD. I have no further questions.

Chairman ZABLOCKI. Mrs. Fenwick.

PALESTINIAN ISSUE

Mrs. FENWICK. Mr. Secretary, good morning. I wrote this down because I think it is a matter of great importance. I think it would be a matter of great concern to many of us if we felt our Government was negotiating even informally with representatives of the terrorist group known as the PLO.

Would it be accurate, except as in the case of Lebanon where the lives of U.S. citizens might be at stake, would it be accurate to say that when our Government or any representative of our Government speaks to the mayors and others on the West Bank, one speaks to them not as representatives of PLO but as residents without inquiry as to their persuasion or politics?

Mr. VANCE. Exactly. We are saying we will talk to anybody who is in a position of influence in the West Bank and the Palestinian community.

Mrs. FENWICK. The chief of police or whatever.

Mr. VANCE. Absolutely.

Mrs. FENWICK. They are representatives, they are not PLO in your eyes? They are representatives of the residents of the district and not of the PLO?

Mr. VANCE. That is correct.

Mrs. FENWICK. The other thing I did want to say in relation to Mr. Al Hout, although displeasing to the State Department, he did not say this as I understand it, until he got here. He is a member of the PLO, a terrorist group. We have our principles of free speech and responsibilities under the Helsinki Pact. I recognize that.

When he was questioned about terrorism, he responded, that is not terrorism, that is armed struggle. It is pretty clear that he does not disavow terrorism and considers it to be armed struggle.

Mr. VANCE. The statement he made when he was here to which you referred goes further than statements which he had made since 1972 outside of this country.

Mrs. FENWICK. Thank you. Now, in relation to our friends and allies helping out with some of these expensive and necessary peace programs, have we assurances and pledges or have we only hopes and expectations?

Mr. VANCE. A number of them have told us they will indeed make contributions. It is up to them to announce how much and when they intend to do this.

Mrs. FENWICK. It is clear that they will?

Mr. VANCE. Yes.

ISLAMIC CONFERENCE

Mrs. FENWICK. What can we expect from this forthcoming conference or meeting in Morocco? More fireworks than talk?

Mr. VANCE. I think there may well be an attempt to suspend Egypt from the Islamic Conference. We have made our views known to those attending the Conference in the clearest terms that we think that would be totally unfair, wrong, and harmful to the peace and stability of the area.

Mrs. FENWICK. Is there any reason to believe that some of our more moderate friends might agree to our position?

Mr. VANCE. Several of them do privately. It will remain to be seen what they do when they vote.

FOREIGN FORCES IN SOUTH YEMEN

Mrs. FENWICK. Secretary Brown, have we any estimate as to what foreign forces might be in South Yemen?

Mr. BROWN. We believe there are some advisers from other countries. I think I perhaps should not give numbers. It is well known the arms of the South Yemenese and to some degree the arms of North Yemenese have been provided to them by the Soviet Union and with that, there are a number of military advisers. There is also some evidence of a presence of Cubans although nothing like the size we have seen in Africa. It is sometimes hard to distinguish military advisers from internal security advisers.

SHIPMENT OF ARMS THROUGH SAUDI ARABIA

Mrs. FENWICK. I wonder if either of you could tell us a little bit more than we read in the papers about the landing of Soviet submachineguns and Bulgarian handguns in Saudi Arabia seized on the docks?

Mr. BROWN. There have been or there is concern about a shipment of arms which, after all, can be brought in over a long coastline. The Saudi internal security apparatus is paying attention to these questions and to these problems.

I do not see it as having yet become a major security threat. It is something I think we need to be concerned about.

Mrs. FENWICK. Do they know to whom they were being sent?

Mr. BROWN. Saudi Arabia remains substantially a tribal society. In such a society, arms are a rather frequent item of commerce.

I would not rule out the existence of clandestine organizations that might threaten internal security but I do not see yet signs of a major change in that balance.

Mrs. FENWICK. It does not relate to the foreign workers who are there in such large numbers?

Mr. BROWN. They are, as you say, Mrs. Fenwick, in very large numbers; in fact, probably more than half the Saudi work force is foreign. They are kept reasonably close track of, especially near vital installations.

Mrs. FENWICK. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Mr. Solarz.

Mr. SOLARZ. Thank you, Mr. Chairman.

Secretary Vance, I thought I detected a somewhat pained expression on your face in some of the earlier questioning. I would like to sort of serve out the real softball which you can knock right out of the park.

Mr. VANCE. Thank you.

CONSEQUENCES OF CONGRESSIONAL REJECTION OF THE LEGISLATION

Mr. SOLARZ. In your judgment, what would be the consequences for the viability of the treaty, in general, and Israel's ability to carry out the obligations which it incurs as a result of the treaty, in particular, if the Congress, in a budget-balancing mood, was to reject this legislation and our resources were not made available to Israel and Egypt for the purposes of carrying out their commitments under the treaty?

Mr. VANCE. First, I think it would deal a body blow to the peace process. We made statements and commitments at the time the peace treaty was being signed about what we were prepared to do to help support the peace process.

The failure to implement those commitments would, I think, be extremely damaging from the standpoint not only of Egypt and Israel in their perception of the reliability of the United States but also the perception in the region as to both our interest and our willingness to really put our shoulder to the wheel to make the peace process work.

In addition to that, as a practical matter, the Israelis simply could not, in my judgment, meet the deadline of removing their forces at the end of the 3 years specified in the treaty. There is no way they could do that unless the airfields are built and are in place and they cannot do it without the help that we would provide both in the money and in the technical assistance which we will give in the construction process.

U.S. DISCUSSIONS WITH THE PLO

Mr. SOLARZ. Thank you, Mr. Secretary.

Just for the record, I would like to come back to the colloquy you had with some of the other members on the question of American discussions with the PLO.

My question is this: Given the extent to which the PLO remains publicly committed to the elimination of Israel and to its replacement by a so-called secular democratic state, and given the extent to which we entered into a solemn agreement with Israel at the time of the Sinai II accords in which we said, "The United States will continue to adhere to its present policy with respect to the Palestine Liberation Organization whereby it will not recognize or negotiate with the PLO so long as the PLO does not recognize Israel's right to exist and does not accept Security Council Resolutions 242 and 338," can this committee confidently expect that we have no intention in contravention of those commitments of entering into discussions or negotiations with the PLO concerning the political problems in the region?

Mr. VANCE. That is correct. As Mrs. Fenwick pointed out, that does not mean if we talk to a West Bank mayor who happens to politically have leanings toward the PLO, that we cannot talk to him.

This is understood with the Israelis.

SUPPLEMENTAL REQUEST IN RELATION TO THE TREATY

Mr. SOLARZ. Secretary Brown, you indicated in your testimony that this supplemental package was offered in the context of the treaty between Israel and Egypt, particularly the additional military assistance to Egypt.

Would it be fair to say if there had not been a treaty between Israel and Egypt, the administration would not have come forward with this supplemental request?

Mr. BROWN. Yes; as a practical political matter, I think that is pretty clearly the case. Our relations with Egypt were evolving even before the peace treaty was signed and there had been, as you know, previous sales of military equipment to Egypt, but there had been no extension of FMS credits. FMS credit extension is associated with the treaty.

AID TO ISRAEL AND ITS OBLIGATIONS UNDER THE TREATY

Mr. SOLARZ. We have had some conflicting testimony before the subcommittee and now the full committee on the extent to which the aid to Israel in this supplemental appropriation is specifically designed to defray the costs which Israel expects to incur as a result of its obligations under the treaty and its new defensive requirements as a result of the withdrawal from Sinai and the extent to which there may be additional military assistance contained in this package for Israel which is not specifically related to the treaty itself.

I wonder if you could clarify that? How much if any of the aid for Israel in this package is unrelated to the problems Israel will confront as a result of its withdrawal from the Sinai?

Mr. BROWN. All of it is related, the \$800 million of grant aid is specifically tied to the airfields and cannot be used for anything but the airfields. The rest is \$2.2 billion in FMS credits and can all be absorbed in costs connected with the withdrawal, replacement of facilities, additional warning equipment, and so forth.

We do not take it item by item, to the extent that Israel wants to face things so that they use some of it for modernization which it would have done anyway, that is all right. They have to then come up with other money to pay for the withdrawal.

The amount and the nature of the aid are both tied closely to the withdrawal costs.

COSTS OF MIDDLE EAST WAR TO THE UNITED STATES

Mr. SOLARZ. One final question, Secretary Vance. You have estimated that the cost of war is infinitely greater than the cost of peace. I think you indicated that over the course of the last few decades, the cost of war in the Middle East to our own country was in the amount of several tens of billions of dollars.

Without asking you to precisely quantify that, could you give us some idea where your figures come from and on what your calculations are based? That is a rather impressive and striking figure. I think it would be helpful to know how you arrived at it.

Mr. VANCE. It is made up of a large number of pieces starting with the \$2.2 billion appropriated to replace Israeli battlefield losses. Since

the 1973 war, we have made available to Israel \$5 billion in military equipment from the United States. When you figure in the cost to the U.S. economy of the oil embargo alone, you get a figure that runs to \$15 billion.

There are a number of other items which run the gamut from helping persons displaced by the Middle East wars to U.N. peacekeeping forces. There are a large number of items that are included.

Mr. SOLARZ. Thank you.

Chairman ZABLOCKI. Mr. Gray.

SYRIA'S OPPOSITION TO THE TREATY

Mr. GRAY. Thank you, Mr. Chairman.

Mr. Secretary, it is certainly good to have you here before the committee. Let me congratulate you and the administration for your tremendous efforts in bringing us to this point of a settlement.

One of the questions that I have which concerns me is the fact that many of the nations of the Arab world are not at this point supportive of that peace process. The Syrians have been in the lead of those Arab nations opposing the peace treaty.

In light of their position and their call for President Sadat's overthrow, on what basis does the administration see Syria ever being supportive of the peace process? Do you have any expectation that they might become supportive?

Mr. VANCE. Syria still supports a comprehensive settlement under Resolutions 242 and 338. They have taken the position that the way to accomplish that is not under the Camp David accords and the actions we have taken to implement the Camp David accords.

They have not indicated in any way that they have foresworn their previous position of trying to find a comprehensive peace.

They are an important factor in the area. They will eventually, if there is to be a comprehensive peace, have to participate in the peace process.

I would go back and say that you have to look at the history. Historically, when the Rhodes negotiations started, they were not a party to the Rhodes negotiation. As time went on, they came in and participated in the Rhodes negotiations.

At the time of Sinai II, they violently opposed—or even the first Sinai, they violently opposed the action taken by Egypt and they were certainly as active in their rhetoric as they have been currently.

Subsequently, they came into the peace process and negotiated an interim agreement with respect to the Golan Heights.

I do not rule out that they in the future will join the peace process. I think it is important that we keep open our channels of communication with the Syrians and that we not throw up our hands at this point and say, it is hopeless and therefore we should give up.

If we had done that so many times along the road during the last 17 months, we would have never gotten where we have now.

POSSIBLE ISRAELI-SYRIAN PEACE TREATY

Mr. GRAY. Foreign Minister Dayan recently said Israel should sign a peace treaty with Syria and give them back the Golan Heights. Is

the United States encouraging this kind of a statement or that kind of a position?

Mr. VANCE. We did not know the statement was being made. The question of a negotiation of the Golan Heights problem is an issue which must be resolved by negotiations between Israel and Syria.

ROLE OF EGYPT IN THE MIDEAST AND AFRICA

Mr. GRAY. Secretary Brown, on page 8 of your testimony you talk about Egypt and its need for increased armed forces and for the defense of their own country but you also mentioned or implied that Egypt might be seen as a policeman of the area and you go on to say that Egypt can play a positive role in helping other states in Africa and the Middle East.

I was wondering, could you expand on that statement and how positive a role as a result of increased military capability would Egypt have in terms of impacting on Africa and the Middle East?

Mr. BROWN. Mr. Gray, as you know, having read my statement, I mentioned Egypt as a regional policeman negatively, that is to say neither we nor the Egyptians contemplate that role.

What the positive role that they can play has to do with their ability to train, to support, to cooperate with other countries in Africa to create a stronger regional security situation that would inhibit outside interference.

The Egyptians themselves undoubtedly feel and in fact I know they feel some threat or possible threat from the west, from Libya, and some potential threat, although it is not a present one, from the southeast, should Sudan come under pressure.

They, I think, can play an important role in bolstering the Sudan and assuring Sudanese military strength is sufficient at least to deter adventures against the Sudan.

When it comes to activities further south in Africa, I do not see the Egyptians as playing an expeditionary role in any way. They could, for example, be useful if they decided it was in their interest and were to cooperate with other states, in something of the sort that happened in Zaire 2 years ago where it was important to have some help from outside to defend Zaire from an attack on the Shaba.

ISLAMIC MOVEMENT IN EGYPT

Mr. GRAY. Secretary Vance, are there any rumblings within Egypt of an Islamic revolution similar to that which has occurred in Iran? Are there any movements although minimal at this time, which seem to be similar to that which happened in Iran, anti-Western, anti-American?

Mr. VANCE. The answer is no; there are no situations or facts in Egypt which indicate the kind of situation that led to the revolution in Iran. There are fundamentalist Islamic sects, the Muslim Brotherhood is one. I do not see any parallel really between the situation in Egypt and that in Iran.

Mr. GRAY. Have there been increased demonstrations by that group in the last year?

Mr. VANCE. They have been more active, not in any major way.

Mr. GRAY. Thank you, Mr. Secretaries.

Chairman ZABLOCKI. Mr. Gilman.

Mr. GILMAN. I, too, want to join my colleagues in commending Secretary Vance, Secretary Brown, and the administration for their hard work and success in bringing us to this point. I hope the Congress will recognize the importance of their responsibility now in fulfilling some of the recommendations.

ACTUAL COST TO THE UNITED STATES

In looking at the bottom line of what this will actually cost our Nation, the actual outlay as you have stated is \$1.47 billion with part of that in the form of a loan. When the loans are repaid, the actual outlay is going to cost our Nation just a little over \$1 billion, about \$1.1 billion. Is that correct?

Mr. VANCE. That is correct.

Mr. GILMAN. That amount is spread over a 3-year period?

Mr. VANCE. That is correct.

Mr. GILMAN. Essentially what we are talking about is approximately \$465 million per year for a 3-year period?

Mr. VANCE. Yes, sir.

Mr. GILMAN. I would hope we could present that with a little more emphasis on that outlay formula rather than the \$4.8 billion that has been bounced around a bit.

Mr. VANCE. I wholeheartedly agree with you on that.

LOANS TO ISRAEL

Mr. GILMAN. With regard to past loans to Israel, have any of those been made at concessional rates or have they all been at market rates?

Mr. VANCE. Yes; on the assistance in the past, approximately 50 percent has been forgiven.

Mr. GILMAN. I would assume that there may be some consideration for that sort of an arrangement in this request?

Mr. VANCE. That was considered and not followed.

Mr. GILMAN. Has there been any discussion about the interest rates for these loans?

Mr. VANCE. Yes, sir. That was also considered and the interest rates will be at the current market rates. I would point out that these are concessional loans of 30 years, and in addition to that, there is a grace period of 10 years before any of the principal is paid. That means for the first 10 years, only interest is paid, and thereafter during the remaining 20 years, you will have payments of both principal and interest.

VALUE OF ISRAELI BASES IN THE SINAI

Mr. GILMAN. With regard to the peace treaty, Israel will be turning over four airbases to Egypt in the Sinai. Is that correct?

Mr. VANCE. Turned back.

Mr. GILMAN. The value of those bases would exceed \$1 billion, based on the cost of replacing just one of those bases. Am I correct in that estimate of value?

Mr. BROWN. That is not an unreasonable measure of their present value as military bases. We would not want them to be used for that. They are specifically forbidden to be used for that purpose in the treaty. They do not have that value as commercial airbases.

Mr. GILMAN. For the benefit of Egypt, there will be four bases or four airfields available to them as a result of this transfer?

Mr. BROWN. Four airfields; yes. Some of them may be plowed under.

FUTURE DISPOSITION OF BASES

Mr. GILMAN. There has been no decision made with regard to their future disposition and the manner in which they would be disposed, is that correct?

Mr. VANCE. President Sadat has indicated that probably at most two of them will be civilianized and the others will just be plowed under and not used.

Mr. GILMAN. I note that in the legislation before us with regard to the Sinai monitoring facilities, we intend to turn them over to Egypt. Has some value been set on the mission facilities? We have been shown photographs of the complex. They look like they are quite extensive facilities, and there is some talk about Egypt utilizing those as a military base.

Mr. BROWN. I believe they are in the demilitarized zone. They cannot be used for military purposes. They could be used for warning purposes which is what they were built for, but since Egypt will have sovereignty over both the area to the west and the east of those sites, their value for warning purposes is limited, not zero but limited.

The facilities themselves had a base camp construction cost of about \$15 million. We have spent in terms of that plus equipment and to the contractor, perhaps a total on the order of \$40 or \$50 million.

If my understanding is correct, it is still under consideration just how much of that might be turned over to the Egyptians. We ourselves would find use for some of the equipment and would probably keep some of the equipment.

Mr. GILMAN. There is no restriction in turning these over to the Egyptians who could then utilize them for barracks purposes for their military personnel. Is that correct?

Mr. BROWN. They will get the fixed facilities, no equipment. They can use them as barracks, but they cannot have military personnel in at least some of these areas.

Mr. GILMAN. Does that apply to all of those facilities?

Mr. BROWN. It does as far as I know. I do not think there are any of these that are in the area where Egypt can have military units larger than a very small size. I forget what the size is.

Mr. VANCE. That is in an essentially demilitarized zone where only police will be available.

SAUDI OBJECTION TO U.S. INTELLIGENCE PERSONNEL IN SAUDI ARABIA

Mr. GILMAN. There was an important press report yesterday about the Saudis' objections to our intelligence people being in Saudi Arabia. Is there any basis for that report?

Mr. VANCE. I have made it a practice never to comment on intelligence matters in an open session.

Mr. GILMAN. Has any progress been made in convincing Jordan to take a more active role in the discussions with regard to the West Bank?

Mr. VANCE. We are in conversations with them. As a matter of fact, I had a good conversation yesterday, a useful conversation for me, with their Minister of Court who is their senior adviser to the king in foreign affairs. I will be meeting with him again tomorrow. I have found the conversations helpful to me.

Mr. GILMAN. It seems like an optimistic view.

Mr. VANCE. No; I am not trying to be optimistic. I think it is important to keep the dialog open.

Mr. GILMAN. Thank you. I believe my time is up. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Mr. Wolpe.

Mr. WOLPE. Thank you, Mr. Chairman.

AMERICAN INTEREST IN THE MIDEAST

Secretary Vance, many Americans as a number of the members of this committee have indicated, are obviously troubled by the cost of the proposed economic and military assistance package. Much of the concern is aggravated by a common perception that the aid that is being extended is motivated to be of assistance to the parties in the Middle East rather than be motivated out of the concern for our own national self-interest.

Would you develop more fully the American self-interest in developments in the Middle East?

Mr. VANCE. The Middle East is a critical region which because of its resources, its geographical location and because of the roots and ties that so many of our people have with various countries, are of great importance to the United States.

It is my deep conviction that the maintenance of peace in the area is on its face in our interest because a stable Middle East, a Middle East in which oil can flow to other parts of the world from that region obviously is of benefit.

In addition, a Middle East in which there is peace can lead to a more stable economic set of relationships and benefits that flow from that are also in our interest in my view.

I think there are basic benefits as I indicated which are demonstrated in the fact that we are willing to work for peace and to work with others in the region to help protect their stability. I think this has an effect not only in the Middle East but on how our country is perceived around the world. I think that is going to be of vital interest to us now and in the years ahead.

Mr. WOLPE. Secretary Brown, could you respond to the same question focusing particularly upon the strategic and military significance that America has in the Middle East?

Mr. BROWN. Certainly the access to oil cannot be overlooked in examining its strategic and military importance to us and still more to our allies, to the Western Europeans who depend even more than we

and the Japanese who spend even more than they, on a free flow of oil from the Middle East.

Its geographical position is another very important strategic and military feature. It is critical to the future security of Africa, of South Asia and also of the southeastern flank of NATO, Greece, and Turkey.

For all of those reasons, its instability up until this time and the lack of security that is felt by many nations in the region, not only Israel, are of very great concern. I cannot say it is the most important military focus. I would have to say strategic war is something we clearly regard as even more serious and the central front in Europe is the place where the United States and the Soviet Union face each other across a potentially hostile border or hostile environment directly.

If you multiply together how important the area is and how likely conflict is, especially in light of how often it has taken place up to now, there is no place which we are more concerned about than the Middle East.

SITUATION IN IRAN

Mr. WOLPE. Thank you for that response. I have a question on Iran. Could you, Mr. Secretary, provide an assessment as to the development of the situation in Iran as of this moment?

Mr. VANCE. Yes; let me do it very briefly. The situation is a fragile one at this point as is evident from our daily newspapers. The new government is in the process of establishing itself and extending its authority throughout the country. This is a very difficult task as is true with any revolutionary situation.

There are differences that are apparent. I would say the Prime Minister and his government are moving in what I think is a constructive way to seize hold and govern the country under extremely difficult circumstances. The Prime Minister is an extremely able man. All of us wish him well in what he is doing.

Mr. WOLPE. Thank you, Mr. Chairman. Thank you, Mr. Secretary.

EXPORT ADMINISTRATION ACT

Chairman ZABLOCKI. Thank you, Secretary Vance and Secretary Brown for your generous allocation of time to this committee. I am tempted to ask a question which is not relevant to the Middle East. We will be meeting approximately at 1:30 p.m. to continue markup of the Export Administration Act and we will in all likelihood be considering the so-called McKinney and Wolpe amendments to that act.

Very briefly, Mr. Secretary, would you care to share with us your views on the effect that the McKinney and the Wolpe amendment concerning the prohibition of export of Alaskan oil would have on our international agreements including that of Israel's means of oil?

We will be marking up the bill this afternoon. With the consent of the committee, we would welcome a comment.

Mr. VANCE. Mr. Chairman, I have not had sufficient time to study that at this point.

Chairman ZABLOCKI. It is a very difficult issue.

Mr. VANCE. I would hesitate to comment at this point without having a further chance to study the bill. I would be glad to try and

study it. I am having lunch with Congressman Long. After that, I would be glad to examine it and call you.

Chairman ZABLOCKI. It will be too late.

I will not press the issue. I just thought perhaps you would volunteer an off-the-cuff comment. Thank you.

The committee stands adjourned.

[Whereupon, at 1:20 p.m., the committee adjourned.]

SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE FOR ISRAEL AND EGYPT

TUESDAY, MAY 8, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEES ON INTERNATIONAL
SECURITY AND SCIENTIFIC AFFAIRS
AND ON EUROPE AND THE MIDDLE EAST,
Washington, D.C.

The subcommittees met in open markup, at 3:40 p.m., in room H-236, the Capitol, Hon. Lee H. Hamilton (chairman, Subcommittee on Europe and the Middle East) presiding.

Mr. HAMILTON. The subcommittees will come to order. We meet today to discuss recommendations to the full committee on the bill to authorize supplemental international security assistance for the year 1979 in support of the peace treaty between Egypt and Israel.

Members have before them a draft of a bill which has been prepared by the staff, and it is open for discussion at this point.

As I understand it, there are some changes from the administration's bill. First of all, with regard to the organization of the bill, the policy statements which were dispersed throughout the administration's bill have been collected and put into section 2, so that the statement of policy and findings is a unit in the front part of the bill.

Second, on page 6, subsections (d) (1) and (2), there is language which was included, I believe, in the Senate committee version of the bill, indicating simply that it may become necessary in future years to modify the terms of the loans because of the financial burdens on the two countries, and calling for an annual report regarding the economic conditions which prevail in Israel and Egypt.

In addition, I believe, there are certain changes in the bill required by our budget process. It is my understanding that those changes are not substantive. It does require the insertion on page 4, line 7, of the words—I will read the entire line—"or in such amounts as are provided in advance in appropriation acts"; the words "in advance" are inserted.

All right, the bill is open for discussion at this point.

Mr. FINDLEY. And amendments?

Mr. HAMILTON. And amendments.

Mr. BINGHAM. Will the gentleman yield? What was the significance of the change you first mentioned in the administration bill?

Mr. HAMILTON. The policy statement was just brought together in the front of the bill in section (2). In the administration bill there is a policy statement preceding each of the sections. I do not think there is any great substantive change.

I recognize Mr. Findley in support of his amendment.

Mr. FINDLEY. Mr. Chairman, I assume each member has a copy of the amendment. It is very similar to an amendment that the committee adopted when it approved the Sinai II implementing resolution of 1975. It is similar to an amendment adopted by the Senate Foreign Relations Committee that was offered by Mr. Biden.

I think it is important because it states that in authorizing these funds the Congress is not giving its approval to any other agreement made between the executive branch and the Governments of either Egypt or Israel. It helps to define the role of Congress, since Congress was not involved in negotiating any other agreements, if such exist, and has not been asked to approve them. This amendment would make it clear that the Congress is not by either implication or indirectly approving any such agreement.

It may well be argued that this is unnecessary because no other agreements exist. If so, there should not be any valid objection to including this language. I think we have learned from experience that sometimes agreements later pop up, and I think this is a worthy protection of the role of Congress and I therefore offer this amendment.

Mr. HAMILTON. Is there any further discussion, Mrs. Fenwick?

Mrs. FENWICK. It sounds a little suspicious, does it not? [Laughter.]

Mr. FINDLEY. Well, no more suspicious than the Congress has been in the past, and I think for good reason.

Mrs. FENWICK. Where would that go, at the foot of page 2, above "construction"?

Mr. HAMILTON. It is a policy statement, so, it comes at the end of section (2).

Mr. FINDLEY. At the end of section (2).

Mrs. FENWICK. That is on page 2.

Mr. HAMILTON. It would have to be redesignated.

Mr. STUDDS. I think it is better drafted than the Senate language.

Mr. FINDLEY. That is right.

Mr. HAMILTON. The question occurs on the amendment of the gentleman from Illinois. All in favor say "aye."

[Chorus of "ayes."]

Mr. HAMILTON. Opposed.

[No response.]

Mr. HAMILTON. The ayes have it and the amendment is adopted. Are there any other comments or discussion, or amendments?

Mrs. FENWICK. I have an amendment, Mr. Chairman.

Mr. HAMILTON. Mrs. Fenwick is recognized in support of her amendment.

Mrs. FENWICK. It would appear at end of the bill. It is very modest and, I hope, not necessary; but useful as a matter of policy. The heading would be, "Contributions by Other Countries to Support Peace in the Middle East", which would be section 7 of the bill.

As we heard this morning in testimony by the Secretary of State, they are working with other countries now in order to encourage them to take part in a fund to help secure the whole oil base and it simply says:

It is the sense of the Congress that other countries, including those which are members of the Organization for Economic Cooperation and Development, should

give favorable consideration in providing financial assistance to support peace in the Middle East. Therefore, the Congress requests that the President consult with other countries to develop a common program of assistance to, and investments in, Israel and Egypt and other countries in the region should they join in the Middle East peace agreements.

In other words, we do not shut out any country in the area that would be willing to join in the Middle East agreement if other countries want to contribute.

It is a "good will" amendment, I suppose it could be called.

Mr. FINDLEY. Would you yield?

Mrs. FENWICK. Yes.

Mr. FINDLEY. I am wondering why you mention OECD. It would seem to me that mentioning that group of nations would tend to give precedence to contributions from them and to make less of contributions from other nations, some of which have a lot of dollars.

Mrs. FENWICK. Such as Japan. I think it should not be exclusive, it should be just broad. They have a lot of money.

Mr. HAMILTON. Any further discussion?

Mr. BINGHAM. Can I just ask a technical question? Maybe this should be addressed to counsel. Is it usual in a "sense of Congress" provision to say, "The Congress requests that the President"? Would it not be better for them to say that it is the sense of Congress that the President "should"?

Mrs. FENWICK. Yes, I think so.

Mr. MOHRMAN. There are several different ways this sort of provision can be phrased. You could say the Congress urges the President or it is the sense of the Congress that the President should, or—

Mr. BINGHAM. Can you say "requests"?

Mr. STUDDS. The Senate says "requests", so, it is probably wrong. [Laughter.]

Mr. BINGHAM. If the gentlelady approves, I think the best form is, as I said, "It is the sense of Congress that the President should".

Mrs. FENWICK. I like that.

Mr. BINGHAM. Do you ask unanimous consent?

Mrs. FENWICK. I ask unanimous consent that the last sentence begin, "Therefore, it is the sense of Congress that the President consult with other countries to develop a common program of assistance."

Mr. HAMILTON. Is there objection? The Chair hears none. The change is adopted. Is there any further discussion?

Chairman ZABLOCKI. Mr. Chairman, has it been resolved whether the word in the second line of Mrs. Fenwick's amendment, the word "including" will remain, the particular countries?

Mrs. FENWICK. No, just including. Not particularly, but including those. Unless you would like to take it out, Mr. Chairman.

Chairman ZABLOCKI. I would tend to agree with the gentleman from Illinois, Mr. Findley, that singling out the OECD countries might not be wise.

Mrs. FENWICK. They have so much money, and I think they are already being worked with.

Chairman ZABLOCKI. Well, then you ought to say, "particularly the OECD countries".

Mr. HAMILTON. Would the gentlewoman object if we just excluded that phrase altogether?

Mrs. FENWICK. Just say "that other countries".

Mr. HAMILTON. So, it would read, "It is the sense of the Congress that other countries should give favorable consideration."

Mr. STUDDS. That will give us something to confer about because the Senate says just OECD members.

Mr. HAMILTON. All right.

Mrs. FENWICK. I move the amendment.

Mr. HAMILTON. All those in favor of the amendment by the gentleman from New Jersey say "aye."

[Chorus of "ayes."]

Mr. HAMILTON. Opposed, "no."

[No response.]

Mr. HAMILTON. The "ayes" have it and the amendment is adopted. Any other discussion or amendments?

Mr. Winn.

Mr. WINN. Thank you, Mr. Chairman. I have an amendment providing for a section 8, at the very end of the bill. I will read it and then try to explain it.

It is the sense of the Congress that the United Nations Emergency Force in the Sinai will play an essential role as Egypt resumes the exercise of its full sovereignty over the Sinai Peninsula. The Congress would, therefore, view with grave concern any effort by any member of the United Nations Security Council to block, contrary to the expressed desire of both Egypt and Israel, the continuation of the mandate of the United Nations Emergency Force.

I think this "sense of the Congress" would alert the Soviet Union to congressional awareness of and our concern about Soviet indications that they may veto the continuation of the U.N. force present in the Sinai. I think this is valuable because the Soviet Union is sensitive—or should be—to congressional concerns as we approach the SALT II ratification debate.

As many of you heard, the Secretary of State this morning was—in my opinion—a little vague on his answer of what we would do if we were called upon to put American or U.S. forces in there.

This amendment does not in any way threaten, Mr. Chairman. It is merely an indication of congressional concern. I think it also puts the United States in the position of having to organize a multinational force. The U.S. would certainly be obligated to pay for this force, although the Secretary of State did not acknowledge that this morning.

Chairman ZABLOCKI. Mr. Chairman.

Mr. HAMILTON. Mr. Zablocki.

Chairman ZABLOCKI. Almost always I agree with my colleague, Mr. Winn, although I do not have too much faith that "sense of Congress" expressions are listened to, or complied with, whether it is in the executive branch, the United Nations, or elsewhere.

I was just wondering whether this concern could be expressed in the report, rather than in the law; whether that might not be preferable. It might just rub the Soviets the wrong way, it may just be that by highlighting to them that we are concerned they may veto.

As I recall, the Secretary of State did say that he does not expect that the Soviet Union would exercise its veto. This may be just a bit of an irritant which may cause them to do so.

So, I think the expression in the report would do the same thing, Larry, without having it in the law. I think your amendment would

have the same effect in the report. If it is going to be put to a vote, I will vote for it.

Mr. HAMILTON. Any further comments, Mr. Bingham?

Mr. BINGHAM. I certainly agree with the intent of the amendment. I share Chairman Zablocki's concern about its effect on the Soviet Union. It might have just the opposite effect of what we intend.

There are some hopeful indications about the Soviets' behavior. I do not know if you saw the article which indicated that some of the Arab states were quite upset with the Soviet Union on a number of counts. If that is true, I do not think we want to highlight the issue. My guess would be that this would not help, and it might hurt.

Mr. HAMILTON. Mr. Winn.

Mr. WINN. I have no great objection to putting it into the report. I am not sure that I understand how the gentleman from New York would like to change the wording in any way in that if it is in the report it would be less of an irritant to the Soviet Union than it would be in the law.

Chairman ZABLOCKI. Mr. Chairman.

Mr. HAMILTON. Mr. Zablocki.

Chairman ZABLOCKI. If we had it in the report, the report language could be that we would express the hope that the Soviet Union, in the interest of promoting peace in the Middle East, would not exercise its veto in the United Nations; that we put it in a positive vein.

Mr. STUDDS. Yes, "hope" is probably better than "concern".

Mr. HAMILTON. Is the gentleman willing to include that in the report?

Mr. WINN. I am willing to include that in the report, and I thank the chairman for his suggestion.

Mr. HAMILTON. Are there any other amendments, Mr. Studds?

Mr. STUDDS. Mr. Chairman, I hate to say this—the second bells having called—but I have a subject I would like to raise, having to do with the subject I asked the Secretary of State about this morning with respect to the Israeli settlements.

Mr. HAMILTON. I know that topic, of course, and I think it will need some discussion. Perhaps we had better return after the vote on the floor, but it will not be possible for me to return because I have to host a meeting with Ambassador Sharaf from Jordan.

Chairman ZABLOCKI. Mr. Chairman, if the gentleman from Massachusetts will yield. The joint subcommittees could report these recommendations to the full committee and it would not preclude the gentleman from Massachusetts from offering an amendment when this legislation, this bill, will be before the full committee.

Mr. STUDDS. I understand that. When is it scheduled, Mr. Chairman?

Mr. HAMILTON. Tomorrow.

Chairman ZABLOCKI. Therefore, it would not mean any length of time that we would forget.

Mr. STUDDS. I will not forget it. If it is both chairmen's preference, I will withhold it. Is tomorrow morning the full committee markup?

Chairman ZABLOCKI. Immediately after we finish the Export Administration Act.

Mr. STUDDS. I value the opinions of the subcommittee members. I at least intend to raise the question of whether or not we ought to con-

sider reducing the amount of military assistance to Israel by the amount they will expend on illegal settlements in the coming year.

Chairman ZABLOCKI. That would require a lot of discussion.

Mr. HAMILTON. Is it the opinion that we should recommend favorably the bill as amended?

Mrs. FENWICK. I would like to move that we do.

Mr. HAMILTON. It is moved. All in favor say "aye."

[Chorus of "ayes."]

Mr. HAMILTON. Opposed.

[No response.]

Mr. HAMILTON. Carried.

[Whereupon, at 3:55 p.m., the subcommittees adjourned, to reconvene at the call of the Chair.]

SUPPLEMENTAL 1979 MIDDLE EAST AID PACKAGE FOR ISRAEL AND EGYPT

WEDNESDAY, MAY 9, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C.

The committee met in open markup, at 4:45 p.m., in room 2172, Rayburn House Office Building, Hon. Clement J. Zablocki (chairman) presiding.

Chairman ZABLOCKI. The committee will please come to order. We have a very important bill before us. It was reported out of the Subcommittees on International Security and Scientific Affairs, and Europe and the Middle East, supplemental security assistance legislation for Egypt and Israel in support of the peace treaty between those two countries.

We could report this legislation out, and have a clean bill for further action by the House. I think we would be able to do it within a half hour if the members are willing to stay.

The gentleman from Illinois.

EXPORT ADMINISTRATION LEGISLATION

Mr. DERWINSKI. Referring back for a moment to 3783, there will be necessary supplemental views to inspire the general membership to action when this bill reaches the floor.

Chairman ZABLOCKI. As normally, the supplemental views, the minority views, will be incorporated and are welcome.

We have a draft bill before each member to authorize supplemental international security assistance for the fiscal year 1979 in support of the peace treaty between Egypt and Israel. The draft bill, as I stated, is before each member, as well as a section-by-section analysis.

MAJOR PROVISIONS OF THE LEGISLATION

The major provisions of the draft bill are essentially the same as those contained in the original executive branch request. Those major provisions are as follows:

The sum of \$800 million to be provided to Israel on a grant basis for construction of airbases in Israel to replace airbases in the Sinai that are to be evacuated in accordance with the provisions of the Egyptian-Israeli Peace Treaty.

The sum of \$220 million in foreign military sales (FMS) guarantees to finance FMS loans of \$2.2 billion to Israel.

The sum of \$150 million in FMS guarantees to finance loans of \$1.5 billion to Egypt.

The sum of \$300 million in economic support fund loans and grants to Egypt.

All told, the bill as approved will authorize appropriations of \$1.47 billion to finance programs totaling \$4.8 billion.

The Subcommittees on International Security and Scientific Affairs, and Europe and the Middle East made a number of minor drafting changes, statements of policy, expressions of the sense of Congress.

At this time the Chair recognizes the chairman of the Subcommittee on Europe and the Middle East, Mr. Hamilton, for his comments on the subcommittee's recommendations.

Mr. HAMILTON. Thank you, Mr. Chairman.

Chairman ZABLOCKI. Before the gentleman proceeds, may we have order.

SUBCOMMITTEE EXPLANATION OF RECOMMENDATIONS

Mr. HAMILTON. Thank you, Mr. Chairman. The Subcommittees on International Security and Scientific Affairs, and Europe and the Middle East held three lengthy hearings with executive branch witnesses in which we covered most relevant political, economic, and security issues contained in or related to this special International Security Act of 1979.

Members have before them now House Document No. 96-91 which contains the legislation that the President transmitted to the Congress.¹

Chairman ZABLOCKI. May we have order. I hope the caucuses we are having, including the one the chairman had momentarily, will cease. Chairman Hamilton.

Mr. HAMILTON. The committee print before members, which the two subcommittees discussed yesterday and then recommended to put before members today for their consideration and approval, differs from the draft of the executive branch in several ways. Five of these differences should be mentioned.

First, the subcommittee bill puts all of the policy language and general authorities in one section at the front, section 2; whereas the executive branch proposal has policy language dispersed throughout the bill. The subcommittee's draft is also more general in its language.

Second, the subcommittee has added a subsection (b) to section 2 which provides that the authorities contained in this act to implement certain arrangements in support of the peace treaty between Egypt and Israel do not signify approval by the Congress of any other agreement, understanding, or commitment made by the executive branch. This is similar to language that the committee approved in 1975 when we considered legislation pursuant to the Sinai II accords.

Third, the subcommittee's draft makes a number of technical changes so that the bill will conform to the requirements of the budget process.

Fourth, on pages 6 and 7 of the committee print the subcommittee has added a subsection (d) which basically expresses concern over the burden that proposed credits may pose for Israel and Egypt and asked for an annual report regarding economic conditions prevailing in Israel and Egypt which may affect their respective abilities to meet their obligations to make payments under the financing authorized by

¹ See appendix 2, p. 187.

the bill. I understand that language is similar to language that has been adopted by the Senate committee.

Fifth, the subcommittee has added a new section 7 at the end of the bill expressing the sense of Congress that efforts be made to seek contributions from other countries in support of the peace process.

DRAFT REPORT LANGUAGE

Mr. Chairman, finally, I would like to place before the members some draft report language on two subjects which were discussed during our hearings.

First, there is draft report language expressing the sense of the committee regarding the importance of maintaining the United Nations Emergency Force in the Sinai in order to support the peace process and the implementation of the Egyptian-Israeli Treaty. This language was suggested by Congressman Winn.

Second, there is report language regarding the proposed use of some of the economic aid money for Egypt for scholarships here in the United States. Some concerns have been expressed about this use of these funds in light of pressing economic problems in Egypt mentioned yesterday by Secretary Vance.

Mr. Chairman, that concludes my remarks and I join you in supporting the amendments.

Chairman ZABLOCKI. Will the gentleman yield?

Mr. HAMILTON. Yes; I yield.

ABILITY OF EGYPT AND ISRAEL TO MEET COMMITMENTS

Chairman ZABLOCKI. Perhaps I did not hear the chairman. He may have touched upon the provision that was included by the subcommittees concerning review of the ability of both Israel and Egypt to meet the commitments.

Mr. HAMILTON. Yes; I did mention that, Mr. Chairman. It is a section of the bill at page 6, line 9, which simply mentions that both of these countries have enormous economic problems and we find that as a consequence of the impact of the debt burdens incurred by them it may be necessary in future years to modify the terms of the loan's guarantee.

Chairman ZABLOCKI. I thank the gentleman for repeating that provision. There was so much confusion and I wanted the members to know that provision was included.

Mr. FITHIAN. Will the gentleman yield to a question?

Mr. HAMILTON. Yes.

Mr. FITHIAN. I am concerned about the meaning of lines 14 through 17 on page 6, that provision that you were just addressing. I am not sure whether we should interpret that as prospective cancellation of obligations, alteration of those or what. It sounds like a blank check to me. I would like to know what we are signing.

MODIFICATION OF FINANCING TERMS

Mr. HAMILTON. Well, it certainly is not intended as a blank check. There is just simply a recognition that because of the extraordinarily difficult economic circumstances both of these countries face we may

want, at a future time, to modify the terms of the financing. It does not commit us in any way to make that modification. It simply says we may want to do it.

Mr. FITHIAN. Are there any limits placed on the modifications such as 10-year payback or 30 years?

Mr. HAMILTON. We would have complete flexibility at a future time to modify or not to modify, and, if we chose to modify, to modify it in any way we would like.

Chairman ZABLOCKI. If the gentleman would yield. Under the present terms of the treaty, I might say to the gentleman from Indiana, the repayment is within 30 years, with the first 10 years for forgiveness of the repayment of the loan, and on the interest rates it would be payable.

The provision that the Chair has asked the gentleman to repeat was identical language accepted in the other body and great interest has been demonstrated on the part of the members.

Mr. FITHIAN. My question, if the gentleman would yield further, is I just want to make sure we are playing square with the American people. If we at some time down the way under these provisions can simply cancel the obligations of this loan or make them meaningless then I think we ought to say that up front. That was my concern.

Mr. HAMILTON. I think it is a legitimate concern and an understandable one, but I do not think that language would lead to that conclusion.

Mr. FASCELL. Will the gentleman from Indiana yield?

Mr. FITHIAN. Yes.

Mr. FASCELL. Would not the language in the report make quite clear the concern that the gentleman from Indiana has with respect to the possible interpretation of that language without in any way destroying the original meaning of the language?

Mr. FINDLEY. Will the gentleman yield?

Mr. HAMILTON. Yes; I yield.

Mr. FINDLEY. Would the gentleman from Indiana agree with me that in order for any change in the repayment terms to occur, there would have to be legislation? The executive has no discretion over the terms.

Mr. HAMILTON. That is correct. I certainly would agree with that.

Chairman ZABLOCKI. Would the gentleman yield further?

Mr. HAMILTON. Yes.

Chairman ZABLOCKI. If there would be any legislation to change the repayment terms, it would have to be considered by the Congress and could not be done by the executive branch alone.

Mr. FINDLEY. Yes.

Chairman ZABLOCKI. Are there any amendments?

READING OF THE BILL

The chief of staff will read the committee print.

Mr. BRADY [reading]:

A bill to authorize supplementary international security assistance for fiscal year 1979 in support of the peace treaty between Egypt and Israel and for other purposes being enacted by the Senate and the House of Representatives of the United States of America.

Mr. ROSENTHAL. Mr. Chairman.

Chairman ZABLOCKI. The gentleman from New York.

Mr. ROSENTHAL. I ask unanimous consent that the bill be considered as read and open for amendment at any time.

Chairman ZABLOCKI. Is there objection? The Chair hears none. It is so ordered.

Are there any amendments? The gentleman from Massachusetts.

Mr. STUDDS. I will yield since my amendment is not here yet.

Chairman ZABLOCKI. The gentleman from Illinois.

AMENDMENT OFFERED BY MR. FINDLEY

Mr. FINDLEY. Mr. Chairman, I have an amendment to line 7 on page 2. I have copies to be distributed.

Mr. ROSENTHAL. Will the gentleman yield?

Mr. FINDLEY. Yes.

Mr. ROSENTHAL. I ask unanimous consent that this very, very useful amendment be considered as read and adopted unanimously.

Mr. DERWINSKI. Please, let us read it.

Mr. ROSENTHAL. Why would you want to read it?

Chairman ZABLOCKI. We must spare some time until Mr. Studds' amendment arrives. I did not think we would finish the Export Administration Act in time to take up this bill. He has an amendment and therefore we must protect the gentleman from Massachusetts, so let us read the Findley amendment.

Mr. BRADY. The amendment offered by Mr. Findley [begins reading]:

In section 2 of the bill insert the following on line 7 after March 26, 1979: "It is a significant step toward a full and comprehensive peace in the Middle East. The Congress urges the President to continue to exert every effort to bring about a comprehensive peace and to seek an end by all parties to the violence which could jeopardize this peace."

Chairman ZABLOCKI. The gentleman from Illinois.

EXPLANATION OF AMENDMENT

Mr. FINDLEY. Mr. Chairman, I offer this amendment because without it the bill would take no note of the fact that the Egypt/Israel treaty is a part of the peace process and not the end of the peace process.

It also takes note of the great jeopardy to the peace process caused by the rising level of violence on both sides in the Middle East. I think it helps to give the President support for policies that he has already publicly committed himself to and it puts the Congress behind the President in these respects. I think it gives the bill better balance.

Mr. DERWINSKI. Will the gentleman yield?

Mr. FINDLEY. Yes.

Mr. DERWINSKI. He says he would like to see an end to the violence by all parties. Does that mean parties to the peace agreement or does that mean including the PLO?

Mr. FINDLEY. Including the PLO.

Chairman ZABLOCKI. The question occurs on the amendment offered—

Mr. DERWINSKI. Wait, not so fast. I assume you also mean the Russians who are, by their equipment and provocation, et cetera, stirring up some of the violence?

Mr. FINDLEY. All parties to the violence.

Mr. DERWINSKI. Thank you.

VOTE ON FINDLEY AMENDMENT

Chairman ZABLOCKI. The question occurs on the amendment offered by the gentleman from Illinois. All those in favor signify by saying "aye."

[Chorus of "ayes."]

Chairman ZABLOCKI. Opposed, "no."

Mr. FASCELL. No.

Chairman ZABLOCKI. The "ayes" have it. The amendment is agreed to.

AMENDMENT OFFERED BY MR. STUDDS

Does the gentleman from Massachusetts desire to call up his amendment?

Mr. STUDDS. Yes; I do, Mr. Chairman.

Chairman ZABLOCKI. The staff will distribute the amendment and the chief of staff will begin reading the amendment.

Mr. BRADY. The amendment offered by Mr. Studds [begins reading]:

Add the following new sentence at the end of subsection (a) of proposed section 562 of the Foreign Assistance Act of 1961: "The amount made available for obligation or expenditure pursuant to this subsection may not exceed \$800 million less the amount which Israel spends during the period beginning October 1, 1978, and ending September 30, 1979, for civilian settlements on the West Bank which the President finds to be in violation of international law."

Mr. STUDDS. Mr. Chairman, I ask unanimous consent that the amendment be considered as read.

Chairman ZABLOCKI. Without objection it is so ordered. The gentleman from Massachusetts is recognized in support of his amendment.

EXPLANATION OF AMENDMENT

Mr. STUDDS. Mr. Chairman, I regret the hour and I understand and share the impatience of the members who have sat through one of the committee's more interminable bills coming up to this. It was my understanding that this would not come up until tomorrow so I am a bit unprepared and we have some breathless staff who tried getting the amendment here.

I think this is a subject that merits some very serious consideration in spite of the hour and in spite of the exhaustion of the members and I apologize for imposing this.

Mr. Chairman, it seems to me that two major themes have emerged from the hearings which have been held in subcommittee and on Tuesday in full committee on the package for Israel and Egypt.

First, is the need emphasized over and over again by the President of the United States as he puts it, "to aggressively wage peace in the Middle East." To accomplish this we must be willing to act rather than merely talk in a manner which rewards those actions by other nations which contribute to peace, while we must also be willing to penalize those actions which create obstacles to peace.

This entire aid package, the latest in a seemingly endless series of U.S. taxpayer financed efforts on behalf of nations in the Middle East, is justified as a reward for the courageous acts of President Sadat and Prime Minister Begin in behalf of peace and I fully intend to vote in favor of it.

I think it is both consistent and wise for us also to take into account those policies which have been adopted which have created obstacles to peace. During the past week I have questioned both Assistant Secretary Saunders and Secretary Vance about the question of Israel's decision to continue building civilian settlements in the occupied territories, and particularly the West Bank.

They have stated their view that Israel's settlement policy is in violation of international law and that it creates a serious obstacle to progress toward peace.

My amendment would make a modest reduction equal to probably something in the neighborhood of 1 percent of the \$3 billion aid package we are authorizing for Israel should and only if Israel should follow through with its stated intention of continuing to build settlements in the West Bank while we, at the same time, are attempting to convince the Palestinians, the Jordanians, and the Saudis of Israel's intent to negotiate in good faith on the West Bank and Gaza issues.

Should Israel decide to obey international law my amendment would not subtract one penny from our aid package to them.

The second theme which I believe has emerged from the hearings is somewhat related, although not directly, to this legislation before us. I believe we need to make a major reassessment of our relationship with Saudi Arabia and that we need to do so now.

I am aware of the vast differences which exist between the situation in Saudi Arabia and that which existed in Iran but I also believe that there are enough similarities, particularly with respect to the influence of our military policies and our cultural attitudes on the societies involved to merit some degree of comparison.

We used to see eye to eye with the Saudis in the pursuit of peace in the Middle East. We do not now. We used to have a fairly comfortable military relationship. That is not true today. The Saudis used to be somewhat proud of their friendship with the United States. Today they go out of their way to spite us.

We need to take a look beyond the rhetoric and the emotion, and see as well as we possibly can exactly what is going on in Saudi Arabia. In the light of Iran, we have to raise the possibility that our massive military presence and our constant effort to cultivate friendly personalities in the Saudi Government may backfire.

Saudi Arabia is a conservative and highly traditional kingdom with a very modest history of military involvement. The United States is in the process of selling the Saudis billions of dollars of the most sophisticated weapons in the world, and the Army Corps of Engineers has embarked on a \$20 billion program of military construction—that is \$20 billion, Mr. Chairman—including the building of entirely new military cities in the middle of the desert, cities lavishly constructed and complete with air-conditioning, gymnasium, bakery, swimming pool, indoor and outdoor firing ranges, riding stables, a stadium, and a race track, all this in a currently uninhabited area with an average rainfall of 3 inches a year.

Someday someone in Saudi Arabia is going to ask why.

It is my intention to offer a resolution of disapproval for every proposed arms sale to Saudi Arabia which comes under section 36(b) until the Congress and the administration have undertaken a reasonable reexamination of United States/Saudi relations.

I say that, Mr. Chairman, only to indicate that the intention of the author of this amendment is a balanced one. I am not attempting to be critical of any one party. I do believe this Nation ought to look honestly at the situation in the Middle East and ought to call shots as we see them.

I think if there is to be any meaning whatsoever in the President's often repeated phrase that, "We intend to wage peace," we ought to make it very clear to nations in that part of the world that we mean precisely that.

I am under no illusions that this is the most long awaited amendment in the history of the week, but I do hope, Mr. Chairman, that we can get some discussion of it. I think these are topics that ought to be discussed.

I yield the balance of my time.

Chairman ZABLOCKI. The Chair certainly agrees.

The Chair recognizes the gentleman from New York, Mr. Rosenthal.

DEBATE ON STUDDS AMENDMENT

Mr. ROSENTHAL. Mr. Chairman, I do think it is useful, notwithstanding the time, that we do have a discussion of the issue of settlements, I myself have never been convinced that the settlements are illegal.

They are an area for negotiation between the principal parties in that area. The argument of illegality is based exclusively upon article 49 of the fourth Geneva Convention of 1949.

This article entitled "Deportations, Transfers, and Evacuation" prohibits the transfer of parts of the civilian population of an occupying state into occupied territory.

Let me say briefly the leading principle, legal authorities, which is Openheim-Lauderpact, indicates at least to me that these settlements are not in violation of that provision that has a prohibition intended to cover cases of the occupant bringing in its nationals for the purpose of displacing the population of the occupied territory.

In other words, these provisions of the Geneva Convention were intended, such as happened in World War II, where large populations were removed and displaced other populations.

In 99 percent of the cases, as we know it, settlements were moved into barren land and did not displace people in that particular area.

Thus, I myself have never been convinced of the illegality of the situation.

Second, I think it would be retrogressive in terms of movement toward peace to let this settlement issue escalate into what has been a finely tuned financial package by the administration. I think that would be a mistake.

The settlement issue that I know will be one that eventually will have to be discussed and bargained among the parties. And I think it would be counterproductive to bring that issue at this time into these proceedings.

Chairman ZABLOCKI. Will the gentleman from New York yield to the gentleman from New York, Mr. Solarz?

Mr. SOLARZ. Thank you, Mr. Chairman. I suppose that this is what is known as an evenhanded amendment, although it seems to me that the only thing which commends it is that both parts of it, the Saudi part and the Israeli part, are equally mistaken.

This is a year in which we have witnessed great progress in the search for peace in the Middle East. I think it probably fair to say that we have taken a greater step down the road toward a comprehensive peace involving Israel and its Arab neighbors this year than at any time in the last three decades.

One of the reasons we were able to make this tremendous progress was precisely because the President and the administration resisted the temptation to impose a settlement on either or both of the parties to this agreement.

I would suggest to the gentleman from Massachusetts that to the extent he believes continued Israeli settlements in the occupied territories are in fact an obstacle to the kind of comprehensive peace which we all desire, the adoption of this amendment would do more to make sure that settlement will continue than anything else, because were we to adopt an amendment like this we would from a purely political point of view put the Israeli Government in a position where it would have to go ahead with settlements even if it did not want to in order to demonstrate to its own people that it was not yielding to American pressure.

Now, the question of the settlements is a matter for discussion in the forthcoming autonomy negotiations. They will begin in a matter of weeks, and there is no doubt that Egypt will be asking Israel to agree not to go ahead with any new settlements, given all of the tremendous concessions which Israel has made in the course of the last year.

The agreement to withdraw from all of Sinai, even though Moshe Dayan once said he would rather have Sharm el Sheik without peace than peace without Sharm el Sheik, the agreement to withdraw each and every one of the civilian settlements in the Sinai, even though Prime Minister Begin once told the chairman of our committee and his delegation in Jerusalem that he would rather resign as Prime Minister than agree to withdrawing any of those settlements, indicated to me that it would be a serious mistake to assume that Israel may not be willing to make further concessions in the course of these autonomy negotiations.

But adopt this amendment and put them on a political spot, you preclude the very thing that you desire.

Chairman ZABLOCKI. Will the gentleman from New York yield to the chairman of the Subcommittee on Europe and the Middle East?

Mr. HAMILTON. Mr. Chairman, let me just make a couple of very quick points.

First of all, I agree with Mr. Studds' observation that the civilian settlements are an obstacle to peace. I do not think there is any doubt that they make more difficult the negotiations on the West Bank and Gaza.

This amendment has a lot of ingenuity to it and it tries to deal with a very real problem in the negotiations. Nonetheless, I do not think this amendment should be adopted. It is not the right time to do it. We should not confront Israel on this issue this directly right now. This is a terribly sensitive matter for the Begin government.

The real issue is not the settlements anyway but it is the land and water rights in the West Bank. It is a matter that is subject to negotiation and this kind of an amendment would have a major impact at a very sensitive time, and I would urge the gentleman from Massachusetts, although I see a lot of merit in his amendment, I nonetheless urge him to withdraw the amendment and not force us to vote on it, because I think it would have unfortunate consequences even if it were defeated but still had a substantial vote.

Mr. STUDDS. Would the gentleman yield?

Mr. HAMILTON. Yes.

WITHDRAWAL OF STUDDS AMENDMENT

Mr. STUDDS. Under the circumstances I cannot figure out which would be worse, to have it adopted or defeated. I have an enormous respect for the gentleman. I sincerely regret the time bind we are in. My hope had been to have a far more substantial discussion of this amendment and I think perhaps we could do that on the floor of the House.

Mr. Chairman, I ask unanimous consent under the circumstances to withdraw the amendment.

Chairman ZABLOCKI. Without objection it is so ordered.

The gentleman from Illinois.

DRAFT REPORT LANGUAGE

Mr. DERWINSKI. If there are no other amendments I would like 30 seconds to discuss the draft report language in front of us. I would hope if we had a clean bill that I could be one of the cosponsors but this draft report language calling on \$40 million to \$300 million in aid to Egypt to be for scholarships is just one of these nutty ideas that Congress gets that ought to be left out of even the report.

To figure out a way between our educational institutions, the foggy-bottom types, and everyone else that provides scholarships to worthy young Egyptians, fine, but to go this route, especially in light of the staggering economic aid to Egypt, it is a burden they have. That \$40 million could probably be used to build a few dikes and dams and really do something useful.

Senator Fulbright is now a lobbyist for the Arabs. He had an original Fulbright Scholarship Program. Let him take care of all of these would-be Egyptian students and give them scholarships.

I think our getting into this specific kind of petty recommendation because somebody got the bright idea is just impractical.

Mr. FINDLEY. Would you yield?

Mr. DERWINSKI. I will yield to you.

Mr. FINDLEY. I think the gentleman misunderstands the report language. The purpose of the language is to stop the program, not to authorize it.

Mr. HAMILTON. We are opposed to it.

Mr. DERWINSKI. I see. OK.

In other words you are opposed to the scholarship program, is that right? Why did you not write a prohibition in the act instead of in the report language?

I do not want to delay anybody. I will take only 15 seconds for this opinion of Congress that no United Nations Security Council member should block the United Nations Emergency Force. This means the Soviets.

Why do you not just tell Secretary Vance to tell his friend Gromyko that this is part of the linkage and that he is going to lose votes for that SALT agreement if they veto the U.N. Emergency Force. Linkage is a way of life and has more muscle than a congressional report.

Chairman ZABLOCKI. The gentleman from New York.

AMENDMENT OFFERED BY MR. SOLARZ

Mr. SOLARZ. I offer an amendment which simply provides that all future arms sales to Israel and Egypt authorized by this legislation will come under 36(b) provisions requiring the notification to the committee.

It has already been adopted by the Senate.

Chairman ZABLOCKI. Is there any objection to the amendment offered by the gentleman from New York? If not, it is so ordered.

The gentleman from Florida.

Mr. FASCELL. Mr. Chairman, I move that the committee print be reported and that that chairman be instructed to introduce a clean bill.

Chairman ZABLOCKI. All those in favor signify by saying "aye."

[Chorus of "ayes."]

Chairman ZABLOCKI. Opposed, "no."

[No response.]

Chairman ZABLOCKI. The "ayes" have it.

Any members that desire to be cosponsors please advise the chief of staff today.

The committee stands adjourned.

[Whereupon, at 6:05 p.m., the committee adjourned, subject to the call of the Chair.]

APPENDIX 1

BIOGRAPHIES OF WITNESSES

TED A. BOBEK

Born May 10, 1947, at Chicago, Illinois. Education: Georgetown University, B.S.F.S., 1969; Columbia University, J.D., 1972. Office of the Assistant Legal Adviser for Inter-American Affairs, Department of State, 1972-1974; Office of the Assistant Legal Adviser for Politico-Military Affairs, Department of State, 1974-present; Deputy Assistant Legal Adviser, 1977-present. Resides in Arlington, Virginia, with banjo, fiddle, and cat.

HON. HAROLD BROWN

Dr. Harold Brown, Secretary of Defense, nominated by President Jimmy Carter, January 20, 1977; confirmed by the U.S. Senate the same day, took oath of office January 21, 1977; born in New York City, September 19, 1927; attended New York City public schools; A.B., Columbia University, 1945; A.M., 1946; Ph. D., physics, 1949; received honorary degrees (D. Eng., LL.D., and Sc. D.), Stevens Institute of Technology, Long Island University, Gettysburg College, Occidental College, University of California, and University of Rochester; lectured in physics, Columbia University and Stevens Institute of Technology, 1947-52; spent 1 year in post-doctoral research, Columbia; joined University of California radiation laboratory at Berkeley as research scientist; staff member, E. O. Lawrence Radiation Laboratory, 1952; director of the Lawrence Livermore Laboratory, July 1960; member: Polaris Steering Committee, 1956-58; Air Force Scientific Advisory Board, 1956-61; consultant to and member of the President's Science Advisory Committee, 1958-61; senior science adviser at the Conference on the Discontinuance of Nuclear Tests, 1958-59; delegate, Strategic Arms Limitations Talks in Helsinki, Vienna, and Geneva, beginning in 1969; director of Defense Research and Engineering, May 1961 to September 30, 1965; Secretary of Air Force, October 1965 to February 1969; president of the California Institute of Technology, February 1969 until 1977; served as director of Schrodgers, Ltd., IBM, Times-Mirror Corp., and Beckman Instruments; awards: named one of the Ten Outstanding Young Men of the Year by U.S. Junior Chamber of Commerce, 1961; Navy Distinguished Civilian Service Award, 1961; Columbia University Medal of Excellence, 1963; Air Force Exceptional Civilian Service Award, 1969; Department of Defense Award for Exceptionally Meritorious Service, 1969; member: National Academy of Engineering; National Academy of Sciences; American Physical Society; American Academy of Arts and Sciences; Phi Beta Kappa; Sigma Xi; married to the former Colene McDowell; two daughters: Deborah, 23; Ellen, 21.

MORRIS DRAPER

Morris Draper was born in California in 1928. He attended the University of California (B.A. in Political Science, 1952—Phi Beta Kappa) and did post-graduate work at the American University of Beirut, Lebanon, 1960-61. He served in the U.S. Army from 1946-47.

Mr. Draper joined the U.S. Foreign Service in 1952. His diplomatic assignments have included: Executive Secretariat, 1952-54; Political Officer, Singapore,

1955-56; Political Secretary attached to the Baghdad Pact Secretariat, Baghdad, Iraq, 1957-59; Arabic language training, Beirut, Lebanon, 1959-61; Chief Economic Section, Jidda, Saudi Arabia, 1961-64; Director, Foreign Service Training Branch, Personnel Department, Department of State, 1964-66; Turkish Desk Officer, 1966-68; Head, Cyprus Task Force, 1967; Political Counselor, Amman, Jordan, 1968-70; Political Counselor, Ankara, Turkey, 1970-74; Special Assistant in Charge of Special Projects, 1974-76; Country Director for Jordan, Syria, Iraq and Lebanon, 1976-78. Mr. Draper was appointed to his present position in August 1978.

Mr. Draper speaks Arabic and French, plus some Turkish and Spanish. He received a Meritorious Honor Award in 1967.

LT. GEN. ERNEST GRAVES

Lieutenant General Ernest Graves is a graduate of West Point, holds a Ph. D. in physics from MIT, and attended the Harvard Business School. He commanded a combat engineer platoon in Europe in World War II, an engineer construction battalion in Korea, and an engineer group in the Mekong Delta of Vietnam.

A substantial portion of his career has been devoted to the development of military and peaceful uses of nuclear energy. His last job in the nuclear program was Director of Military Application for the AEC and ERDA in 1974-75.

He served previously in Washington as Executive to the Secretary of the Army, as Deputy Director of Military Construction in the Office of the Chiefs of Engineers, and as President of the Air Defense Evaluation Board.

In the early 70's General Graves was Division Engineer for the Army Corps of Engineers on the Great Lakes and the Upper Mississippi River. He became Director of Civil Works for the Corps in September 1975 and moved up to Deputy Chief of Engineers in July 1977.

General Graves became the Director, Defense Security Assistance Agency, on March 1, 1978. In this position he is responsible for managing and administering the multi-billion dollar security assistance programs carried out by the Department of Defense.

HERBERT J. HANSELL

Mr. Hansell is the Legal Adviser in the U.S. Department of State. In that capacity he serves as Secretary of State's legal counsel, and supervises the Department's legal affairs. He was appointed to that position by President Carter in February, 1977, and subsequently confirmed by the Senate.

Mr. Hansell was born November 16, 1925, in Pittsburgh, Pennsylvania. He attended public schools in Salem, Ohio. He received a bachelor of science degree from Massachusetts Institute of Technology in 1946, and a bachelor of laws degree from Yale Law School in 1949.

From 1953 until early 1977, he practiced law in Cleveland with the law firm of Jones, Day, Reavis & Pogue. Prior to joining that firm, he was associated with the firm of Cravath, Swaine & Moore in New York for two years, and with the National Science Foundation for two years as attorney and assistant general counsel.

Mr. Hansell is chairman of the Advisory Committee on Law and Technology at MIT, and of the Committee on the Law School of the Yale University Council. He has been president of the Shaker Heights, Ohio, Board of Education, the Legal Aid Society of Cleveland, and Yale Law School Association. He has been an officer or trustee of Cleveland Council on World Affairs, National Legal Aid and Defender Association, Cleveland Bar Association, Lawyers Committee for Civil Rights under Law and other civic organizations. He is a member of various bar associations and professional societies, and has written and lectured on a variety of legal topics.

Mr. Hansell is married to Jeanne Harris Hansell, who previously was director of aftercare at Fairhill Mental Health Center in Cleveland and is now a practicing therapist in Washington, D.C. They have three children: David, 24, a recent graduate of Haverford College currently a Senatorial research assistant in Washington, James, 22, a student at Amherst College, and Linda, 20, a student at Williams College.

ROBERT J. MURRAY

Robert J. Murray has been appointed Deputy Assistant Secretary of Defense, International Security Affairs, for Near Eastern, African and South Asian Affairs.

His most recent Defense Department assignments, prior to his appointment with ISA, were as Deputy Assistant Secretary of Defense for Manpower and Reserve Affairs from 1975 to 1977, and as Assistant to the Secretary and Deputy Secretary of Defense from 1973 to 1975.

Mr. Murray was the Political-Military Attache at the American Embassy in London from 1969-1972. He had previously served in ISA as Deputy Director, Near East, South Asia Region, and as a member of the Policy Planning Staff.

He is the recipient of two Distinguished Service Awards and a Meritorious Service Award. He is a Fellow, National Institute of Public Affairs, and Member, International Institute for Strategic Studies, London.

Mr. Murray is a graduate of Suffolk College and Harvard University. His military service was with the U.S. Marine Corps.

He is married to the former Betty Evans. They have two daughters, Susan and Victoria.

DANIEL A. O'DONOHUE

Born: October 27, 1931, Michigan.

Education: University of Detroit, BS, 1953; Wayne State University, MPA 1958.

Marital status: Married, 5 children; wife, Mary Miney.

Military Service: U.S. Army, 1953-55.

Experience: Budget Examiner, State government, 1956-57.

Government experience:

1957-59—Consular Officer, Consulate General, Genoa.

1960-64—Political Officer, American Embassy, Seoul.

1964—International Relations Officer, Department of State.

1968-71—Political Section Chief American Embassy, Accra.

1971-72—Student, Army War College.

1972-74—Political Counselor, American Embassy, Seoul.

1974-76—Director, Office of Korean Affairs, Bureau of East Asian and Pacific Affairs, Department of State.

1976-77—Executive Assistant to the Under Secretary for Political Affairs, Department of State.

1977-78—Deputy Chief of Mission, American Embassy, Bangkok.

Nov. 1978 to present—Deputy Director, Bureau of Politico-Military Affairs, Department of State.

HON. HAROLD H. SAUNDERS

Harold H. Saunders, of Pennsylvania, was sworn in today as Assistant Secretary of State for Near Eastern and South Asian Affairs. President Carter announced his intention to nominate Mr. Saunders on March 3 and the United States Senate confirmed his nomination on April 6.

Mr. Saunders was appointed Director of the Bureau of Intelligence and Research in the State Department in December 1975. Previous to this appointment, he served as Deputy Assistant Secretary for Near Eastern and South Asian Affairs from July 1974 through November 1975, where his special area of responsibility included the states of North Africa, the Arab states north of the Arabian Peninsula and Israel. He came to the State Department from the National Security Council Staff in the White House.

Mr. Saunders was born in Philadelphia in 1930 and grew up there. He received his A.B. from Princeton in 1952 and a Ph.D. from Yale in 1956 in American Studies. He served as an officer in the U.S. Air Force from 1958-59, was detailed to the Central Intelligence Agency, and stayed on until 1961 as a civilian after release from active duty. Between 1959 and 1965 he also taught evening classes in American history in the College of General Studies of the George Washington University.

Mr. Saunders joined the National Security Council Staff in 1961 working on the Near East, South Asia, and North African areas, and became senior staff member for that area in 1967. He has accompanied Secretaries Kissinger and Vance on all of their Mid-East trips and participated in the Arab-Israeli negotiations in 1973-75 as well as accompanying the Secretary or the President on trips to Europe, South Asia, Moscow, Vladivostok, Peking, Africa, and Latin America in the period of 1969-1978.

Mr. Saunders is a widower with two children, Catherine and Mark.

HON. CYRUS R. VANCE

Cyrus Roberts Vance, Secretary of State, appointed January 23, 1977; born March 27, 1917, Clarksburg, W. Va.; attended Kent School; B.A., Yale University, 1939; LL.B., Yale University Law School, 1942; honorary degrees: Marshall University, 1963; Trinity College 1966; Yale University, 1968; West Virginia University, 1969; Brandeis University, 1971; lieutenant (s.g.) USNR, 1942-46; married Grace Elsie Sloane, February 15, 1947; children: Elsie Nicoll, Amy Sloane, Grace Roberts, Mrs. James H. Higgins III, and Cyrus Roberts, Jr.; assistant to President of the Mead Corp., 1946-57; admitted to New York Bar, 1947; associate and partner of Simpson, Thacher & Bartlett, 1 Battery Park Plaza, New York, N.Y., 1947-60; special counsel, Preparedness Investigation Subcommittee of the Senate Armed Services Committee, 1957-60; consulting counsel, Special Committee on Space and Astronautics, U.S. Senate, 1958; General Counsel, Department of Defense, 1961-62; Secretary of the Army, 1962-64; Deputy Secretary of Defense, 1967; partner of Simpson, Thacher & Bartlett from September 1, 1967 to January 1977; special representative of the President in civil disturbance in Detroit, July and August 1967; special representative of the President in the Cyprus crisis, November and December 1967; special representative of the President in Korea, February 1968; one of two U.S. negotiators, Paris Peace Conference on Vietnam, May 1968 to February 1969; awarded the Medal of Freedom, January 1969; member of the Commission to investigate alleged police corruption in New York City, May 1970 to August 1972; president of the Association of the Bar of the City of New York, 1974-76; office: Department of State, Washington, D.C.

HON. JOSEPH C. WHEELER

Present position: 1977—Assistant Administrator, Bureau for Near East, Agency for International Development, Washington, D.C.

Other experience:

- 1969-77—Director, United States Agency for International Development Mission to Pakistan—Islamabad, Pakistan.
- 1967-69—Deputy Assistant Administrator, Bureau for Near East and South Asia—A.I.D., Washington.
- 1965-67—Director, United States Agency for International Development Mission to Jordan, Amman, Jordan.
- 1963-65—Director, Office of Greece, Turkey, Iran, Cyprus and Central Treaty Organization Affairs, A.I.D., Washington.
- 1961-63—Peace Corps Staff—Washington and New Delhi, India.
- 1960-61—Turkey Desk Officer—A.I.D., Washington.
- 1959-60—Greece Desk Officer—A.I.D., Washington.
- 1951-59—Junior level positions in AID's predecessor organizations.

Military service: 1945, Army Air Corps; private.

Education:

- Public schools, Concord, Massachusetts.
- 1944-48—Bowdoin College, BA, 1948.
- 1948-49—Graduate Institute of International Studies, Geneva.
- 1949-51—Harvard Graduate School of Public Administration, M.P.A., 1950; M.A., 1951.

Language: French; elementary.

Personal data:

- Born: November 21, 1926 on Thoreau Farm, Concord, Massachusetts.
- Marital Status: Married to Verona Farness Kane, 1970.
- Home Address: 2400 North Lincoln St., Arlington, Virginia 22207.

APPENDIX 2

TEXT OF HOUSE DOCUMENT NO. 96-91, SPECIAL INTERNATIONAL SECURITY ASSISTANCE ACT OF 1979

A BILL To authorize supplemental international security assistance for the fiscal year 1979 in support of the peace treaty between Egypt and Israel and related agreements, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Special International Security Assistance Act of 1979."

CONSTRUCTION OF AIR BASES IN ISRAEL

SEC. 2. Part II of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new chapter:

"CHAPTER 7—AIR BASE CONSTRUCTION IN ISRAEL

"SEC. 561. GENERAL AUTHORITY.—It is the policy of the United States to support the peace treaty concluded between the Government of Egypt and the Government of Israel on March 26, 1979. In furtherance of that policy, the President is authorized—

"(1) to construct, and to enter into contracts for the construction of, air bases in Israel for the Government of Israel as may be agreed upon between the Government of Israel and the Government of the United States, to replace the Israeli air bases located at Etzion and Etam on the Sinai peninsula that are to be evacuated by the Government of Israel, and

"(2) to furnish as a grant to the Government of Israel, on such other terms and conditions as he may determine, defense articles and defense services, which he may acquire from any source, of a value not to exceed the sum appropriated pursuant to section 562(a) of this chapter.

"SEC. 562. AUTHORIZATION AND UTILIZATION OF FUNDS.—

"(a) There is authorized to be appropriated to the President to carry out this chapter not to exceed \$800,000,000, which may be made available until expended.

"(b) Upon agreement by the Government of Israel to provide to the Government of the United States funds equal to the difference between the amount required to complete the agreed construction work and the amount appropriated pursuant to subsection (a) of this section, and to make such funds available in such amounts and at such times as required by the Government of the United States to meet these costs incurred, in advance of the time when payments are due, the President may incur obligations and enter into contracts to the extent necessary to complete the agreed construction work as provided in appropriation acts.

"(c) Funds made available by the Government of Israel pursuant to subsection (b) of this section may be credited to the appropriation account established to carry out the purposes of this section for the payment of obligations incurred and for refund to the Government of Israel if they are unnecessary for this purpose, as determined by the President. Credits and the proceeds of guaranteed loans made available to the Government of Israel pursuant to the Arms Export Control Act, as well as any other source of financing available to it, may be used by Israel to carry out its undertaking to provide such additional funds.

"SEC. 563. WAIVER AUTHORITIES.—(a) It is the sense of the Congress that the President should take all necessary measures consistent with law to insure the efficient and timely completion of the construction authorized by this chapter, including the exercise of authority vested in him by section 633(a) of this Act.

"(b) The provisions of paragraph (8) of section 686(a) of this Act shall be applicable to the use of funds available to carry out this chapter, except that no more than sixty persons at any one time may be engaged under section 686(a) (8) of this Act for the purposes of this chapter."

SUPPLEMENTAL AUTHORIZATION OF FOREIGN MILITARY SALES LOAN GUARANTIES FOR EGYPT AND ISRAEL

SEC. 3. (a) In order to support the peace treaty between Egypt and Israel and related agreements, the Congress finds that the national security interests of the United States is served by the authorization and appropriation of additional funds to finance procurements by Egypt and Israel through the fiscal year 1982 of defense articles and defense services for their respective security requirements.

(b) In addition to amounts otherwise authorized by section 31(a) of the Arms Export Control Act to be appropriated for the fiscal year 1979, there is authorized to be appropriated to the President to carry out the Act \$370,000,000 for the fiscal year 1979.

(c) Notwithstanding the provisions of section 31(c) of the Arms Export Control Act, funds made available pursuant to subsection (b) of this section may be used only for guaranties for Egypt and Israel pursuant to section 24(a) of the Arms Export Control Act, and the principal amount of loans guaranteed with such funds shall not exceed \$3,700,000,000 for the fiscal year 1979 of which amount not less than \$2,200,000,000 shall be available only for Israel and not less than \$1,500,000,000 shall be available only for Egypt. The principal amount of such guaranteed loans shall be in addition to the aggregate ceiling authorized by section 31(b) of the Arms Export Control Act for the fiscal year 1979.

(d) Loans guaranteed with funds made available for the fiscal year 1979 under subsection (b) of this section shall be on terms calling for repayment within a period of not less than thirty years, including an initial grace period of ten years on repayment of principal.

SUPPLEMENTAL AUTHORIZATION OF ECONOMIC SUPPORT FOR EGYPT

SEC. 4. (a) It is hereby determined that the national interests of the United States would be served by the authorization and appropriation of additional funds for economic assistance for Egypt in order to promote the economic stability and development of that country and to further support the peace process in the Middle East.

(b) Accordingly, there is authorized to be appropriated to the President to carry out chapter 4 of part II of the Foreign Assistance Act of 1961, as amended, \$300,000,000 for the fiscal year 1979 for Egypt, in addition to amounts otherwise authorized to be appropriated for such chapter for the fiscal year 1979.

(c) The amounts appropriated pursuant to this section may be made available until expended.

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED SPECIAL INTERNATIONAL SECURITY ASSISTANCE ACT OF 1979

I. INTRODUCTION

The proposed Special International Security Assistance Act of 1979 (hereinafter referred to as "the Bill") amends the Foreign Assistance Act of 1961 (hereinafter referred to as "the FAA") and contains free-standing provisions in order to authorize supplemental international security assistance for the fiscal year 1979 in support of the peace treaty between Egypt and Israel and related governments.

II. PROVISIONS OF THE BILL

Section 1. Short title

This section provides that the Bill may be cited as the "Special International Security Assistance Act of 1979."

Section 2. Construction of air bases in Israel

This section adds a new chapter 7 to part II of the FAA. The chapter consists of three sections.

(a) Section 561 contains two subsections as follows:

(1) Subsection (a) declares that United States policy supports the peace treaty concluded between Egypt and Israel on March 26, 1979. That treaty

requires Israeli evacuation of the Sinai within three years after the date of the exchange of instruments of ratification. In order to replace the Israeli air bases located at Etzion and Etam on the Sinai peninsula that are to be evacuated, this section authorizes the President to construct, and to enter into contracts for the construction of air bases in Israel for the Israeli Government. The extent of construction authorized by this section will be as agreed between the United States and Israeli Governments. This may include secondary facilities and infrastructure involved in the construction of these air bases as may be agreed upon between the two governments under the authority of chapter 7.

(2) Subsection (b) authorizes the provision of grant assistance to the Government of Israel for purposes of chapter 7. Such assistance consists of defense articles and defense services acquired from any source and provided on such terms and conditions as the President may determine consistent with grant assistance. The value of the grant assistance may not exceed the sum appropriated pursuant to section 562 (a).

(b) Section 562 contains three subsections as follows:

(1) Subsection (a) authorizes the appropriation of \$800 million to the President to carry out chapter 7. This sum represents the value of the assistance granted to the Government of Israel. The funds appropriated are authorized to be appropriated on a "no-year" basis, that is, to remain available for obligation until expended; this will ensure that the construction authorized by chapter 7 may be implemented as quickly as the work dictates, without regard to fiscal periods of availability.

(2) Subsection (b) authorizes the President to incur obligations and to enter into contracts in such amounts as may be necessary to complete the construction work agreed pursuant to section 561 FAA. This authority is, however, subject to the requirement that the Israeli Government agrees to provide such additional funds, above and beyond the amounts appropriated under subsection (a), to the United States Government in such amounts and at such times as may be required by the United States Government to meet those additional costs in advance of the time the payments are due.

(3) Subsection (c) provides that such funds provided by the Government of Israel may be credited to the appropriation account established to carry out the purpose of this section. Funds, consolidated in this account, will be used in accordance with section 632 (d) FAA and will be administered by the United States Government in a manner which does not distinguish between the appropriated funds and the funds provided by the Israeli Government. The consolidated funds will remain available without fiscal year limitation for the purposes of chapter 7 until expended. The funds provided by the Government of Israel may be refunded by the United States Government only to the extent, and when the President determines, that those funds are not needed for the completion of the agreed work. The source of the funds required to be provided by Israel under this chapter is a matter for determination by the Government of Israel. Financing available to the Government of Israel pursuant to the Arms Export Control Act and subject to the procedures agreed with the United States Government for the use of such financing may, but need not, be such a source.

(c) Section 563 contains two subsections as follows:

(1) Subsection (a) expresses the sense of Congress that the President should take all measures consistent with law necessary to expedite the construction of the air bases pursuant to chapter 7, including the exercise of his waiver authority under section 63 (a) FAA. The requirement of construction within the three-year period envisaged in the peace treaty between Egypt and Israel and related agreements can only be met if certain provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of funds of the United States Government are so waived in accordance with existing statutory authority. The President has exercised his authority under section 633 (a) FAA by Executive Order No. 11223 of May 12, 1965. Additional provisions of law that may be waived for purposes of chapter 7 include: 40 U.S.C. 541-544, 769; 31 U.S.C. 723a; and 50 U.S.C. App. 2168.

(2) Subsection (b) authorizes the provisions of section 636 (a) (3) FAA (which is currently applicable only to Part I FAA) to be used for the purpose of chapter 7 of Part II FAA. This authority permits contracting with individuals for personal service abroad. Such individuals are not regarded as

United States Government employees. No more than sixty such individuals at any one time may be engaged in the performance of personal services under the provisions of section 563(b) FAA. This authority is needed to meet start-up schedules expeditiously.

Section 3. Supplemental authorization of FMS loan guarantees for Egypt and Israel

This section is a free-standing provision of law, that is, it does not amend any other law such as the Arms Export Control Act. The section contains four subsections as follows:

(a) Subsection (a) is a finding by the United States Congress, in support of the peace treaty between Egypt and Israel and related agreements, that the supplemental authorization and appropriation of additional funds for FMS financing under this section serves the national security interest of the United States. These additional funds will finance procurements by Egypt and Israel through the fiscal year 1982 of defense articles and defense services for their respective security requirements.

(b) Subsection (b) authorizes the appropriation of \$370 million to the President for the fiscal year 1979 to carry out the Arms Export Control Act. This authorization is in addition to the funds authorized by section 31(a) of that Act.

(c) Subsection (c) authorizes the issuance of guarantees pursuant to section 24(a) of the Arms Export Control Act for loans to Egypt of \$1,500 million and for loans to Israel of \$2,200 million with the use of the funds authorized by section 3(b) of the Bill. Section 24(c) of the Arms Export Control Act requires that 10 per centum of the principal amount of such guaranteed loans must be obligated out of funds made available to carry out the Arms Export Control Act and placed in a reserve account for the payment of claims under guarantees issued pursuant to the Arms Export Control Act. An appropriation of \$370 million pursuant to section 3(b) of the Bill is sufficient to guarantee \$3,700 million in aggregate loans to Egypt and Israel. These guaranteed loans are in addition to the aggregate ceiling authorized by section 31(b) of the Arms Export Control Act for the fiscal year 1979 and are not subject to the provisions of section 31(c) of that Act, relating to terms under which credits are extended to Israel.

(d) Subsection (d) establishes special terms under which guaranteed loans authorized by the Bill will be extended to both Egypt and Israel. These terms call for repayment of the \$3,700 million within a period of not less than 30 years, which period shall include an initial 10 year grace period on the repayment of principal. It is expected that the loans will be made by the Federal Financing Bank in accordance with the provisions of the Federal Financing Bank Act of 1978 (12 U.S.C. 2281 et seq.).

Section 4. Economic support for Egypt

This section consists of three subsections, as follows:

(a) This subsection states the determination of Congress that the national interests of the United States would be served by the authorization and appropriation of additional funds for economic assistance for Egypt. The provision of these additional funds is critical to promoting the economic stability and development of Egypt, and is an essential part of the ongoing Middle East peace process.

(b) This subsection authorizes the appropriation of \$300,000,000 for economic support for Egypt pursuant to chapter 4 of Part II of the Foreign Assistance Act, in addition to the amounts otherwise to be authorized and appropriated for that chapter.

(c) This subsection provides that the amounts appropriated pursuant to this section will remain available until expended. It is intended that this additional amount will be obligated over the period through fiscal 1982.

APPENDIX 3

TEXT OF TREATY OF PEACE BETWEEN THE ARAB REPUBLIC OF EGYPT AND THE STATE OF ISRAEL

The Government of the Arab Republic of Egypt and the Government of the State of Israel:

PREAMBLE

Convinced of the urgent necessity of the establishment of a just, comprehensive and lasting peace in the Middle East in accordance with Security Council Resolutions 242 and 338;

Reaffirming their adherence to the "Framework for Peace in the Middle East Agreed at Camp David," dated September 17, 1978;

Noting that the aforementioned Framework as appropriate is intended to constitute a basis for peace not only between Egypt and Israel but also between Israel and each of its other Arab neighbors which is prepared to negotiate peace with it on this basis;

Desiring to bring to an end the state of war between them and to establish a peace in which every state in the area can live in security;

Convinced that the conclusion of a Treaty of Peace between Egypt and Israel is an important step in the search for comprehensive peace in the area and for the attainment of the settlement of the Arab-Israeli conflict in all its aspects;

Inviting the other Arab parties to this dispute to join the peace process with Israel guided by and based on the principles of the aforementioned Framework;

Desiring as well to develop friendly relations and cooperation between themselves in accordance with the United Nations Charter and the principles of international law governing international relations in times of peace;

Agree to the following provisions in the free exercise of their sovereignty, in order to implement the "Framework for the Conclusion of a Peace Treaty Between Egypt and Israel":

ARTICLE I

1. The state of war between the Parties will be terminated and peace will be established between them upon the exchange of instruments of ratification of this Treaty.

2. Israel will withdraw all its armed forces and civilians from the Sinai behind the international boundary between Egypt and mandated Palestine, as provided in the annexed protocol (Annex I), and Egypt will resume the exercise of its full sovereignty over the Sinai.

3. Upon completion of the interim withdrawal provided for in Annex I, the Parties will establish normal and friendly relations, in accordance with Article 11 (3).

ARTICLE II

The permanent boundary between Egypt and Israel is the recognized international boundary between Egypt and the former mandated territory of Palestine, as shown on the map at Annex II, without prejudice to the issue of the status of the Gaza Strip. The Parties recognize this boundary as inviolable. Each will respect the territorial integrity of the other, including their territorial waters and airspace.

ARTICLE III

1. The Parties will apply between them the provisions of the Charter of the United Nations and the

principles of international law governing relations among states in times of peace. In particular:

- a. They recognize and will respect each other's sovereignty, territorial integrity and political independence;
- b. They recognize and will respect each other's right to live in peace within their secure and recognized boundaries;
- c. They will refrain from the threat or use of force, directly or indirectly, against each other and will settle all disputes between them by peaceful means.

2. Each Party undertakes to ensure that acts or threats of belligerency, hostility, or violence do not originate from and are not committed from within its territory, or by any forces subject to its control or by any other forces stationed on its territory, against the population, citizens or property of the other Party. Each Party also undertakes to refrain from organizing, instigating, inciting, assisting or participating in acts or threats of belligerency, hostility, subversion or violence against the other Party, anywhere, and undertakes to ensure that perpetrators of such acts are brought to justice.

3. The Parties agree that the normal relationship established between them will include full recognition, diplomatic, economic and cultural relations, termination of economic boycotts and discriminatory barriers to the free movement of people and goods, and will guarantee the mutual enjoyment by citizens of the due process of law. The process by which they undertake to achieve such a relationship parallel to the implementation of other provisions of this Treaty is set out in the annexed protocol (Annex III).

ARTICLE IV

1. In order to provide maximum security for both Parties on the basis of reciprocity, agreed security arrangements will be established including limited force zones in Egyptian and Israeli territory, and United Nations forces and observers, described in detail as to nature and timing in Annex I, and other security arrangements the Parties may agree upon.

2. The Parties agree to the stationing of United Nations personnel in areas described in Annex I. The Parties agree not to request withdrawal of the United Nations personnel and that these personnel will not be removed unless such removal is

approved by the Security Council of the United Nations, with the affirmative vote of the five Permanent Members, unless the Parties otherwise agree.

3. A Joint Commission will be established to facilitate the implementation of the Treaty, as provided for in Annex I.

4. The security arrangements provided for in paragraphs 1 and 2 of this Article may at the request of either party be reviewed and amended by mutual agreement of the Parties.

ARTICLE V

1. Ships of Israel, and cargoes destined for or coming from Israel, shall enjoy the right of free passage through the Suez Canal and its approaches through the Gulf of Suez and the Mediterranean Sea on the basis of the Constantinople Convention of 1888, applying to all nations. Israeli nationals, vessels and cargoes, as well as persons, vessels and cargoes destined for or coming from Israel, shall be accorded non-discriminatory treatment in all matters connected with usage of the canal.

2. The Parties consider the Strait of Tiran and the Gulf of Aqaba to be international waterways open to all nations for unimpeded and non-suspendable freedom of navigation and overflight. The Parties will respect each other's right to navigation and overflight for access to either country through the Strait of Tiran and the Gulf of Aqaba.

ARTICLE VI

1. This Treaty does not affect and shall not be interpreted as affecting in any way the rights and obligations of the Parties under the Charter of the United Nations.

2. The Parties undertake to fulfill in good faith their obligations under this Treaty, without regard to action or inaction of any other party and independently of any instrument external to this Treaty.

3. They further undertake to take all the necessary measures for the application in their relations of the provisions of the multilateral conventions to which they are parties, including the submission of appropriate notification to the Secretary General of the United Nations and other depositaries of such conventions.

4. The Parties undertake not to enter into any obligation in conflict with this Treaty.

5. Subject to Article 103 of the United Nations Charter, in the event of a conflict between the obligations of the Parties under the present Treaty and any of their other obligations, the obligations under this Treaty will be binding and implemented.

ARTICLE VII

1. Disputes arising out of the application or interpretation of this Treaty shall be resolved by negotiations.

2. Any such disputes which cannot be settled by negotiations shall be resolved by conciliation or submitted to arbitration.

ARTICLE VIII

The Parties agree to establish a claims commission for the mutual settlement of all financial claims.

ARTICLE IX

1. This Treaty shall enter into force upon exchange of instruments of ratification.

2. This Treaty supersedes the Agreement between Egypt and Israel of September, 1975.

3. All protocols, annexes, and maps attached to this Treaty shall be regarded as an integral part hereof.

4. The Treaty shall be communicated to the Secretary General of the United Nations for registration in accordance with the provisions of Article 102 of the Charter of the United Nations.

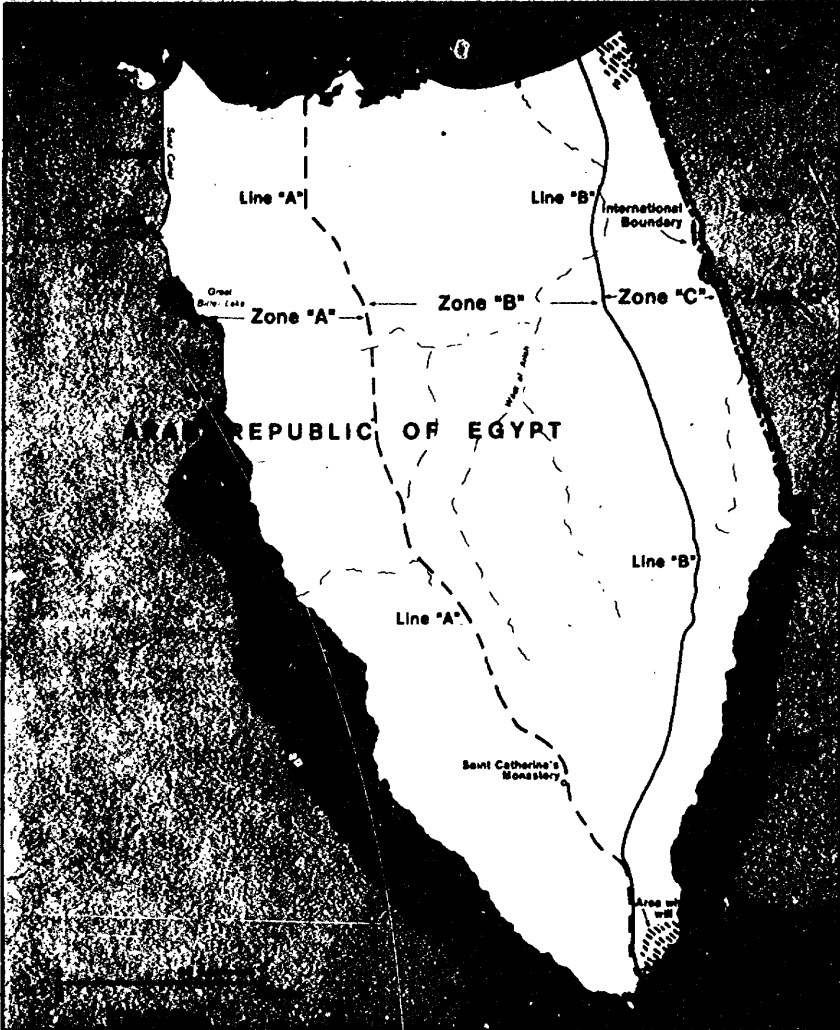
DONE at Washington, D.C. this 26th day of March, 1979, in triplicate in the English, Arabic, and Hebrew languages, each text being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

For the Government of the
Arab Republic of Egypt:

For the Government
of Israel:

Witnessed by:

Jimmy Carter, President
of the United States of America



ANNEX I

**PROTOCOL CONCERNING ISRAELI
WITHDRAWAL AND SECURITY ARRANGEMENTS**

**Article I
Concept of Withdrawal**

1. Israel will complete withdrawal of all its armed forces and civilians from the Sinai not later than three years from the date of exchange of instruments of ratification of this Treaty.

2. To ensure the mutual security of the Parties, the implementation of phased withdrawal will be accompanied by the military measures and establishment of zones set out in this Annex and in Map I, hereinafter referred to as "the Zones."

3. The withdrawal from the Sinai will be accomplished in two phases:

a. The interim withdrawal behind the line from east of El Arish to Ras Muhammed as delineated on Map 2 within nine months from the date of exchange of instruments of ratification of this Treaty.

b. The final withdrawal from the Sinai behind the international boundary not later than three years from the date of exchange of instruments of ratification of this Treaty.

4. A Joint Commission will be formed immediately after the exchange of instruments of ratification of this Treaty in order to supervise and coordinate movements and schedules during the withdrawal, and to adjust plans and timetables as necessary within the limits established by paragraph 3, above. Details relating to the Joint Commission are set out in Article IV of the attached Appendix. The Joint Commission will be dissolved upon completion of final Israeli withdrawal from the Sinai.

**Article II
Determination of Final Lines and Zones**

1. In order to provide maximum security for both Parties after the final withdrawal, the lines and the Zones delineated on Map I are to be established and organized as follows:

a. Zone A

(1) Zone A is bounded on the east by line A (red line) and on the west by the Suez Canal and the east coast of the Gulf of Suez, as shown on Map I.

(2) An Egyptian armed force of one mechanized infantry division and its military installations, and field fortifications, will be in this Zone.

(3) The main elements of that Division will consist of:

(a) Three mechanized infantry brigades.

(b) One armored brigade.

(c) Seven field artillery battalions including up to 126 artillery pieces.

(d) Seven anti-aircraft artillery battalions including individual surface-to-air missiles and up to 126 anti-aircraft guns of 37 mm and above.

(e) Up to 230 tanks.

(f) Up to 480 armored personnel vehicles of all types.

(g) Up to a total of twenty-two thousand personnel.

b. Zone B

(1) Zone B is bounded by line B (green line) on the east and by line A (red line) on the west, as shown on Map I.

(2) Egyptian border units of four battalions equipped with light weapons and wheeled vehicles will provide security and supplement the civil police in maintaining order in Zone B. The main elements of the four Border Battalions will consist of up to a total of four thousand personnel.

(3) Land based, short range, low power, coastal warning points of the border patrol units may be established on the coast of this Zone.

(4) There will be in Zone B field fortifications and military installations for the four border battalions.

c. Zone C

(1) Zone C is bounded by line B (green line) on the west and the International Boundary and the Gulf of Aqaba on the east, as shown on Map I.

(2) Only United Nations forces and Egyptian civil police will be stationed in Zone C.

(3) The Egyptian civil police armed with light weapons will perform normal police functions within this Zone.

(4) The United Nations Force will be deployed within Zone C and perform its functions as defined in Article VI of this Annex.

(5) The United Nations Force will be stationed mainly in camps located within the following stationing areas shown on Map I, and will establish its precise locations after consultations with Egypt:

(a) In that part of the area in the Sinai lying within about 20 Km. of the Mediterranean Sea and adjacent to the International Boundary.

(b) In the Sharm el Sheikh area.

d. Zone D

(1) Zone D is bounded by line D (blue line) on the east and the international boundary on the west, as shown on Map I.

(2) In this Zone there will be an Israeli limited force of four infantry battalions, their military installations, and field fortifications, and United Nations observers.

(3) The Israeli forces in Zone D will not include tanks, artillery and anti-aircraft missiles except individual surface-to-air missiles.

(4) The main elements of the four Israeli infantry battalions will consist of up to 180 armored personnel vehicles of all types and up to a total of four thousand personnel.

2. Access across the international boundary shall only be permitted through entry check points designated by each Party and under its control. Such access shall be in accordance with laws and regulations of each country.

3. Only those field fortifications, military instal-

lations, forces, and weapons specifically permitted by this Annex shall be in the Zones.

Article III

Aerial Military Regime

1. Flights of combat aircraft and reconnaissance flights of Egypt and Israel shall take place only over Zones A and D, respectively.

2. Only unarmed, non-combat aircraft of Egypt and Israel will be stationed in Zones A and D, respectively.

3. Only Egyptian unarmed transport aircraft will take off and land in Zone B and up to eight such aircraft may be maintained in Zone B. The Egyptian border units may be equipped with unarmed helicopters to perform their functions in Zone B.

4. The Egyptian civil police may be equipped with unarmed police helicopters to perform normal police functions in Zone C.

5. Only civilian airfields may be built in the Zones.

6. Without prejudice to the provisions of this Treaty, only those military aerial activities specifically permitted by this Annex shall be allowed in the Zones and the airspace above their territorial waters.

Article IV

Naval Regime

1. Egypt and Israel may base and operate naval vessels along the coasts of Zones A and D, respectively.

2. Egyptian coast guard boats, lightly armed, may be stationed and operate in the territorial waters of Zone B to assist the border units in performing their functions in this Zone.

3. Egyptian civil police equipped with light boats, lightly armed, shall perform normal police functions within the territorial waters of Zone C.

4. Nothing in this Annex shall be considered as derogating from the right of innocent passage of the naval vessels of either party.

5. Only civilian maritime ports and installations may be built in the Zones.

6. Without prejudice to the provisions of this Treaty, only those naval activities specifically permitted by this Annex shall be allowed in the Zones and in their territorial waters.

Article V
Early Warning Systems

Egypt and Israel may establish and operate early warning systems only in Zones A and D respectively.

Article VI
United Nations Operations

1. The Parties will request the United Nations to provide forces and observers to supervise the implementation of this Annex and employ their best efforts to prevent any violation of its terms.

2. With respect to these United Nations forces and observers, as appropriate, the Parties agree to request the following arrangements:

- a. Operation of check points, reconnaissance patrols, and observation posts along the international boundary and line B, and within Zone C.
- b. Periodic verification of the implementation of the provisions of this Annex will be carried out not less than twice a month unless otherwise agreed by the Parties.
- c. Additional verifications within 48 hours after the receipt of a request from either Party.
- d. Ensuring the freedom of navigation through the Strait of Tiran in accordance with Article V of the Treaty of Peace.

3. The arrangements described in this article for each zone will be implemented in Zones A, B, and C by the United Nations Force and in Zone D by the United Nations Observers.

4. United Nations verification teams shall be accompanied by liaison officers of the respective Party.

5. The United Nations Force and observers will report their findings to both Parties.

6. The United Nations Force and Observers operating in the Zones will enjoy freedom of movement and other facilities necessary for the performance of their tasks.

7. The United Nations Force and Observers are not empowered to authorize the crossing of the international boundary.

8. The Parties shall agree on the nations from which the United Nations Force and Observers will be drawn. They will be drawn from nations other than those which are permanent members of the United Nations Security Council.

9. The Parties agree that the United Nations should make those command arrangements that will best assure the effective implementation of its responsibilities.

Article VII
Liaison System

1. Upon dissolution of the Joint Commission, a liaison system between the Parties will be established. This liaison system is intended to provide an effective method to assess progress in the implementation of obligations under the present Annex and to resolve any problem that may arise in the course of implementation, and refer other unresolved matters to the higher military authorities of the two countries respectively for consideration. It is also intended to prevent situations resulting from errors or misinterpretation on the part of either Party.

2. An Egyptian liaison office will be established in the city of El-Arish and an Israeli liaison office will be established in the city of Beer-Sheba. Each office will be headed by an officer of the respective country, and assisted by a number of officers.

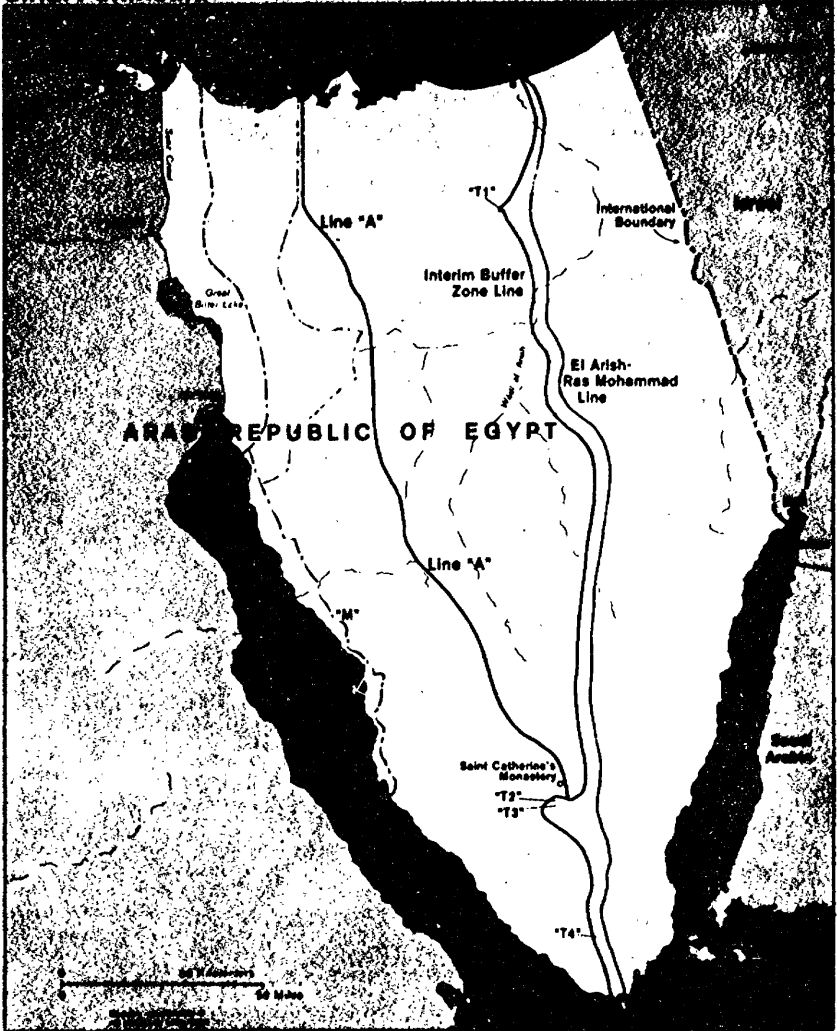
3. A direct telephone link between the two offices will be set up and also direct telephone lines with the United Nations command will be maintained by both offices.

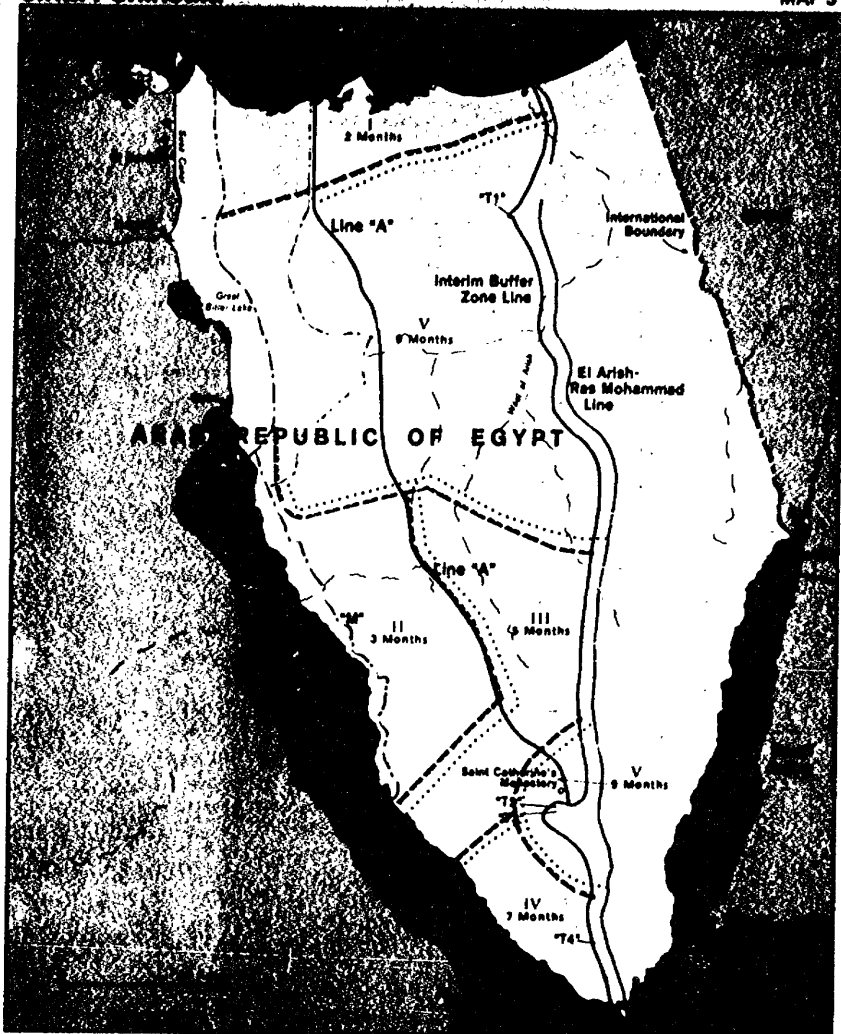
Article VIII
Respect for War Memorials

Each Party undertakes to preserve in good condition the War Memorials erected in the memory of soldiers of the other Party, namely those erected by Israel in the Sinai and those to be erected by Egypt in Israel, and shall permit access to such monuments.

Article IX
Interim Arrangements

The withdrawal of Israeli armed forces and civilians behind the interim withdrawal line, and the conduct of the forces of the Parties and the United Nations prior to the final withdrawal, will be governed by the attached Appendix and Maps 2 and 3.





- Israeli Sub-Phase Line
- Egyptian Sub-Phase Line
- U.N. Sub-Phase Buffer Zone

APPENDIX TO ANNEX I

ORGANIZATION OF MOVEMENTS IN THE SINAI

ARTICLE I

Principles of Withdrawal

1. The withdrawal of Israeli armed forces and civilians from the Sinai will be accomplished in two phases as described in Article I of Annex I. The description and timing of the withdrawal are included in this Appendix. The Joint Commission will develop and present to the Chief Coordinator of the United Nations forces in the Middle East the details of these phases not later than one month before the initiation of each phase of withdrawal.

2. Both Parties agree on the following principles for the sequence of military movements.

a. Notwithstanding the provisions of Article IX, paragraph 2, of this Treaty, until Israeli armed forces complete withdrawal from the current J and M Lines established by the Egyptian-Israeli Agreement of September 1975, hereinafter referred to as the 1975 Agreement, up to the interim withdrawal line, all military arrangements existing under that Agreement will remain in effect, except those military arrangements otherwise provided for in this Appendix.

b. As Israeli armed forces withdraw, United Nations forces will immediately enter the evacuated areas to establish interim and temporary buffer zones as shown on Maps 2 and 3, respectively, for the purpose of maintaining a separation of forces. United Nations forces' deployment will precede the movement of any other personnel into these areas.

c. Within a period of seven days after Israeli armed forces have evacuated any area located in Zone A, units of Egyptian armed forces shall deploy in accordance with the provisions of Article II of this Appendix.

d. Within a period of seven days after Israeli armed forces have evacuated any area located in Zones A or B, Egyptian border units shall deploy in accordance with the provisions of Article II of this Appendix, and will function in accordance with the provisions of Article II of Annex I.

e. Egyptian civil police will enter evacuated areas immediately after the United Nations forces to perform normal police functions.

f. Egyptian naval units shall deploy in the Gulf of Suez in accordance with the provisions of Article II of this Appendix.

g. Except those movements mentioned above, deployments of Egyptian armed forces and the activities covered in Annex I will be effected in the evacuated areas when Israeli armed forces have completed their withdrawal behind the interim withdrawal line.

ARTICLE II

Subphases of the Withdrawal to the Interim Withdrawal Line

1. The withdrawal to the interim withdrawal line will be accomplished in subphases as described in this Article and as shown on Map 3. Each subphase will be completed within the indicated number of months from the date of the exchange of instruments of ratification of this Treaty.

a. First subphase: within two months, Israeli armed forces will withdraw from the area of El Arish, including the town of El Arish and its airfield, shown as Area I on Map 3.

b. Second subphase: within three months, Israeli armed forces will withdraw from the area between line M of the 1975 Agreement and line A, shown as Area II on Map 3.

c. Third subphase: within five months, Israeli armed forces will withdraw from the areas east and south of Area II, shown as Area III on Map 3.

d. Fourth subphase: within seven months, Israeli armed forces will withdraw from the area of El Tor - Ras El Kenisa, shown as Area IV on Map 3.

e. Fifth subphase: Within nine months, Israeli armed forces will withdraw from the remaining areas west of the interim withdrawal line, including the areas of Santa Katrina and the areas east of the Giddi and Mitla passes, shown as Area V on Map 3, thereby completing Israeli withdrawal behind the interim withdrawal line.

2. Egyptian forces will deploy in the areas evacuated by Israeli armed forces as follows:

a. Up to one-third of the Egyptian armed forces in the Sinai in accordance with the 1975 Agreement will deploy in the portions of Zone A lying within Area I, until the completion of interim withdrawal. Thereafter, Egyptian armed forces as described in Article II of Annex I will be deployed in Zone A up to the limits of the interim buffer zone.

b. The Egyptian naval activity in accordance with Article IV of Annex I will commence along the coasts of Areas II, III, and IV, upon completion of the second, third, and fourth subphases, respectively.

c. Of the Egyptian border units described in Article II of Annex I, upon completion of the first subphase one battalion will be deployed in Area I. A second battalion will be deployed in Area II upon completion of the second subphase. A third battalion will be deployed in Area III upon completion of the third subphase. The second and third battalions mentioned above may also be deployed in any of the subsequently evacuated areas of the southern Sinai.

3. United Nations forces in Buffer Zone I of the 1975 Agreement will redeploy to enable the deployment of Egyptian forces described above upon the completion of the first subphase, but will otherwise continue to function in accordance with the provisions of that Agreement in the remainder of that zone until the completion of interim withdrawal, as indicated in Article I of this Appendix.

4. Israeli convoys may use the roads south and east of the main road junction east of El Arish to evacuate Israeli forces and equipment up to the completion of interim withdrawal. These convoys will proceed in daylight upon four hours notice to the Egyptian liaison group and United Nations forces, will be escorted by United Nations forces, and will be in accordance with schedules coordinated by the Joint Commission. An Egyptian liaison officer will accompany convoys to assure uninterrupted movement. The Joint Commission may approve other arrangements for convoys.

ARTICLE III

United Nations Forces

1. The Parties shall request that United Nations forces be deployed as necessary to perform the functions described in this Appendix up to the time of completion of final Israeli withdrawal. For that purpose, the Parties agree to the redeployment of the United Nations Emergency Force.
2. United Nations forces will supervise the implementation of this Appendix and will employ their best efforts to prevent any violation of its terms.
3. When United Nations forces deploy in accordance with the provisions of Articles I and II of this Appendix, they will perform the functions of verification in limited force zones in accordance with Article VI of Annex I, and will establish check points, reconnaissance patrols, and observation posts in the temporary buffer zones described in

Article II above. Other functions of the United Nations forces which concern the interim buffer zone are described in Article V of this Appendix.

ARTICLE IV

Joint Commission and Liaison

1. The Joint Commission referred to in Article IV of this Treaty will function from the date of exchange of instruments of ratification of this Treaty up to the date of completion of final Israeli withdrawal from the Sinai.
2. The Joint Commission will be composed of representatives of each Party headed by senior officers. This Commission shall invite a representative of the United Nations when discussing subjects concerning the United Nations, or when either Party requests United Nations presence. Decisions of the Joint Commission will be reached by agreement of Egypt and Israel.
3. The Joint Commission will supervise the implementation of the arrangements described in Annex I and this Appendix. To this end, and by agreement of both Parties, it will:
 - a. coordinate military movements described in this Appendix and supervise their implementation;
 - b. address and seek to resolve any problem arising out of the implementation of Annex I and this Appendix, and discuss any violations reported by the United Nations Force and Observers and refer to the Governments of Egypt and Israel any unresolved problems;
 - c. assist the United Nations Force and Observers in the execution of their mandates, and deal with the timetables of the periodic verifications when referred to it by the Parties as provided for in Annex I and in this Appendix;
 - d. organize the demarcation of the international boundary and all lines and zones described in Annex I and this Appendix;
 - e. supervise the handing over of the main installations in the Sinai from Israel to Egypt;

- f. agree on necessary arrangements for finding and returning missing bodies of Egyptian and Israeli soldiers;
 - g. organize the setting up and operation of entry check points along the El Arish - Ras Muhammed line in accordance with the provisions of Article 4 of Annex III;
 - h. conduct its operations through the use of joint liaison teams consisting of one Israeli representative and one Egyptian representative, provided from a standing Liaison Group, which will conduct activities as directed by the Joint Commission;
 - i. provide liaison and coordination to the United Nations command implementing provisions of the Treaty, and, through the joint liaison teams, maintain local coordination and cooperation with the United Nations Force stationed in specific areas or United Nations Observers monitoring specific areas for any assistance as needed;
 - j. discuss any other matters which the Parties by agreement may place before it.
4. Meetings of the Joint Commission shall be held at least once a month. In the event that either Party or the Command of the United Nations Force requests a special meeting, it will be convened within 24 hours.
5. The Joint Commission will meet in the buffer zone until the completion of the interim withdrawal and in El Arish and Beer-Sheba alternately afterwards. The first meeting will be held not later than two weeks after the entry into force of this Treaty.

ARTICLE V

Definition of the Interim Buffer Zone and Its Activities

1. An interim buffer zone, by which the United Nations Force will effect a separation of Egyptian and Israeli elements, will be established west of and adjacent to the interim withdrawal line as shown on Map 2 after implementation of Israeli withdrawal and deployment behind the interim withdrawal line. Egyptian civil police equipped with light weapons will perform normal police functions within this zone.

2. The United Nations Force will operate check points, reconnaissance patrols, and observation posts within the interim buffer zone in order to ensure compliance with the terms of this Article.

3. In accordance with arrangements agreed upon by both Parties and to be coordinated by the Joint Commission, Israeli personnel will operate military technical installations at four specific locations shown on Map 2 and designated as T1 (map central coordinate 57163940), T2 (map central coordinate 59351541), T3 (map central coordinate 59331527), and T4 (map central coordinate 61130979) under the following principles:

- a. The technical installations shall be manned by technical and administrative personnel equipped with small arms required for their protection (revolvers, rifles, sub-machine guns, light machine guns, hand grenades, and ammunition), as follows:
 - T1 - up to 150 personnel
 - T2 and T3 - up to 350 personnel
 - T4 - up to 200 personnel.
- b. Israeli personnel will not carry weapons outside the sites, except officers who may carry personal weapons.
- c. Only a third party agreed to by Egypt and Israel will enter and conduct inspections within the perimeters of technical installations in the buffer zone. The third party will conduct inspections in a random manner at least once a month. The inspections will verify the nature of the operation of the installations and the weapons and personnel therein. The third party will immediately report to the Parties any divergence from an installation's visual and electronic surveillance or communications role.
- d. Supply of the installations, visits for technical and administrative purposes, and replacement of personnel and equipment situated in the sites, may occur uninterruptedly from the United Nations check points to the perimeter of the technical installations, after checking and being escorted by only the United Nations forces.

- e. Israel will be permitted to introduce into its technical installations items required for the proper functioning of the installations and personnel.
- f. As determined by the Joint Commission, Israel will be permitted to:
- (1) Maintain in its installations fire-fighting and general maintenance equipment as well as wheeled administrative vehicles and mobile engineering equipment necessary for the maintenance of the sites. All vehicles shall be unarmed.
 - (2) Within the sites and in the buffer zone, maintain roads, water lines, and communications cables which serve the sites. At each of the three installation locations (T1, T2 and T3, and T4), this maintenance may be performed with up to two unarmed wheeled vehicles and by up to twelve unarmed personnel with only necessary equipment, including heavy engineering equipment if needed. This maintenance may be performed three times a week, except for special problems, and only after giving the United Nations four hours notice. The teams will be escorted by the United Nations.
- g. Movement to and from the technical installations will take place only during daylight hours. Access to, and exit from, the technical installations shall be as follows:
- (1) T1: through a United Nations check point, and via the road between Abu Aweigila and the intersection of the Abu Aweigila road and the Gebel Libni road (at Km. 161), as shown on Map 2.
 - (2) T2 and T3: through a United Nations checkpoint and via the road constructed across the buffer zone to Gebel Katrina, as shown on Map 2.
 - (3) T2, T3, and T4: via helicopters flying within a corridor at the times, and according to a flight profile, agreed to by the Joint Commission. The helicopters will be checked by the United Nations Force at landing sites outside the perimeter of the installations.

- h. Israel will inform the United Nations Force at least one hour in advance of each intended movement to and from the installations.
 - i. Israel shall be entitled to evacuate sick and wounded and summon medical experts and medical teams at any time after giving immediate notice to the United Nations Force.
4. The details of the above principles and all other matters in this Article requiring coordination by the Parties will be handled by the Joint Commission.
 5. These technical installations will be withdrawn when Israeli forces withdraw from the interim withdrawal line, or at a time agreed by the parties.

ARTICLE VI

Disposition of Installations and Military Barriers

Disposition of installations and military barriers will be determined by the Parties in accordance with the following guidelines:

1. Up to three weeks before Israeli withdrawal from any area, the Joint Commission will arrange for Israeli and Egyptian liaison and technical teams to conduct a joint inspection of all appropriate installations to agree upon condition of structures and articles which will be transferred to Egyptian control and to arrange for such transfer. Israel will declare, at that time, its plans for disposition of installations and articles within the installations.
2. Israel undertakes to transfer to Egypt all agreed infrastructure, utilities, and installations intact, inter alia, airfields, roads, pumping stations, and ports. Israel will present to Egypt the information necessary for the maintenance and operation of these facilities. Egyptian technical teams will be permitted to observe and familiarize themselves with the operation of these facilities for a period of up to two weeks prior to transfer.

3. When Israel relinquishes Israeli military water points near El Arish and El Tor, Egyptian technical teams will assume control of those installations and ancillary equipment in accordance with an orderly transfer process arranged beforehand by the Joint Commission. Egypt undertakes to continue to make available at all water supply points the normal quantity of currently available water up to the time Israel withdraws behind the international boundary, unless otherwise agreed in the Joint Commission.

4. Israel will make its best effort to remove or destroy all military barriers, including obstacles and minefields, in the areas and adjacent waters from which it withdraws, according to the following concept:

- a. Military barriers will be cleared first from areas near populations, roads, and major installations and utilities.
- b. For those obstacles and minefields which cannot be removed or destroyed prior to Israeli withdrawal, Israel will provide detailed maps to Egypt and the United Nations through the Joint Commission not later than 15 days before entry of United Nations forces into the affected areas.
- c. Egyptian military engineers will enter those areas after United Nations forces enter to conduct barrier clearance operations in accordance with Egyptian plans to be submitted prior to implementation.

ARTICLE VII

Surveillance Activities

1. Aerial surveillance activities during the withdrawal will be carried out as follows:
 - a. Both Parties request the United States to continue airborne surveillance flights in accordance with previous agreements until the completion of final Israeli withdrawal.

b. Flight profiles will cover the Limited Forces Zones to monitor the limitations on forces and armaments, and to determine that Israeli armed forces have withdrawn from the areas described in Article II of Annex I, Article II of this Appendix, and Maps 2 and 3, and that these forces thereafter remain behind their lines. Special inspection flights may be flown at the request of either Party or of the United Nations.

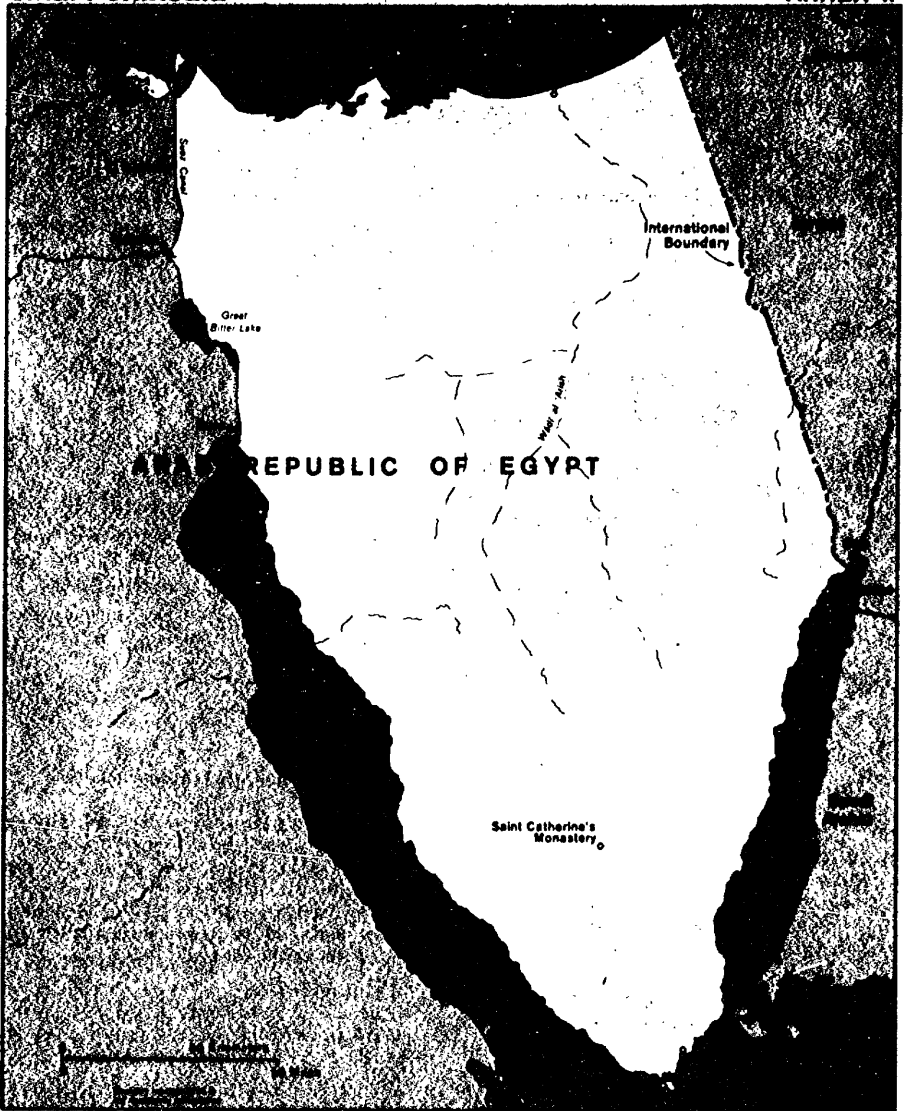
c. Only the main elements in the military organizations of each Party, as described in Annex I and in this Appendix, will be reported.

2. Both Parties request the United States operated Sinai Field Mission to continue its operations in accordance with previous agreements until completion of the Israeli withdrawal from the area east of the Giddi and Mitla Passes. Thereafter, the Mission will be terminated.

Article VIII

Exercise of Egyptian Sovereignty

Egypt will resume the exercise of its full sovereignty over evacuated parts of the Sinai upon Israeli withdrawal as provided for in Article I of this Treaty.



ANNEX III

**PROTOCOL CONCERNING RELATIONS
OF THE PARTIES**

**Article 1
Diplomatic and Consular Relations**

The Parties agree to establish diplomatic and consular relations and to exchange ambassadors upon completion of the interim withdrawal.

**Article 2
Economic and Trade Relations**

1. The Parties agree to remove all discriminatory barriers to normal economic relations and to terminate economic boycotts of each other upon completion of the interim withdrawal.

2. As soon as possible, and not later than six months after the completion of the interim withdrawal, the Parties will enter negotiations with a view to concluding an agreement on trade and commerce for the purpose of promoting beneficial economic relations.

**Article 3
Cultural Relations**

1. The Parties agree to establish normal cultural relations following completion of the interim withdrawal.

2. They agree on the desirability of cultural exchanges in all fields, and shall, as soon as possible and not later than six months after completion of the interim withdrawal, enter into negotiations with a view to concluding a cultural agreement for this purpose.

**Article 4
Freedom of Movement**

1. Upon completion of the interim withdrawal, each Party will permit the free movement of the nationals and vehicles of the other into and within its territory according to the general rules applicable to nationals and vehicles of other states. Neither Party will impose discriminatory restrictions on the

free movement of persons and vehicles from its territory to the territory of the other.

2. Mutual unimpeded access to places of religious and historical significance will be provided on a nondiscriminatory basis.

**Article 5
Cooperation for Development and
Good Neighborly Relations**

1. The Parties recognize a mutuality of interest in good neighborly relations and agree to consider means to promote such relations.

2. The Parties will cooperate in promoting peace, stability and development in their region. Each agrees to consider proposals the other may wish to make to this end.

3. The Parties shall seek to foster mutual understanding and tolerance and will, accordingly, abstain from hostile propaganda against each other.

**Article 6
Transportation and Telecommunications**

1. The Parties recognize as applicable to each other the rights, privileges and obligations provided for by the aviation agreements to which they are both party, particularly by the Convention on International Civil Aviation, 1944 ("The Chicago Convention") and the International Air Services Transit Agreement, 1944.

2. Upon completion of the interim withdrawal any declaration of national emergency by a party under Article 89 of the Chicago Convention will not be applied to the other party on a discriminatory basis.

3. Egypt agrees that the use of airfields left by Israel near El Arish, Rafah, Ras El Nagb and Sharm El Sheikh shall be for civilian purposes only, including possible commercial use by all nations.

4. As soon as possible and not later than six months after the completion of the interim withdrawal, the Parties shall enter into negotiations for the purpose of concluding a civil aviation agreement.

5. The Parties will reopen and maintain roads and railways between their countries and will consider further road and rail links. The Parties further agree that a highway will be constructed and maintained between Egypt, Israel and Jordan near Eilat with guaranteed free and peaceful passage of persons, vehicles and goods between Egypt and Jordan, without prejudice to their sovereignty over that part of the highway which falls within their respective territory.

6. Upon completion of the interim withdrawal, normal postal, telephone, telex, data facsimile, wireless and cable communications and television relay services by cable, radio and satellite shall be established between the two Parties in accordance with all relevant international conventions and regulations.

7. Upon completion of the interim withdrawal, each Party shall grant normal access to its ports for vessels and cargoes of the other, as well as vessels and cargoes destined for or coming from the other.

Such access shall be granted on the same conditions generally applicable to vessels and cargoes of other nations. Article 5 of the Treaty of Peace will be implemented upon the exchange of instruments of ratification of the aforementioned treaty.

Article 7 Enjoyment of Human Rights

The Parties affirm their commitment to respect and observe human rights and fundamental freedoms for all, and they will promote these rights and freedoms in accordance with the United Nations Charter.

Article 8 Territorial Seas

Without prejudice to the provisions of Article 5 of the Treaty of Peace each Party recognizes the right of the vessels of the other Party to innocent passage through its territorial sea in accordance with the rules of international law.

**AGREED MINUTES
TO ARTICLES I, IV, V AND VI AND ANNEXES I AND III
OF TREATY OF PEACE**

ARTICLE I

Egypt's resumption of the exercise of full sovereignty over the Sinai provided for in paragraph 2 of Article I shall occur with regard to each area upon Israel's withdrawal from that area.

ARTICLE IV

It is agreed between the parties that the review provided for in Article IV(4) will be undertaken when requested by either party, commencing within three months of such a request, but that any amendment can be made only with the mutual agreement of both parties.

ARTICLE V

The second sentence of paragraph 2 of Article V shall not be construed as limiting the first sentence of that paragraph. The foregoing is not to be construed as contravening the second sentence of paragraph 2 of Article V, which reads as follows:

"The Parties will respect each other's right to navigation and overflight for access to either country through the Strait of Tiran and the Gulf of Aqaba."

ARTICLE VI(2)

The provisions of Article VI shall not be construed in contradiction to the provisions of the framework for peace in the Middle East agreed at Camp David. The foregoing is not to be construed as contravening the provisions of Article VI(2) of the Treaty, which reads as follows:

"The Parties undertake to fulfill in good faith their obligations under this Treaty, without regard to action or inaction

of any other Party and independently of any instrument external to this Treaty."

ARTICLE VI(5)

It is agreed by the Parties that there is no assertion that this Treaty prevails over other Treaties or agreements or that other Treaties or agreements prevail over this Treaty. The foregoing is not to be construed as contravening the provisions of Article VI(5) of the Treaty, which reads as follows:

"Subject to Article 103 of the United Nations Charter, in the event of a conflict between the obligations of the Parties under the present Treaty and any of their other obligations, the obligations under this Treaty will be binding and implemented."

ANNEX I

Article VI, Paragraph 8, of Annex I provides as follows:

"The Parties shall agree on the nations from which the United Nations force and observers will be drawn. They will be drawn from nations other than those which are permanent members of the United Nations Security Council."

The Parties have agreed as follows:

"With respect to the provisions of paragraph 8, Article VI, of Annex I, if no agreement is reached between the Parties, they will accept or support a U.S. proposal concerning the composition of the United Nations force and observers."

ANNEX III

The Treaty of Peace and Annex III thereto provide for establishing normal economic relations between the Parties. In accordance therewith, it is agreed that such relations will include normal commercial sales of oil by Egypt to Israel, and that Israel shall be fully entitled to make bids for Egyptian-origin oil not needed for Egyptian domestic oil consumption, and Egypt and its oil concessionaires will entertain bids

made by Israel, on the same basis and terms as apply to other bidders for such oil.

For the Government of
Israel:

For the Government of the
Arab Republic of Egypt:

Witnessed by:

Jimmy Carter, President
of the United States of America

March 26, 1979

Dear Mr. President:

This letter confirms that Egypt and Israel have agreed as follows:

The Governments of Egypt and Israel recall that they concluded at Camp David and signed at the White House on September 17, 1978, the annexed documents entitled "A Framework for Peace in the Middle East Agreed at Camp David" and "Framework for the conclusion of a Peace Treaty between Egypt and Israel."

For the purpose of achieving a comprehensive peace settlement in accordance with the above-mentioned Frameworks, Egypt and Israel will proceed with the implementation of those provisions relating to the West Bank and the Gaza Strip. They have agreed to start negotiations within a month after the exchange of the instruments of ratification of the Peace Treaty. In accordance with the "Framework for Peace in the Middle East," the Hashemite Kingdom of Jordan is invited to join the negotiations. The Delegations of Egypt and Jordan may include Palestinians from the West Bank and Gaza Strip or other Palestinians as mutually agreed. The purpose of the negotiation shall be to agree, prior to the elections, on the modalities for establishing the elected self-governing authority (administrative council), define its powers and responsibilities, and agree upon other related issues. In the event Jordan decides not to take part in the negotiations, the negotiations will be held by Egypt and Israel.

The President,
The White House.

The two Governments agree to negotiate continuously and in good faith to conclude these negotiations at the earliest possible date. They also agree that the objective of the negotiations is the establishment of the self-governing authority in the West Bank and Gaza in order to provide full autonomy to the inhabitants.

Egypt and Israel set for themselves the goal of completing the negotiations within one year so that elections will be held as expeditiously as possible after agreement has been reached between the parties. The self-governing authority referred to in the "Framework for Peace in the Middle East" will be established and inaugurated within one month after it has been elected, at which time the transitional period of five years will begin. The Israeli military government and its civilian administration will be withdrawn, to be replaced by the self-governing authority, as specified in the "Framework for Peace in the Middle East." A withdrawal of Israeli armed forces will then take place and there will be a re-deployment of the remaining Israeli forces into specified security locations.

This letter also confirms our understanding that the United States Government will participate fully in all stages of negotiations.

Sincerely yours,

For the Government of
Israel:

For the Government of the
Arab Republic of Egypt:

Menachem Begin

Mohamed Anwar El-Sadat

March 26, 1979

Dear Mr. President:

In response to your request, I can confirm that, within one month after the completion of Israel's withdrawal to the interim line as provided for in the Treaty of Peace between Egypt and Israel, Egypt will send a resident ambassador to Israel and will receive a resident Israeli ambassador in Egypt.

Sincerely,

Mohamed Anwar El-Sadat

The President,
The White House.

March 26, 1979

Dear Mr. Prime Minister:

I have received a letter from President Sadat that, within one month after Israel completes its withdrawal to the interim line in Sinai, as provided for in the Treaty of Peace between Egypt and Israel, Egypt will send a resident ambassador to Israel and will receive in Egypt a resident Israeli ambassador.

I would be grateful if you will confirm that this procedure will be agreeable to the Government of Israel.

Sincerely,

Jimmy Carter

His Excellency
Menachem Begin,
Prime Minister of the
State of Israel.

March 26, 1979

Dear Mr. President:

I am pleased to be able to confirm that the Government of Israel is agreeable to the procedure set out in your letter of March 26, 1979 in which you state:

"I have received a letter from President Sadat that, within one month after Israel completes its withdrawal to the interim line in Sinai, as provided for in the Treaty of Peace between Egypt and Israel, Egypt will send a resident ambassador to Israel and will receive in Egypt a resident Israeli ambassador."

Sincerely,

Menachem Begin

The President,
The White House.

March 26, 1979

Dear Mr. President:

I wish to confirm to you that subject to United States Constitutional processes:

In the event of an actual or threatened violation of the Treaty of Peace between Egypt and Israel, the United States will, on request of one or both of the Parties, consult with the Parties with respect thereto and will take such other action as it may deem appropriate and helpful to achieve compliance with the Treaty.

The United States will conduct aerial monitoring as requested by the Parties pursuant to Annex I of the Treaty.

The United States believes the Treaty provision for permanent stationing of United Nations personnel in the designated limited force zone can and should be implemented by the United Nations Security Council. The United States will exert its utmost efforts to obtain the requisite action by the Security Council. If the Security Council fails to establish and maintain the arrangements called for in the Treaty, the President will be prepared to take those steps necessary to ensure the establishment and maintenance of an acceptable alternative multinational force.

Sincerely,

Jimmy Carter

His Excellency
Mohamed Anwar El-Sadat,
President of the Arab
Republic of Egypt.

March 26, 1979

Dear Mr. Prime Minister:

I wish to confirm to you that subject to United States Constitutional processes:

In the event of an actual or threatened violation of the Treaty of Peace between Israel and Egypt, the United States will, on request of one or both of the Parties, consult with the Parties with respect thereto and will take such other action as it may deem appropriate and helpful to achieve compliance with the Treaty.

The United States will conduct aerial monitoring as requested by the Parties pursuant to Annex I of the Treaty.

The United States believes the Treaty provision for permanent stationing of United Nations personnel in the designated limited force zone can and should be implemented by the United Nations Security Council. The United States will exert its utmost efforts to obtain the requisite action by the Security Council. If the Security Council fails to establish and maintain the arrangements called for in the Treaty, the President will be prepared to take those steps necessary to ensure the establishment and maintenance of an acceptable alternative multinational force.

Sincerely,

Jimmy Carter

His Excellency
Menachem Begin,
Prime Minister of the
State of Israel.

EXPLANATORY NOTE

President Carter, upon receipt of the Joint Letter to him from President Sadat and Prime Minister Begin, has added to the American and Israeli copies the notation:

"I have been informed that the expression 'West Bank' is understood by the Government of Israel to mean 'Judea and Samaria'."

This notation is in accordance with similar procedures established at Camp David.

APPENDIX 4

CORRESPONDENCE BETWEEN REPRESENTATIVE LEE H. HAMILTON AND THE OFFICE OF MANAGEMENT AND BUDGET AND REPRESENTATIVE ROBERT N. GIAIMO

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., April 27, 1979.

HON. LEE H. HAMILTON,
Chairman, Subcommittee on Europe and the Middle East, Committee on Foreign Affairs, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The enclosed tables have been prepared in response to your April 10, 1979, letter. Table #1 shows the budget authority and outlay impact allowing 50 percent forgiveness of the \$3.7 billion of foreign military sales (FMS) financing that the Administration requested following the signing of the Egyptian-Israeli peace treaty. It also shows the budgetary effects of the \$800 million of assistance for the relocation of Israeli airfields and the \$300 million of economic support for Egypt.

All the supplemental budget authority will be added to the 1979 budget. The outlays, on the other hand, will occur in the years in which the funds are spent. Table #2 compares estimated FMS outlays between 1979 and 1983 on the basis of no forgiveness (Administration's request) or 50 percent forgiveness. In order to illustrate the full impact of FMS forgiveness on the Mideast package, the outlays for airfield relocation and economic support are also included.

The Middle East security assistance supplemental is designed to balance the need for budgetary restraint against the furtherance of peace in a region vital to U.S. interests. The Administration has requested no waiver of the repayment of the \$3.7 billion of FMS financing requested for Egypt and Israel, because we do not believe that concessionality beyond that already requested is required. The economies of both countries are expected to be strong enough to repay the loans over their thirty-year amortization periods, and both countries have agreed to sign the peace treaty without any U.S. commitment to forgive repayment of any portion of the FMS loans.

During this period of fiscal austerity, the Administration would object to increasing grants to either country. In addition to the \$800 million grant for the relocation of two airfields, Israel is receiving \$500 million of "forgiven" FMS credits and \$525 million of grant economic assistance in the regular 1979 security assistance program. Egypt, in turn, is receiving \$500 million of economic grants in the same security assistance program in addition to the \$200 million of grant economic support in the supplemental. We believe that these \$2.5 billion of grants are sufficient to meet the military and economic needs of both countries.

I hope that you find the above information useful.

Sincerely,

JAMES T. McINTYRE, Jr., *Director.*

Enclosures.

COMPARISON OF BUDGETARY EFFECTS OF NO FORGIVENESS VERSUS 50-PERCENT FORGIVENESS OF EGYPTIAN-ISRAELI FMS CREDITS
(In millions of dollars)

Program	Administration request (no forgiveness)		50-percent forgiveness	
	Budget authority	Outlays	Budget authority	Outlays
FMS.....	3,700	370	2,035	1,850
Egypt.....	(1,500)	(150)	(825)	(750)
Israel.....	(2,200)	(220)	(1,210)	(1,100)
Relocation of airfields (100 percent grant)	800	800	800	800
Supporting assistance (66 percent grant)	300	300	300	300
Total.....	4,800	1,470	3,136	2,950

COMPARISON OF ANNUAL OUTLAY IMPACT BETWEEN 0 AND 50-PERCENT FORGIVENESS IN EGYPTIAN AND ISRAELI FMS PROGRAMS
(In millions of dollars)

	1979		1980		1981		1982		1983		Total	
	0	50	0	50	0	50	0	50	0	50	0	50
	per-	per-	per-	per-	per-	per-	per-	per-	per-	per-	per-	per-
FMS.....		80		550		595		490		135		1,850
Airfield relocation.....	299	299	216	216	285	285					800	800
SSA.....	50	50	100	100	150	150					300	300
Total.....	349	429	316	866	435	1,030	0	490	0	135	1,100	2,950

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C., April 23, 1979.

HON. LEE H. HAMILTON,
Chairman, Subcommittee on Europe and the Middle East, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of April 10 concerning the President's proposed supplemental legislation to implement the peace treaty between Egypt and Israel. You requested an assessment of the budgetary impact of amending the President's proposal to allow for 50 percent forgiveness for the credits provided in the proposed legislation.

As I understand it, such an amendment would extend to both Egypt and Israel the forgiveness provisions now contained in Section 31(c) of the Arms Export Control Act. Consequently, it would provide that each country "be released from one-half of its contractual liability to repay the United States Government with respect to defense articles and defense services. . . ."

Such an amendment, if adopted, would result in an increase over the President's request, and the amounts included in the budget resolution, by \$1,665 million in budget authority and \$80 million in outlays in fiscal year 1979, and by \$550 million in outlays in fiscal year 1980. The budget deficit would, of course, also be increased in the same amount as the outlays.

It should be noted that any change in the budgetary treatment of the President's Middle East Peace package would also require a change in the budget resolutions for fiscal years 1979 and 1980. As reported by the Committee on the Budget on April 13, 1979, the amounts included in the budget resolution assumed that the President's request would be approved as submitted. If the President's request is to be modified in any way, the budget resolution, which is scheduled for consideration by the House on May 1, would have to be amended to reflect the appropriate increases in the budget authority, outlays, and the deficit. If you anticipate that such an amendment will be offered, I would appreciate being so advised as soon as possible.

If you need any further data on the budget impact of changes in this area, Peter Storm of the Budget Committee staff (ext. 58606) is available to provide your staff with additional data.

Sincerely yours,

ROBERT N. GLAIMO, Chairman.

APRIL 10, 1979.

Mr. JAMES T. MCINTYRE, Jr.,
Director, Office of Management and Budget, Washington, D.C.

DEAR MR. MCINTYRE: I attach for your consideration a letter from the President regarding supplemental legislation he intends to submit providing additional economic and military assistance for Israel and Egypt. As you know, this legislation follows the conclusion of the Egyptian-Israeli Peace Treaty.

I would like to have your assessment of the budgetary impact of a provision which would seek to amend the President's proposal in order to allow for 50 percent forgiveness for the credits and loans provided in the proposed legislation. Specifically, I want to have your estimates of the exact financial impact of such an amendment and your assessment of the implications of such a provision on overall budget plans.

Since the subcommittee is likely to be considering this legislation the week of April 23, 1979, I would appreciate receiving your assessment early that week.

If you have any questions regarding this request, Mike Van Dusen, Staff Director of the subcommittee, is available at 225-3845.

With best regards.

Sincerely yours,

LEE H. HAMILTON,
*Chairman, Subcommittee on Europe
and the Middle East.*

APPENDIX 5

ADDITIONAL STATEMENTS AND COMMUNICATIONS SUBMITTED SUBSEQUENT TO THE HEARING

A. STATEMENT OF THE NATIONAL ASSOCIATION OF ARAB AMERICANS

MAY 15, 1979.

Representative LEE HAMILTON,
*Chairman, Subcommittee on Europe and the Middle East, Foreign Affairs Com-
mittee, U.S. House of Representatives, Washington, D.O.*

DEAR MR. HAMILTON: The National Association of Arab Americans (NAAA) wishes to have its views on the fiscal year 1979 supplemental aid package for Egypt and Israel added to the record.

The Administration has requested \$4.8 billion over three years for those two nations in the wake of the bilateral treaty signed March 26 of this year. Of the sum, Israel is to receive \$3 billion as follows: \$2.2 billion in long-term loans for military purchases and \$800 million in grants for construction of new airfields in the Negev. Egypt will receive \$1.8 billion as follows: \$1.5 billion in long-term loans for military purchases and \$300 million in grants for economic development. In appearances before Congressional Committees Secretary of State Vance has testified that the budgetary impact of the supplemental assistance will be less than \$2 billion, comprising the grants and carrying charges related to the loans.

NAAA is concerned about several aspects of the supplemental aid request:

(1) ASSISTANCE PRIORITIES

Of the requested \$4.8 billion, \$4.5 billion (or 94% of the total) is earmarked for military purchases and construction. It is difficult to understand why it is necessary to invest so much money in weapons in the wake of a treaty of peace. One wonders if the treaty holds any reasonable expectation of a diminution of tension and violence in the region.

(2) ACTUAL COSTS

It is likely that within a relatively short period of time Israeli and/or Egyptian economic problems will result in requests to convert the loans into grants. Israeli economists are already predicting "three-digit" inflation, up from the current 60% annual rate, and Egypt faces chronic balance of payments problems. An amendment passed by the Senate Foreign Relations Committee has already "softened the ground" for conversion of the loans into grants by directing the President to report each year on Israel's and Egypt's ability to repay principal and interest.

In the near term, it is likely that Congress will be asked for even more money for Israel, since defense analysts report that the cost of military items promised to Israel exceeds the supplemental appropriation.

(3) NEXT STEPS TOWARD PEACE

Most observers—American, Arab, and Israeli—acknowledge that the bilateral treaty dealing with Israeli withdrawal from Sinai and normalization of Egyptian-Israeli relations was the easiest part of the peace package, despite its own problems. The price tag for that treaty is about \$5 billion without even broaching the topic of Israeli withdrawal from the West Bank, Gaza Strip, and Golan Heights in fulfillment of Security Council Resolution 242. Is the \$5 billion just the tip of the iceberg? Or does its high price mean that the Administration has

expended its best effort and will not exert leverage for Israeli withdrawal from the other occupied territories?

(4) ISRAELI DIPLOMATIC STRATEGY

Israel has achieved a long-standing objective: splitting Egypt off from the rest of the Arab World and neutralizing it militarily. Israel will in the process relinquish the Sinai Peninsula, not viewed as historically or strategically significant by Israel's leaders. Not only will Israel be able to turn its full military might to the East; it will also have two super-modern American-built airfields from which to threaten Saudi Arabia and other oil-producing states in the Gulf region. The new increment of military hardware, piled on top of what the United States has provided Israel in recent years will make possible Israeli retention of the West Bank, Gaza Strip, and Golan Heights in the face of pressures from any source, including the United States government.

(5) COSTS OF WAR VERSUS COSTS OF PEACE

Secretary of State Vance on April 23 provided Senator Frank Church, Chairman of the Senate Foreign Relations Committee, with a State Department study of "the total cost to the U.S. of four wars in the Middle East", estimated at somewhere between \$55 billion and \$70 billion. The Administration cited those figures in recent weeks in order to justify the comparatively low cost of the current peace package. Taken at face value, the argument that "peace is cheaper than war" is compelling—until one begins to analyze the \$55-70 billion figure. Then it becomes clear that it has two major components: aid to Israel and estimated costs of the oil embargo and higher prices following the 1973 war. In the first case, the United States has voluntarily made available the huge outlays of military and economic assistance to Israel; we gave them the money because they and their friends prevailed upon us to do so, not because we had to. The oil embargo was a political response by Arab producers to what they saw as unacceptable pro-Israeli bias by the United States. The point to keep in mind is that in the wake of "peace", nothing has changed in the cost equation. Israel is determined to retain occupied Arab lands and defy Palestinian aspirations for self-determination, thus requiring permanent military assistance; the Arab oil-producing states are more alienated than ever from the United States since their reservations about the Camp David peace formula have been met with a campaign of innuendo from the Administration in recent weeks. There is little incentive for the Arabs to cooperate with the United States on oil issues these days. In short, nothing seems to have changed, except that the Administration has developed a questionable new rationale for selling the supplemental aid package.

NAAA and many other Americans are concerned that American Middle East diplomacy may make achievement of comprehensive Middle East peace more, rather than less, difficult. Already we are seeing evidence of alienation of important Arab friends of the United States, including Saudi Arabia and other oil producers. American national interests in the Middle East are intimately tied to access to oil and balance of payments. It is the assessment of NAAA that the costs of the recent treaty may well exceed the benefits that the Administration says it will bring.

Sincerely yours,

J. R. ABINADER, *Executive Director.*

B. STATEMENT SUBMITTED BY GEORGE BISHARAT, COORDINATOR OF THE MIDDLE EAST RESOURCE CENTER

The Middle East Resource Center is the Washington office of Search for Justice and Equality in Palestine, a nationally-based organization whose constituents believe that peace and security for Israeli Jews and justice for Palestinian Arabs are interdependent and not mutually exclusive. We are concerned that our government, in its diverse relations with the countries of the Middle East, foster the establishment of a just and therefore durable peace in that region.

We believe that the success or failure of any negotiated peace in the Middle East will reflect the extent to which just resolutions to the problems of the

involved parties have been found. Justice and the establishment of conditions favorable to equal social and economic development are more effective guarantees of peace and stability, and indirectly of our own national interests, than are military commitments. Iran is a dramatic reminder of the futility of posing military might against the aspirations of the overwhelming majority of a people.

The unmistakable aim of the overwhelming majority of the peoples of the Middle East, and perhaps of a significant number of non-Middle Eastern peoples, is the recognition and achievement of the aspirations of the Palestinian people for national self-determination. These aspirations have been clearly articulated by the sole legitimate representative body of the Palestinians, the Palestine Liberation Organization. Realization of the national rights of the Palestinians, who are central parties in the Middle East conflict, is the foundation upon which permanent peace in the Middle East may be built. Morality and pragmatism both dictate that U.S. foreign policy seek peace through justice.

Meaningful "cost-benefit" analysis of the proposed supplemental aid to Egypt and Israel involves not only careful scrutiny of its absolute financial costs to American taxpayers, but more importantly a critical assessment of the value of the "commodity" for which our tax dollars are being spent. The fundamental issue is not whether or not proposed aid is more or less costly to Americans than war in the Middle East, but whether in fact the Egyptian-Israeli treaty, and American actions to support it, will establish the prerequisites for just, lasting, and comprehensive peace in the region. In other words, we can entertain the question of the relative costs of peace and war when we are certain to have created the foundations of peace.

That the Egyptian-Israeli treaty is not in itself a just and comprehensive solution to the multi-dimensional Middle East conflict is self-evident in the following:

1. No provision is made for the satisfaction of the legitimate aspirations of the Palestinian people for national self-determination, including their right to establish an independent state on their native soil.

2. No aspect of the treaty guarantees the fundamental human right of Palestinian exiles to return to their homeland, and to live there as first class citizens, free of all forms of religious, ethnic, or national discrimination.

3. The treaty fails to safeguard the Palestinians of the West Bank and Gaza against continuing abuses of their human and civil rights at the hands of the Israeli military government. These abuses, which are documented in the State Department Human Rights Report of 1979 as well as by other independent agencies, include: a) detention without trial; b) use of torture; c) use of collective punishment; d) summary deportations; e) expropriation of vital land and water resources.

4. Taken together, the above reflect the continued denial of the unconditional right of the Palestinians to participate in negotiations regarding their future, and specifically the exclusion from negotiations of the Palestine Liberation Organization, the sole legitimate representative body of the Palestinian people.

5. The treaty does not meaningfully resolve, or in some cases even address outstanding territorial issues, such as a) final disposition of the status of the West Bank and Gaza; b) Israeli withdrawal from Arab East Jerusalem; and Israeli withdrawal from the Syrian Golan Heights.

The above points do not simply restate the obvious—that the Egyptian-Israeli treaty has not brought just and comprehensive peace to the region. For the character of the treaty also determines whether it will be the first step in the direction of justice and durable peace, or whether it will render these even more elusive.

Our reluctant judgment is that while the treaty temporarily precludes the outbreak of conventional warfare on the Egyptian-Israeli front, its failure to deal substantively with the core issues of the Middle East conflict leads only to accumulating frustration, political polarization, and the alienation of America's Middle Eastern friends.

Proposals for Palestinian "autonomy" on the West Bank and Gaza are meaningless in the face of the actions and statements of the Israeli government. Prime Minister Begin has publicly declared on numerous occasions that the Israeli government has no intention of surrendering legislative powers to the West Bank-Gaza "self-governing" authority. The Israeli military will remain in the West Bank and Gaza in locations and in numbers determined by the Israeli government. Control over Palestinian lands and water will continue to be exercised by the Israelis.

Despite its severe economic problems, Israel still finds monies to allocate for expanding existing settlements and establishing new ones in the West Bank and Gaza. Since the conclusion of the Camp David accords, lands of the Palestinian villages of Abu Dis, Beit Sahur, Hebron, and others in Gaza have been expropriated by the Israeli government. The Knesset has approved a budget of IL 741 million for the construction of 320 new housing units and related expenses in three settlements previously established in the West Bank (Jerusalem Post, January 19, 1979). Prime Minister Begin has reportedly given a written commitment to the National Religious Party to pursue a settlement program in the West Bank which will establish 10 new sites there in the coming fiscal year alone (Jerusalem Post, International Edition, March 28-31, 1979). Israel's Jewish Agency will establish 20 new settlements in the Gaza Strip within the next three years, 15 of them designed to replace existing settlements in the Sinai which are being evacuated under the peace agreement with Egypt (Jerusalem Post, April 15, 1979). Israel has plainly stated its intention to reassert its claims to the West Bank and Gaza at the termination of the five year "transitional" period.

These facts strongly suggest that Israel may be more interested in territorial acquisition than in comprehensive peace. Furthermore, since the Camp David accords provide only for negotiations for West Bank-Gaza autonomy and agreement on the basis of "mutual consent," there is no leverage internal to the treaty itself which inhibits Israel from further colonization of Palestinian lands. Since the treaty effectively outrules the Arab military option (at least temporarily), the only possible leverage which can be exerted on Israel is external, in other words, political pressure from the international community.

In this context, the United States has a unique role, both as a global power which has enjoyed the trust and confidence of protagonists on both sides of the Middle East conflict, and as Israel's principal ally and source of economic and military aid. We run the risk of seriously failing our responsibilities by allowing Israel to entrench itself further in occupied Arab territories, and to further frustrate efforts for just and comprehensive peace.

Under the circumstances, it would be highly inconsistent to provide Israel with massive unconditional aid. Why should we be obligated, in a legal or moral sense, to subsidize Israeli policies which our own government and the international community have recognized to be illegal and antiethical to peace?

Unfortunately, the Egyptian-Israeli agreement bears greater resemblance to a military alliance than to a true peace treaty. American taxpayers are justifiably skeptical of a "peace treaty" which commits our government to sending \$4.5 billion (as an initial installment) of military assistance to a region of the world which still grapples with basic problems of nutrition, housing, health care, and education.

We would like to bring to the attention of the members of this committee the results of a recent New York Times-CBS public opinion poll in which 73% of the respondents opposed our sending additional military equipment to Egypt and Israel, and 72% opposed our sending \$5 billion over the next three years to these countries. It is not unreasonable to assume that the American public views the current aid package as the "tip of the iceberg," the submerged portion of which represents increasing American commitments of aid to the Middle East, possibly escalating to the level of direct U.S. military involvement in future Middle East wars.

This is not a view without basis in reality, as the Senate amendment to the Special International Security Assistance Act leaves the door open to "forgiveness" for portions of the \$3.7 billion in loans to Egypt and Israel. The Memorandum of Agreement between the United States and Israel does not *legally* bind us to anything greater than consultation and considering "appropriate measures" in the event of Egyptian treaty violations. However, the creation of Israeli expectations of American intervention may add to a *morally* binding force which could impel us in the direction of direct involvement against our better judgment and will. And all of this for no more than a dubious "first step" toward peace.

We believe that without immediate and substantial movement in the direction of just solutions to the problems of Middle Eastern peoples, especially the Palestinians, the peace treaty may in fact become the first step in a process of regional destabilization and escalating violence leading to war. We may already witness the beginnings of this in the hostility against the treaty expressed by America's traditional friends in the Arab world, and in the dangerous spiral of violence across the Lebanese-Israeli border.

In short, it is quite possible that unconditional aid to Israel and Egypt will be a wasted expenditure, which will serve as a temporary narcotic for a dangerously infected region. Elected American officials neglect at their peril the potential political repercussions of ill-considered allocations of funds.

It should also be mentioned in the case of Israel that U.S. aid may contribute materially to the persistence of Israeli violations of Palestinians' human rights. Consideration must be given to legal aspects of this situation, as the Foreign Assistance Act and the International Security Assistance and Arms Export Control Act call for the termination of economic and military assistance to governments which engage in a consistent pattern of abuse of internationally recognized human rights.

As a consequence, we invite the members of this committee to consider suspending aid to Egypt and Israel pending:

1. The initiation of negotiations involving all parties to the Middle East conflict, including the Palestinians and their legal representatives, the Palestine Liberation Organization.
2. The cessation of all plans for further Israeli settlement of occupied Arab territories, and the rapid introduction of a plan for the withdrawal of existing illegal Israeli settlements.
3. The recognition and achievement of the fundamental human right of the Palestinians to return to their homeland and live there as first class citizens.

This would be consistent with internationally recognized principles and U.S. law. We consider that these are necessary first steps in the direction of true peace, which will be founded upon mutual respect for the rights of all peoples of the Middle East.

C. STATEMENT BY MORRIS J. AMITAY, EXECUTIVE DIRECTOR, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

The American Israel Public Affairs Committee appreciates having the opportunity to state our views on the special International Security Assistance Act of 1979 to support the peace treaty between Israel and Egypt.

We also submit this statement on behalf of the Conference of Presidents of Major American Jewish Organizations, the coordinating body for the activities of 32 major American Jewish organizations as they relate to Israel.

The supplemental aid requested for Israel represents an important investment in the peace process in the Middle East. The amounts requested—\$800 million in grant assistance and \$2.2 billion in Foreign Military Sales Credits—will enable Israel to implement peace with Egypt while maintaining her own security and promoting the stability of the entire region. Under the Israeli-Egyptian Peace Treaty, Israel will withdraw totally from the Sinai Peninsula. In return, Egypt agrees to full recognition of Israel, including diplomatic, economic and cultural relations. The first stage of major withdrawal will be completed within nine months, with total withdrawal within three years.

In doing so, Israel is relinquishing *tangible* strategic assets. The Sinai, more than 20,000 square miles, most importantly afforded Israel strategic depth, but also vital training space, natural defense positions and large quantities of oil. In signing the peace treaty, President Sadat is making a major break in past Egyptian policy. However, Egypt is a nation that has never had an orderly elected transition of power, nor stable democratic institutions. Sadat has been targeted for political attack and even assassination by other Arab nations and groups who have rejected the peace negotiations. Egypt remains under intense pressure from other Arab states, and given the volatility of the region the future course of Egyptian-Israeli relations is not altogether certain.

Nonetheless, Israel feels that peace with its neighbors is worth any reasonable risk. The aid requested will strengthen the willingness of Israel to shoulder the burdens and the risks necessary for peace.

STRATEGIC COSTS AND CONSIDERATIONS

The withdrawal from the Sinai will profoundly affect Israel's military posture and affect for years Israel's ability to defend its people.

The Israeli air force will withdraw not only from two of the most modern tactical airbases in the world—Eitam and Etzion—but also from eight additional airfields in the Sinai. The Sinai also gave the air force large areas for training

which will be lost, diminishing the effectiveness of Israel's highly trained pilots—always cited as the qualitative reason for Israeli air superiority. Simulator training or training missions over the Mediterranean Sea cannot duplicate the actual conditions the Israeli air force must prepare for.

Similarly, the Israeli ground forces will be handicapped by the loss of training areas in Sinai. The carrying out of coordinated armored maneuvers in the more densely populated and much smaller Negev will be extremely difficult.

Israel will no longer have the same capability to patrol the Red Sea and Straits of Tiran. The naval base at Sharm-el-Sheikh gives the Israeli navy the ability to guarantee free passage for its commerce to and from its southern port of Eilat. These international waterways have been illegally blockaded twice by the Arab states. After withdrawal, Israeli naval craft will have to operate from the congested Eilat civilian port—an area with less than five miles of coastline.

Israel's ammunition dumps, logistic center, and military distribution installations can no longer be dispersed over a large geographic region. Instead, they will have to be concentrated in smaller numbers and area, increasing their vulnerability.

Israeli positions and installations in the Sinai now give Israel accurate advanced-warning of actions on the western side of the Suez Canal and on the eastern coast of the Red Sea and Gulf of Eilat. The early warning stations now situated atop high ground cannot be duplicated in the Negev, which lacks such topographical characteristics.

Finally, unlike the Arab states, Israel must rely heavily on its civilian reserve forces. The Sinai withdrawal will increase the burden on Israel's relatively small standing army and make its reserves' mobilization centers more vulnerable to attack.

The aid requested for Israel will be used to provide Israel with essential facilities necessary to assure Israel's security.

The \$800 million in grant assistance will be used to help in the construction of two major airbases in the Negev. These will only partially replace all of the bases and airfields being left in the Sinai, and will be built by the U.S. Army Corps of Engineers.

The \$2.2 billion requested in military sales credits will enable Israel to replace some of the most crucial elements of its defense system in the Sinai and for essential purchases of military equipment. It should be noted however, that the Israeli taxpayer will make a direct outlay over the next five years which will considerably exceed the total aid now being requested.

Because of the topography of the Negev, Israel will not only have to construct new early warning systems, but rely more heavily on costly airborne early-warning, and increase its air defense capability.

New port facilities will have to be built to accommodate the Gulf of Eilat and Red Sea naval patrols.

Entire new towns will have to be built to accommodate all of the extensive services necessary to support the new airbases and army bases.

Thousands of miles of roads, hundreds of thousands of miles of electrical cable, communications systems and pipe will be left for the Egyptians. The same infrastructure will have to be rebuilt elsewhere.

Israel will need to make these extraordinary efforts primarily because most Arab states have refused to join the peace process. Israel is still acutely menaced from the north, east and south from Lebanon, Syria, Iraq, Jordan and Saudi Arabia. The recent Baghdad conference demonstrated that Israel will not be able to lower its guard against another Arab attack anytime in the foreseeable future. Syria and Iraq have called for the overthrow of President Sadat, and accused him of "treason" for having the temerity to commit Egypt to live in peace with Israel.

In the five years since the Yom Kippur War, Syria, Iraq, Jordan and Saudi Arabia have purchased more than \$22.5 billion worth of military hardware and support systems. Syria has acquired at least 50 MIG-23 and -27 fighter bombers, hundreds of advanced T-62 main battle tanks and scores of surface-to-air missile batteries.

Iraq's purchases, more than \$5.5 billion worth, have included more than 80 MIG-23s and -27s, tanks, tank transporters, APCs, SAMs and helicopters. Both Syria and Iraq have acquired large amounts of anti-tank missiles from European manufacturers. Both have dramatically improved the mobility and mechanization of their infantries. Both now possess batteries of SCUD long-range ground-to-ground ballistic missiles supplied by the Soviet Union, capable of hitting almost any target in Israel.

The recent political rapprochement and military coordination between Syria and Iraq is a source of deep concern. The New York Times reported on Feb. 18, 1979 that Iraq now has 2-3 armored divisions and 2-3 mechanized infantry divisions ready to fight beside Syrian forces. Such an expeditionary force would be comprised of 60,000 soldiers and up to 1300 tanks, three times the size of the Iraqi force which fought alongside Syrian units in 1978.

Syria's continued occupation of Lebanon enables her to use that country as a possible new base of attack on Israel's north. It was reported last year that the Syrian government had demanded from the Lebanese government the right to use Lebanese territory for any eventuality in "the battle" against Israel.

At the same time, Jordan's army and air force are increasing their cooperation and coordination efforts with their Syrian counterparts. In recent years, the Jordanian army has enhanced its mobility, firepower, air defenses and airpower. The negative stance adopted by King Hussein since the treaty signing strongly suggests that Jordan would not stay out of any future Syrian-Iraqi attack on Israel.

Saudi Arabia's refusal to support American diplomacy and President Sadat, and its close identification with the Arab radicals' positions at the Baghdad meeting make it more likely that Saudi Arabia would take part in any future Arab attack on Israel. Saudi Arabia's recent large-scale purchases of advanced offensive military equipment place her on Israel's strategic map and vastly increases her military worth to the confrontation states on Israel's borders.

Many of the bases and defense in the eastern Sinai were vital to defend Israel not against Egypt but from an eastern front attack by Syria, Iraq, Jordan and Saudi Arabia. The recent rapprochement between Syria and Iraq poses new challenges for Israeli defense planners.

In addition, second line Arab states, especially Libya, Algeria and Kuwait, could be expected to contribute massive amounts of equipment to support any Arab attack on Israel. Libya alone has received dozens of advanced Soviet fighters and hundreds of mobile SAMs and tanks—far beyond its own capability to man. It must be viewed as a pre-positioned arsenal, ready to assist in any new Arab aggression against Israel.

Israel also faces a much greater potential threat on its eastern front as a result of the overthrow of the Shah. The Ayatollah Khomeini has been outspoken in his condemnation of Israel and in his public support of Yassir Arafat and the PLO. It is now possible Iran might send some of its modern American weapons to the Syrian and Iraqi forces. It is also possible that a large Iranian expeditionary force might join in attacking Israel. The new Iranian government has already announced its willingness to fight alongside the PLO.

Given its vulnerable borders and small population, Israel must plan its defense on a worst-case scenario basis. It is unfortunate that even as a peace is being implemented preparations must be made for assuring an adequate defense in a future war. Nonetheless, this is the situation in which Israel finds itself as a result of continuing Arab hostility and unwillingness to negotiate peace. Thus, the aid requested will prevent war and in so doing, America's own national interests, foremost of which is peace, will be strengthened.

Congressional approval of the amounts requested thus will reinforce the traditional bonds between the two countries and promote progress toward peace in the entire region.

D. COMMUNICATION FROM ROBERT DREYFUSS, DIRECTOR, MIDEAST INTELLIGENCE,
U.S. LABOR PARTY

WASHINGTON, D.C., May 15, 1979.

HON. LEE HAMILTON,
*Chairman, Subcommittee on Europe and the Middle East, House Foreign
Affairs Committee, Washington, D.C.*

DEAR MR. CHAIRMAN: On behalf of the U.S. Labor Party, I would like to express our opposition to the legislation implementing the peace treaty between Egypt and Israel, on the grounds that the treaty takes the region further from peace than at any time in the post-war period, and in reality is nothing more than a military pact. The attached articles provide ample documentation for our position.

Thank you for your consideration.
Sincerely,

ROBERT DREYFUSS, *Director.*

[From the Executive Intelligence Review, Apr. 8-9, 1979]

THE CAMP DAVID TREATY: WHAT IT REALLY SAYS

(By Robert Dreyfuss)

It has often been stated since the publication of the Egyptian-Israeli treaty that Egyptian President Anwar Sadat has "sold out" the Palestinian Arabs. Many Arab leaders, including Syrian President Hafez Assad, have described Sadat as a "traitor" to the Arab cause. In the following section, we intend to document—quoting from the treaty text itself and from its annexes and appended letters—the exact extent of Sadat's capitulation to Israel in exchange for the promised withdrawal from the Sinai Peninsula.

The core issue in the Palestine conflict is a resolution of the partition crisis of 1947. At that time, an internationally accepted United Nations resolution called for the establishment of two states, one Jewish and one Arab, in the territory of historic Palestine. At the time, the Arab states—dominated by the British Crown—refused to accept the UN resolution. In recent years, virtually every Arab state has come to support a policy of making peace with Israel if the Israelis accept the establishment of an Arab Palestinian state on the occupied West Bank and Gaza, both Palestinian territories occupied in 1967 by Israel.

Should Israel announce its willingness to accept the creation of a Palestinian state and to withdraw its forces to the lines that prevailed before the June 1967 war, then the Arabs—especially including the Palestine Liberation Organization—would be prepared to make peace with Israel in a comprehensive settlement.

Not only does the current treaty not include any reference to the full withdrawal of Israel to its former borders, but Sadat has fully legitimized the permanent Israeli occupation of the West Bank and the Gaza area. In the treaty appendix, in a letter from Begin and Sadat to Carter, the following is stated:

"Israel and Egypt set for themselves the goal of completing the negotiations (for West Bank and Gaza autonomy) within one year so that elections will be held as expeditiously as possible after agreement has been reached between the parties. The self-governing authority * * * will be established and inaugurated within one month after it has been elected, at which time the transitional period of five years will begin. The Israeli military government and its civilian administration will be withdrawn, to be replaced by the self-governing authority, as specified in the (Camp David) 'Framework.' * * * A withdrawal of Israel armed forces will then take place and there will be a redeployment of the remaining Israeli forces into specified security locations."

We must now consider the following points from this most important section of the treaty documents:

(a) Nowhere does it state that the parties are bound to conclude an agreement on autonomy within one year, only that it is a "goal" to do so. Thus, if the Israelis object to the process, or if Arab Palestinians of the territories cannot be found to serve as negotiators, then the autonomy process may break down permanently. Should this happen—as it must, since the treaty does not even try to resolve the fundamental issues at stake—then Sadat has no legal recourse. During the negotiations, Sadat said that he would demand a fixed date for the autonomy process; that demand was abandoned.

(b) Nowhere does it state when elections must be held, only that they will be held "as expeditiously as possible." This vague phrase means that the period for implementing the treaty can be stretched indefinitely by the Israelis.

(c) The appendix mentions a "transitional period" of five years, but it does not mention anything about what should happen after the five years. Israel's government has stated officially that it plans to assert its sovereignty in—i.e., annex—the West Bank after the five-year period.

(d) The appendix states that "a withdrawal" will take place from the West Bank and Gaza after the autonomy, but that the "remaining Israeli forces" will be redeployed. In other words, the treaty itself conceives of a permanent Israeli army occupation of the West Bank and Gaza, with no provision at all for total Israeli withdrawal. Thus, Sadat has acquiesced in the fait accompli of the Israeli West Bank annexation.

This above has been referred to as the famous "linkage" issue. It is clear that, from the treaty text itself, there is simply no linkage at all.

Into this plan the Israelis and Egyptians have invited Jordan to join. The appendix letter states:

"The Hashemite Kingdom of Jordan is invited to join the negotiations. The delegations of Egypt and Jordan may include Palestinians from the West Bank and Gaza * * * or other Palestinians as mutually agreed."

But the Jordanians and the Palestinians have both flatly rejected the offer to join the negotiations, since to join means to acquiesce in the permanent Israeli occupation of the lands from which Israel is supposed to withdraw.

The danger, of course, is that as Sadat becomes progressively isolated from the other Arabs, he will be compelled to strike a harder bargain with the Israelis. But the Israelis, under the treaty's provisions, are not bound to Palestinian autonomy. In that case, Sadat—or, if he is overthrown, a successor regime—will be faced with the necessity of unilaterally breaking the treaty.

In regard to the second major treaty issue, the treaty states in Article VI: "In the event of a conflict between the obligations of the parties under the present treaty and any of their other obligations, the obligations of this treaty will be binding and implemented."

This is the famous issue in which Egypt, until the last stage of the negotiations, insisted that its Arab League treaty commitments held it responsible to come to the aid of another Arab state—i.e., Syria, Lebanon, Jordan—should that Arab state be attacked by the Israelis. But Article VI clearly relieves Egypt of that commitment. This week, in fact, Egypt formally suspended its own membership in the Arab League.

A third major complication in the treaty is that it states:

"The parties will request the United Nations to provide forces and observers to supervise the implementation of this annex and employ their best efforts to prevent any violation of its terms."

But the UN has formally declined to participate in the Egyptian-Israeli treaty. Since an attached letter states that President Carter will ensure that Washington "will exert its utmost efforts to obtain the requisite action by the Security Council, and if the Security Council fails to establish and maintain the arrangements called for in the treaty, the President will be prepared to take those steps necessary to ensure the establishment of an acceptable alternative multinational force * * *"

It is therefore clear that Washington is prepared to introduce U.S.-allied military forces into the Sinai area over Soviet and Arab objections.

Concerning the issue of timetables, there is little doubt that the Israelis can also retain their control over even the Sinai itself despite the commitment to withdraw. According to the treaty accord, "Israel will complete withdrawal of all its armed forces and civilians from the Sinai not later than three years from the date of exchange of the instruments of ratification of this treaty (in a phased withdrawal * * *."

But the treaty, by allowing Israel to retain control over major portions of the Sinai for years, means that Israel will not give up control over the Sinai until long after the unresolvable issue of the Palestinians has wrecked the treaty itself once and for all.

[From the Executive Intelligence Review, Apr. 3-9, 1979]

PEACE PACT EQUALS MASSIVE MILITARIZATION

The just-signed Egypt-Israeli peace treaty is a vehicle for a massive military buildup in the Middle East which seems certain to provoke accelerated Arab-Israeli conflict and threatens, as Arab spokesmen are publicly warning, to produce direct U.S.-Soviet confrontation.

The basis for this assessment are both the content of the Camp David *policy package*—which poses a direct (and unnecessary, from the standpoint of U.S. interests) threat to both the Arab countries and the Soviets—and the fact that the arms-laden U.S.-Egyptian-Israeli deal behind the treaty is aggravating a series of hotspot situations which, individually or in combination, will propel the U.S. and Soviets rapidly toward war.

The most alarming aspect of the arrangement is that it provides for an American nuclear umbrella over Israel.

Any doubts about this were dispelled by a front-page banner-headline *Washington Post* article detailing the contents of the still not officially released U.S. "memorandum of understanding" with Israel. This document, says the *Post*, guarantees "an increased American presence in the Middle East and new emergency aid for Israel" and special American "naval action to block a sea blockade and emergency military resupply efforts" to Israel should Egypt break the treaty.

And it contains a U.S. pledge to organize and maintain "an acceptable multinational force" of NATO-member countries to police the Sinai area if the United Nations Security Council refuses, as is likely, to endorse the Camp David Pact by providing a U.N. Security force for the area.

The dangerous content of the Camp David arrangement was further elaborated in a precisely worded March 27 New York Times editorial entitled "Battle Plans for Peace." Citing President Carter's affirmation that America must now "wage peace," the Times noted that the U.S. "has become in all but name their ally in a risky enterprise. * * * Americans should understand . . . how deeply they are now committed to the support of that process, diplomatically and economically. *The enemies of the process stand to become enemies of the United States. * * * The opportunities now opened are as risky as war itself.*" [Italics supplied.]

The same day's Times ran a feature from its military correspondent, Drew Middleton, entitled "Treaty Opens the Door to New Power Balance," which detailed how the creation of a "new power structure in the Middle East" had been created based on "Israel and a rearmed Egypt" and "supported by expanded U.S. military involvement and arms deliveries."

This level of the militarization drive is to be accompanied by arms buildup campaigns directed toward North Yemen, Oman, and Somalia and toward the establishment of U.S.-NATO naval facilities at Haifa and Alexandria in the Mediterranean and in several potential sites in the Indian Ocean-Arabian Gulf area.

CRISIS ZONES

Regional crisis spots have heated up considerably in the wake of the treaty. France's Le Figaro on March 27 reported a new offensive in southern Lebanon by Christian forces against Palestinian and leftist forces. The leftists in turn were put on high alert in anticipation of Israeli "retaliatory raids"; two bloody terrorist incidents inside Israel for which the Palestine Liberation Organization claimed responsibility in Beirut were to be used by Israel as a pretext for the Israeli move.

High-level Arab sources in Brussels, Belgium have indicated to this news service that the Lebanese situation is to be the excuse for Israeli strikes against both Syria and Iraq with the aim of destroying Iraq's oil supplies.

On March 27, Baltimore Sun Washington correspondent Charles Corddry reported that "Washington intelligence sources" were circulating reports about Libya "moving troops eastward" toward the Egyptian border to prepare for "border harassment" against Egypt. Corddry's sources claimed that a Soviet general and several Soviet officers were coordinating the operations. This could in fact be the signal for a long-feared Egyptian strike against Libya similar to the one that Sadat launched in July 1977.

THE GENDARMES

The crux of the Camp David treaty is the establishment of Egyptian and Israeli military power as regional "strike forces" to move into oil-producing regions at the behest of NATO.

To achieve this, the two countries will be provided with massive arrays of and military-directed financial aid.

Israel, already the most highly militarized country in the Middle East, is slated to receive \$6 billion in Camp David Pact aid above and beyond the country's years \$2.975 billion allotment from the U.S., \$1 billion of which goes for armaments.

The additional \$6 billion breaks down as follows:

Speeding up the sale and delivery of arms by 1980, including 75 F-16s, more tanks and armored personnel carriers and air-to-surface and air-to-air missiles. Total: \$3 billion.

Providing payment for the Israeli evacuation of the Sinai area, with the money slated for military-related infrastructure projects and the building of new airbases. Total: \$3 billion.

Combined with Israel's drastic austerity situation, the military focus of the aid will lock Israel more than ever into a garrison-state, regional gendarmerie role.

Egypt will receive close to \$3 billion in military aid, according to Washington sources. This is to be centered around the shipment of F-5s, F-4 Phantoms, armored personnel carriers, surface-to-air missiles, jeeps, trucks and other vehicles.

The crucial factor in Egypt is to be the transformation of that country's citizen-republican army into a truncated force of two "elite" divisions comprising 5,000 men each, to be used as "strike force" intervention units into the region. According to one top Zionist lobby source with extensive Pentagon connections, "Egypt does not need a big army, and there is no way anyway that the Egyptians can logistically run any big military operations. At this point, the only useful thing for us to think about is to create special divisions that can be used for roles in Africa and in the Arabian Gulf."

The transformation of Egypt's army in the direction of a mercenary force is the one potential major hole in the agreement. Will the mass base and junior officers of the army tolerate such an operation? A columnist for the English-language *Baghdad Observer* thinks not, and traces the reason back to the original ways in which Henry Kissinger hoodwinked Egyptian President Sadat into dismantling his own armed forces.

[From the Executive Intelligence Review, Apr. 8-9, 1979]

THE METO STRATEGY: TURN FROM GENEVA

(By Mary Jane Coates)

What looms behind Camp David's thin veneer of political respectability is a geographical military fantasy known as the Middle East Treaty Organization (METO).

Uniting Israel, Egypt, and the U.S., METO is slated to extend the role of NATO throughout NATO's so-called southern tier, thereby acting as a buffer against the Soviet Union.

The author of this cold-war military pact is Zionist lobby spokesman Edgar Bronfman, the chairman of Seagrams, Inc., the U.S. end of the international drug- and dirty-money linked Seagram's liquor empire. Working with National Security Council head Zbigniew Brzezinski and Henry Kissinger, Bronfman has orchestrated the entire Camp David "peace" project with the express purpose of forcing the economic, political and military policies of London and Washington financial interests upon the Arab world.

THE BACKGROUND

The Zionist lobby's main task in the autumn of 1977 was to stop at all costs the momentum building within certain U.S., European, and Arab circles to relaunch a Geneva conference. In October 1977, U.S. Secretary of State Cyrus Vance and Soviet Foreign Minister Andrei Gromyko issued a joint statement calling for a Geneva conference and for meeting the "legitimate rights of the Palestinians."

It was at this time that Edgar Bronfman and other Zionist lobby forces surfaced. In 1978, Bronfman and Burton Josephs, then head of the Anti-Defamation League, traveled to Washington to launch the METO operation. In conversations with the White House staff in January 1978, Bronfman and Josephs called for the creation of an anti-Soviet "Grand Alliance" in the area consisting of Israel, Egypt and the United States.

Soon after this operation was launched, Senate Foreign Relations Committee chairman Frank Church similarly called for the creation of a "Grand Alliance" of the aforementioned countries to defend U.S. interests and to thwart Soviet incursions in the area.

With the Zionist lobby mobilized in Congress, Bronfman called for a formal METO alliance for the Mideast in a July 1978 New York Times op-ed.

Aiding him in this operation were Eugene Rostow, Rita Hauser, and Arthur Goldberg. Rostow, who was a key pro-Israel State Department official during the 1967 Arab-Israeli war, and New York City lawyer Rita Hauser are currently members of the confrontationalist lobbying group, the Committee on the Present Danger. In addition to being a top Zionist lobby strategist, Goldberg helped author UN Resolution 242 while serving as U.S. ambassador to the United Nations.

ENTER EGYPT

While the U.S. side of the Zionist lobby was softening up the Carter Administration for Camp David, Israeli networks, in coordination with certain circles inside Egypt, Morocco, and Saudi Arabia, were laying the groundwork for the eventual Egypt-Israel-U.S. deal.

In Morocco in 1978, a series of very important meetings took place which brought together Egyptian counselor Hassan Tuhami, then Saudi Intelligence head Kamal Adham, and Israeli Foreign Minister Moshe Dayan.

A recent feature in the Paris daily *Le Monde* indicates that Tuhami was one of the chief stringpullers from the Arab side. According to reporter Eric Rouleau, Tuhami's career was temporarily brought to an abrupt end by Gamel Abdel Nasser because of his strong ties with the fundamentalist Muslim Brotherhood. Forced to withdraw from active political life, Tuhami developed a strong dislike for Nasser's progressive and pro-Soviet policies. Resurrected through Sadat's ascension to power in 1971, Tuhami has been active in divesting Egypt of any last vestiges of Nasserism.

In addition to his role in Camp David, Tuhami is also responsible for the 1978 border war between Egypt and Libya. Tuhami's presence is clearly evident today as Sadat once again threatens an invasion of Libya.

STRIKE FORCES AND GENDARMES

In actuality, the Egyptian move into Libya was the first action of the developing METO alliance. Not surprisingly, U.S. Zionist lobby Senator Jacob Javits was in Egypt at the time of invasion. Since that time, Javits' colleague in the Senate, Henry "Scoop" Jackson, has found inspiration in Egypt's actions for the issuance of a March 1979 proposal for Egypt and Israel to form "joint strike forces" to "protect the oilfields" in the area, irrespective of whether the oil-producing states request such "protection." Jackson's proposal was issued on the eve of the recent visit by President Carter to Egypt and Israel to firm up the tripartite Egypt-Israel-U.S. alliance, and Carter himself has committed favorably on the use of Egypt's armed divisions for "regional stability" operations.

According to the Jackson-Javits-Bronfman designs, once states like Saudi Arabia are blackmailed and destabilized to the point of accepting the tripartite arrangement, they will come humbly under the U.S.-NATO blanket and begin to put METO in place. With British client regimes like that of Oman joining in, the stage is to be set for the establishment of the METO arrangement officially.

APPENDIX 6

DEPARTMENT OF STATE LETTER ON EXISTING U.S. ASSURANCES TO AND AGREEMENTS WITH ISRAEL, ACCOMPANIED BY SECRET ATTACHMENT¹

AUGUST 6, 1979.

HON. LEE H. HAMILTON,
Chairman, Subcommittee on Europe and the Middle East.

DEAR MR. CHAIRMAN: During the Subcommittee's hearing on the Treaty of Peace between Egypt and Israel and the related undertakings of the United States to the parties, you requested a list of the commitments and assurances of the United States to Israel which remain in force.

This request resulted from a discussion of paragraph eight of the Memorandum of Agreement between the Governments of the United States and Israel, dated March 26, 1979. That provision did not confirm the continued validity of all prior United States agreements with and assurances to Israel, but specified instead that, with the exception of the items listed, the agreements and assurances in effect on March 26 were not terminated or altered by the conclusion of the Treaty of Peace. This formulation was adopted in the place of more sweeping affirmations concerning the continued validity of all prior assurances so as, among other purposes, to avoid inadvertently appearing to give enhanced or renewed effect to undertakings which had already lapsed for other reasons, such as changes of circumstance or full implementation. You will note also that paragraph nine of the March 26 Memorandum of Agreement provides that it sets forth the full understandings of the United States and Israel with regard to the subject matters covered between them by that Memorandum of Agreement.

Any attempt at a definitive listing of U.S. commitments and assurances to Israel is somewhat problematical. Nevertheless, in response to your request, we have carefully reviewed the documentation reflecting what have in recent years been considered to constitute United States commitments or assurances to Israel, whether or not of a legally binding nature, and have prepared the attached classified list. We have carefully reviewed the classification of these documents and downgraded them where possible, taking into account the effect disclosure might have on our foreign relations interests, particularly the continuing Middle East negotiations.

Sincerely,

HERBERT J. HANSELL,
Legal Adviser.

Attachment as stated.

¹ Those portions of the attachment that are classified are retained in committee files.

UNITED STATES COMMITMENTS AND ASSURANCES
TO ISRAEL↓

I. (U) Published Bilateral International Agreements

(U) The United States has entered into a wide variety of international agreements with Israel concerning agriculture, atomic energy, aviation, copyright, defense, economic and technical cooperation, education, extradition, information media, investment guarantees, scientific cooperation, telecommunications, trade and commerce, visas, and weather stations. Those in force as of January 1, 1979 are listed in the attached excerpt from the Department of State publication, Treaties in Force (Tab A). We have added to the excerpt one commodities agreement which entered into force since then.

II. (U) Recent Undertakings Related to Mid-East Peace Process

(U) The agreements, assurances and commitments undertaken by the United States in conjunction with the Treaty of Peace between Egypt and Israel are described in the letter of April 26, 1979, from Assistant Secretary Bennet to Chairman Hamilton (Tab B) and are contained in the following documents, which the Committee has received:

- (U) Letter of March 26, 1979, from President Carter to Prime Minister Begin;
- (U) Letter of March 19, 1979, from Secretary Brown to Minister of Defense Weizman, with SECRET attachment;
- (U) Agreement concerning Airbase Construction, of April 6, 1979;

¹Tabs C, D, E, F, I, and J, are classified and retained in committee files.

- (U) Agreement concerning Airbase Construction Financing, of April 6, 1979;
- (U) Memorandum of Agreement concerning Assurances, of March 26, 1979;
- (U) Memorandum of Agreement concerning Oil, of March 26, 1979;

(Security Deletion)

- (U) Memorandum of Agreement concerning Oil, of June 22, 1979.

(U) In addition, the United States assurance to Egypt and Israel of its intention to be a full partner in the negotiations concerning the West Bank and Gaza, is reflected in the joint letter of March 26, 1979 from President Sadat and Prime Minister Begin to President Carter.

(U) Unrelated to the Treaty of Peace, but mentioned in the Brown-Weizman letter of March 19, 1979, is an agreement with Israel concerning military research and development and procurement of March 19, 1979, which is being transmitted to the Congress separately.

III. (U) Undertakings Related to Prior Stages in the Peace Process

(Security Deletion)

(Security Deletion)

IV. (U) Other Assurances

(U) In addition to the items listed above, there have been, over the years, a series of public statements and diplomatic exchanges which may be construed as a political commitment to the security of Israel. The following list constitutes a representative sampling:

- (U) Address by President Carter before the United Nations General Assembly, October 4, 1977:

"For Israel this means borders that are recognized and secure. Security arrangements are crucial to a nation that has fought for its survival in each of the last four decades. The commitment of the United States to Israel's security is unquestionable."

--(U) Statement issued by the White House during Prime Minister Begin's visit, July 19, 1977:

"In the course of the talk this morning on the diplomacy of peace, the President [Carter] reaffirmed the enduring American commitment to the security and well-being of Israel. He assured the Prime Minister that any differences that may occur from time to time should not be allowed to obscure America's and his personal dedication to this historic American commitment. He asked the Prime Minister to express to the people of Israel the determination of the people of the United States to help them find true peace.

(Security Deletion)

(Security Deletion)

--(U) President Kennedy's News Conference, May 8, 1963:

"This Government has been and remains strongly opposed to the use of force or the threat of force in the Near East. In the event of aggression or preparation for aggression, whether direct or indirect, we would support appropriate measures in the United Nations, other courses of action on our own to prevent or to put a stop to such aggression which, of course, has been the policy which the United States has followed for some time."

(Security Deletion)

--(U) Resolution to Promote Peace and Stability in the Middle East, PL 85-7, approved March 9, 1957, as amended.

--(U) Aide-Memoire to Israeli Embassy from Secretary of State Dulles, February 11, 1957:

"In the absence of some overriding decision to the contrary, as by the International Court of Justice, the United States, on behalf of vessels of United States registry, is prepared to exercise the right of free and innocent passage [with respect to the Gulf of Aqaba and Straits of Tiran] and to join with others to secure general recognition of this' right."

--(U) Tripartite Declaration, May 25, 1950, by the UK, France and the U.S.:

"The three Governments take this opportunity of declaring their deep interest in and their desire to promote the establishment and maintenance of peace and stability in the area and their unalterable opposition to the use of force or threat of force between any of the states in that area. The three Governments, should they find that any of these states was preparing to violate frontiers or armistice lines, would, consistently with their obligations as members of the United Nations, immediately take action, both within and outside the United Nations, to prevent such violation."

IRELAND (Cont'd)

TELECOMMUNICATION

Agreement relating to the reciprocal granting of authorizations to permit licensed amateur radio operators of either country to operate their stations in the other country. Exchange of notes at Dublin October 18, 1968; entered into force October 18, 1968.

19 UST 6957; TIAS 6566; 694 UWTB 183.

TRADE AND COMMERCE

Treaty of friendship, commerce and navigation, with protocol. Signed at Dublin January 21, 1954; entered into force September 18, 1955.

1 UST 785; TIAS 2155; 206 UWTB 265.

VIAS

Agreement relating to the relaxation of visa requirements for American citizens visiting Ireland and the granting of gratis nonimmigrant passport visas to Irish citizens entering the United States. Exchange of notes at Dublin August 1, 1949; entered into force August 1, 1949.

63 Stat. 2807; TIAS 2050; 9 Bevans 66; 62 UWTB 37.

ISRAEL

AGRICULTURAL COMMODITIES

Agricultural commodities agreement, with memorandum of understanding, signed at Washington May 3, 1962; entered into force May 3, 1962.

13 UST 432; TIAS 5088; 442 UWTB 83.

Amendments:

October 12 and 16, 1962 (13 UST 2176; TIAS 5160; 440 UWTB 308).
January 26 and February 1, 1963 (14 UST 260; TIAS 5296; 473 UWTB 369).

Agreement relating to the close-out of the collection accounts of the agricultural commodities agreements of April 29, 1955, November 10, 1955, September 11, 1956, and November 7, 1957. Exchange of notes at Tel Aviv June 18 and Jerusalem August 28, 1962; entered into force August 28, 1962.

13 UST 2068; TIAS 5162; 440 UWTB 317.

Agricultural commodities agreement, with memorandum of understanding. Signed at Washington December 8, 1962; entered into force December 8, 1962.

13 UST 2550; TIAS 5220; 440 UWTB 151.

Amendments:

December 28 and 30, 1963 (14 UST 1798; TIAS 5490; 494 UWTB 378).
April 27, 1968 (15 UST 310; TIAS 5557; 515 UWTB 310).
June 23, 1968 (15 UST 738; TIAS 5596; 515 UWTB 310).
July 6, 1968 (15 UST 1396; TIAS 5610; 515 UWTB 310).
May 26 and 27, 1965 (16 UST 770; TIAS 5808; 545 UWTB 352).
June 22, 1965 (16 UST 778; TIAS 5808; 545 UWTB 356).

Agreement providing agricultural commodities for the improvement and expansion of the school feeding program in Israel, with annex. Exchange of notes at Tel Aviv and Jerusalem February 24 and March 21, 1963; entered into force March 21, 1963.

10 UST 471; TIAS 5388; 476 UWTB 131.

Agricultural commodities

agreement, with exchange of notes. Signed at Washington December 22, 1964; entered into force December 22, 1964.

15 UST 2329; TIAS 5722; 533 UWTB 231.

Agricultural commodities

agreement with exchange of notes. Signed at Washington June 6, 1966; entered into force June 6, 1966.

17 UST 727; TIAS 6023; 570 UWTB 163.

Agricultural commodities

agreement with exchange of notes. Signed at Washington June 6, 1966; entered into force June 6, 1966.

17 UST 617; TIAS 6039; 593 UWTB 165.

Agricultural commodities agreement with annexes. Signed at Washington August 4, 1967; entered into force August 4, 1967.

18 UST 1684; TIAS 6318; 653 UWTB 81.

Related agreements:

March 29, 1968 (19 UST 6716; TIAS 6684; 653 UWTB 113).

August 19, 1968 (19 UST 5927; TIAS 6547; 653 UWTB 121).

January 17, 1969 (20 UST 1; TIAS 6625; 718 UWTB 129).

May 7, 1970 (21 UST 1115; TIAS 6871; 745 UWTB 209).

August 27, 1970 (21 UST 1965; TIAS 6938).

October 5, 1970 (21 UST 2152; TIAS 6952).

February 9, 1971 (22 UST 216; TIAS 7052; 792 UWTB 99).

June 8, 1971 (22 UST 476; TIAS 7123; 792 UWTB 108).

August 4, 1971 (22 UST 1871; TIAS 7161; 792 UWTB 112).

January 12, 1972 (23 UST 11; TIAS 7261; 829 UWTB 203).

July 18, 1972 (23 UST 1281; TIAS 7395).

October 13, 1972 (23 UST 2023; TIAS 7472).

November 19, 1973 (24 UST 2255; TIAS 7745).

Agricultural commodities

agreement. Signed at Washington December 18, 1974; entered into force December 18, 1974.

25 UST 3148; TIAS 7978.

Amendments:

October 11, 1975 (26 UST 2926; TIAS 8208).

Related agreements:

September 30, 1976 (27 UST 3543; TIAS 8382).

October 12, 1976 (27 UST 3583; TIAS 8382).

December 18, 1976 (27 UST 4173; TIAS 8443).

December 21, 1977 (TIAS 9012).

January 16, 1979

AGRICULTURE

Agreement to establish the United States-Israel Agricultural Research and Development Fund, with appendix. Signed at Jerusalem October 15, 1977; entered into force November 6, 1978.

TIAS 9131.

ATOMIC ENERGY

Agreement providing for a grant to the Government of Israel to assist in the acquisition of certain nuclear research and training equipment and materials.

Exchange of notes at Tel Aviv October 19 and at Jerusalem December 19, 1968; entered into force December 19, 1968.

11 UST 2671; TIAS 4653; 681 UWTB 195.

ISRAEL (Cont'd)

Agreement continuing in effect safeguards and guarantee provisions of the agreement of July 12, 1955 (6 DST 2641; TIAS 3311), as amended, for cooperation concerning civil uses of atomic energy. Exchange of notes at Washington April 7 and 8, 1977; entered into force April 8, 1977.
28 UST 2407; TIAS 8557.

Arrangement for the exchange of technical information and cooperation in nuclear safety matters, with addenda. Signed at Bethesda and Tel Aviv May 9 and 19, 1978; entered into force May 19, 1978.
TIAS

AVIATION

Air transport agreement. Signed at Tel Aviv June 13, 1950; entered into force June 13, 1950.
3 UST 4582; TIAS 2610; 212 UNTS 33.

Amendments:
February 21, 1957 (3 DST 4502; TIAS 2610); 212 UNTS 33;
August 16, 1978 (TIAS 9002).

Agreement relating to the reciprocal acceptance of certificates of airworthiness for imported aircraft. Exchange of notes at Washington July 23, 1948; entered into force July 23, 1948.
19 UST 5459; TIAS 6530; 653 UNTS 159.

Amendment:
September 8, 1974 (25 DST 2445; TIAS 7826).

COPYRIGHT (See also APPENDIX)

Agreement relating to reciprocal copyright relations. Exchange of notes at Washington May 4, 1950; entered into force May 4, 1950; operative May 15, 1953.
1 UST 645; TIAS 2121; 132 UNTS 189.

DEFENSE (See also MUTUAL SECURITY)

Agreement relating to mutual defense assistance. Exchange of notes at Tel Aviv July 1 and 23, 1952; entered into force July 23, 1952.
3 UST 4985; TIAS 2675; 179 UNTS 139.

Agreement relating to general procurement arrangements for goods and services. Exchange of notes at Washington July 15 and 20, 1945; entered into force July 20, 1945.
16 UST 983; TIAS 5839; 549 UNTS 55.

Agreement relating to the purchase of various goods from Israel for sale in United States Navy ships stores overseas. Exchange of notes at Washington July 20 and 26, 1952; entered into force July 26, 1945.
16 UST 981; TIAS 5838; 549 UNTS 49.

EARLY WARNING SYSTEM

Agreement concerning the establishment and operation of an early warning system in the Sinai. Signed at Jerusalem September 1, 1975; entered into force October 13, 1975.
26 UST 2271; TIAS 8955.

ECONOMIC AND TECHNICAL COOPERATION

General agreement for technical cooperation. Signed at Tel Aviv February 26, 1951; entered into force February 26, 1951.
3 UST 379; TIAS 2401; 137 UNTS 57.

Amendments:
June 21, 1954 (5 DST 1401; TIAS 3010; 219 UNTS 348).

Agreement relating to economic assistance for specific refugee relief and resettlement projects under sec. 205 of the Mutual Security Act of 1951. Exchange of notes at Tel Aviv February 27, 1952; entered into force February 27, 1952.
3 UST 3703; TIAS 2497; 177 UNTS 123.

Amendment:
August 13, 1952 (3 UST 4971; TIAS 2672; 179 UNTS 342).

Agreement relating to emergency economic assistance. Exchange of notes at Washington May 1, 1952; entered into force May 1, 1952.
3 UST 4266; TIAS 2571; 177 UNTS 89.

Joint fund program agreement. Signed at Tel Aviv May 9, 1952; entered into force May 9, 1952.
3 UST 4258; TIAS 2570; 177 UNTS 63.

Amendments:
August 17, 1952 (3 DST 5088; TIAS 2697; 180 UNTS 398);
March 11, 1953 (4 UST 827; TIAS 2788; 205 UNTS 351);
June 21, 1954 (5 UST 1681; TIAS 3045; 219 UNTS 364);
June 28, 1954 (5 UST 1681; TIAS 3045; 219 UNTS 372);
June 10 and July 25, 1958 (9 UST 1550; TIAS 8157; 310 UNTS 342);
June 26 and September 24, 1959 (19 UST 1780; TIAS 8334; 345 UNTS 360).

Agreement relating to economic assistance. Signed at Tel Aviv May 9, 1952; entered into force May 9, 1952.
3 UST 4174; TIAS 2561; 177 UNTS 269.

Agreement relating to special economic assistance. Exchange of notes at Tel Aviv and Jerusalem November 25, 1953; entered into force November 25, 1953.
4 UST 2308; TIAS 2884; 219 UNTS 205.

Amendment:
January 31, 1955 (6 UST 561; TIAS 3189; 241 UNTS 520).

Joint statement of the U.S.-Israel Joint Committee for Investment and Trade relating to expansion of economic cooperation. Signed at Washington May 13, 1975; entered into force May 13, 1975.
26 UST 1674; TIAS 8127.

Agreement establishing the Israel-United States Binational Industrial Research and Development Foundation, with annex. Signed at Jerusalem March 3, 1974; entered into force May 10, 1977.
28 UST 5129; TIAS 8615.

Agency for International Development:
June 27, 1975 (26 UST 1073; TIAS 8144);
September 22, 1976 (28 UST 3179; TIAS 8581);
September 22, 1976 (28 UST 5885; TIAS 8663);
September 22, 1976 (28 UST 5835; TIAS 8642);
November 23, 1976 (28 UST 5833; TIAS 8661);
November 23, 1976 (28 UST 5813; TIAS 8640);
November 23, 1976 (28 UST 5797; TIAS 8659);
December 5, 1977 (TIAS 9028);
December 5, 1977 (TIAS 9095);
December 5, 1977 (TIAS 9097);
December 5, 1977 (TIAS 9098).

EDUCATION

Agreement for financing certain educational exchange programs, with memorandum of understanding. Exchange of notes at Tel Aviv and Jerusalem June 18 and 22, 1962; entered into force June 22, 1963.
13 UST 1364; TIAS 5097; 448 UNTS 273.

Amendment:
March 21 and 23, 1967 (18 DST 344; TIAS 6240; 630 UNTS 404).

Memorandum of understanding on education, with annex. Signed at Jerusalem November 15, 1978; entered into force November 15, 1978.
TIAS

EXTRADITION

Convention relating to extradition. Signed at Washington December 10, 1962; entered into force December 5, 1963.
14 UST 1707; TIAS 5476; 484 UNTS 283.

ISRAEL (Cont'd)

Understanding regarding certain errors in the translation of the Hebrew text of the extradition convention of December 10, 1962 (TIAS 5476). Exchange of notes at Jerusalem and Tel Aviv April 1 and 11, 1967; entered into force April 11, 1967.
18 UST 382; TIAS 6746.

INFORMATIONAL MEDIA GUARANTIES

Agreement relating to the informational media guaranty program pursuant to sec. 111(b) (3) of the Economic Cooperation Act of 1948, as amended. Exchange of notes at Tel Aviv June 9, 1952; entered into force June 9, 1952.
3 UST 4398; TIAS 2588; 178 UNTS 297.

INVESTMENT GUARANTIES

Agreement relating to the industrial investment guaranty program pursuant to sec. 111(b) (3) of the Economic Cooperation Act of 1948, as amended. Exchange of notes at Tel Aviv August 7 and 8, 1952; entered into force August 8, 1952.
3 UST 5045; TIAS 2486; 181 UNTS 37.

Amendments:
July 31 and August 11, 1957 (8 UST 1810; TIAS 3892; 289 UNTS 318).
February 5 and 20, 1963 (14 UST 337; TIAS 5316; 474 UNTS 332).

MUTUAL SECURITY

Agreement relating to assurance and economic assistance as authorized in the Mutual Security Act of 1951. Exchange of notes at Washington December 7, 1951; entered into force December 7, 1951.
3 UST 2874; TIAS 2462; 157 UNTS 53.

PUBLICATIONS

Agreement relating to the exchange of official publications. Exchange of notes at Tel Aviv February 13 and 19, 1950; entered into force February 19, 1950.
1 UST 912; TIAS 2169; 122 UNTS 117.

SCIENTIFIC COOPERATION

Agreement on the United States-Israel binational science foundation with exchange of letters. Signed at New York September 27, 1972; entered into force September 27, 1972.
23 UST 2465; TIAS 7460.

TELECOMMUNICATION

Agreement relating to radio communication facilities at or near Embassy sites for transmission of official messages. Exchange of notes at Tel Aviv and Jerusalem May 10 and 21, 1963; entered into force May 21, 1963.
14 UST 866; TIAS 5367; 487 UNTS 319.

Agreement relating to radio communications between amateur stations on behalf of third parties. Exchange of notes at Washington July 7, 1965; entered into force August 4, 1965.
16 UST 883; TIAS 5827; 549 UNTS 281.

Agreement relating to the reciprocal granting of authorizations to permit licensed amateur radio operators of either country to operate their stations in the other country. Exchange of notes at Washington June 15, 1964; entered into force June 15, 1964.
17 UST 760; TIAS 6078; 578 UNTS 159.

TRADE AND COMMERCE

Treaty of friendship, commerce, and navigation, with protocol and exchange of notes. Signed at Washington August 23, 1951; entered into force April 3, 1954.
5 UST 550; TIAS 2948; 219 UNTS 237.

Interim agreement pursuant to art. XXIII of the General Agreement on Tariffs and Trade with schedules. Signed at Geneva March 3, 1962; entered into force March 3, 1962.
13 UST 890; TIAS 5029; 446 UNTS 29.

VISAS

Agreement relating to the issue by the United States of visas without charge to authorized crew members of aircraft operated by air carriers designated by Israel in consideration of the continuation by Israel of its practice of not requiring visas of authorized crew members of aircraft operated by air carriers designated by the United States. Exchange of notes at Tel Aviv March 27 and June 1, 1957; entered into force July 1, 1957.
3 UST 4796; TIAS 2650; 212 UNTS 129.

Agreement providing for the reciprocal waiver of nonimmigrant passport visa fees. Exchange of notes at Jerusalem and Tel Aviv February 14 and 28 and March 2, 1955; entered into force March 2, 1955.
7 UST 2125; TIAS 3614; 220 UNTS 112.

WEATHER STATIONS

Agreement relating to a cooperative meteorological program in support of the Tavinsonde observation station at Bet Dagan. Exchange of notes at Tel Aviv and Jerusalem April 29 and May 22, 1968; entered into force May 22, 1968; effective January 1, 1969.
19 UST 5180; TIAS 6510; 653 UNTS 163.

ITALY

AGRICULTURAL COMMODITIES

Agreement relating to the use of lira equivalent for the purchase of agricultural commodities allocated to Italy pursuant to the Mutual Security Act of 1951, as amended. Exchange of letters at Rome May 19, 1955; entered into force May 19, 1955.
6 UST 3718; TIAS 3369; 269 UNTS 83.

ATOMIC ENERGY

Agreement for cooperation on uses of atomic energy for mutual defense purposes. Signed at Rome December 3, 1960; entered into force May 24, 1961.
17 UST 641; TIAS 4764; 410 UNTS 3.

Arrangement for the exchange of technical information and cooperation in safety research and development and development of standards. Signed at Bethesda May 29, 1975; entered into force May 29, 1975.
27 UST 2727; TIAS 8346.

AVIATION

Air navigation arrangement.¹ Exchange of notes at Washington October 13 and 14, 1931; entered into force October 31, 1931.
47 Stat. 2646; EAS 24; 9 Bevans 167; 137 UNTS 209.

Agreement relating to air service facilities in Italy. Exchange of notes at Rome June 9, 1947; entered into force June 9, 1947.
62 Stat. 4074; TIAS 2127; 108 UNTS 157.

Air transport agreement with memorandum and exchange of notes. Signed at Rome June 22, 1970; entered into force provisionally June 22, 1970; definitively August 9, 1973.
21 UST 2096; TIAS 6957; 764 UNTS 161.



DEPARTMENT OF STATE

Washington, D.C. 20520

TAB B

April 26, 1979

Dear Mr. Chairman:

A number of the questions contained in your letter of March 20 have now been answered through testimony and communications received by the Committee, and further answers will, of course, be provided in today's session. I thought it might be useful, however, to describe briefly the agreements and commitments undertaken by the United States in connection with the Treaty of Peace between Egypt and Israel. Documents expressing all such agreements and commitments have now been received by the Committee.

The principal undertakings may be summarized as follows:

First, in direct connection with the Peace Treaty package, the United States has made the following commitments to both Egypt and Israel:

- We have assured them of our readiness to participate fully in all stages of the West Bank and Gaza negotiations;
- In the event of an actual or threatened treaty violation, we will, on request of one or both parties, consult with the parties and take such other action as we may deem appropriate and helpful to achieve compliance with the Treaty.
- The United States will perform aerial monitoring of the Sinai arrangements during the withdrawal period as requested by the parties; and

The Honorable
Lee H. Hamilton, Chairman
Subcommittee on Europe and
the Middle East

--We will try to arrange through the UN for the permanent stationing of the international personnel called for under the Treaty, but, should this fail, the President will be prepared to take those steps necessary to ensure an acceptable alternative multinational force.

The assurance concerning United States participation in the West Bank and Gaza negotiations is reflected in the joint letter from President Sadat and Prime Minister Begin to President Carter. The other commitments mentioned above are set out in President Carter's March 26 letter to both leaders.

Second, in addition to the foregoing assurances made to both parties, we have entered into certain bilateral undertakings with each of them, subject of course to substantive and procedural requirements of the United States laws.

Israel

The bilateral undertakings with Israel are set out in Secretary Brown's letter to Minister of Defense Weizman, the Memorandum of Agreement concerning assurances, and the Memorandum of Agreement concerning oil. The principal undertakings set out in Secretary Brown's letter are the following:

- We will provide managerial, technical and financial assistance in the construction of two airbases in the Negev for Israel, including a grant of \$800 million. This undertaking is elaborated through two implementing agreements relating to the construction project and its financing;
- We will provide \$2.2 billion in loans to meet other military relocation costs or equipment purchases over a three year period; and

- We are prepared to approve the sale of substantial quantities of equipment for the modernization of Israeli armed forces and to accelerate the F-16 aircraft delivery schedule.

The first Memorandum of Agreement with Israel is to a substantial extent an elaboration of the United States' assurance to the parties, described above, undertaking in the event of an actual or threatened violation of the Treaty of Peace to consult with the parties and to take such other actions as we deem appropriate. Our principal undertakings under that memorandum can be summarized as follows:

- We will take appropriate measures to promote full observance of the Treaty of Peace;
- We will consult with the parties and take such remedial measures as we deem appropriate in the event of actual or threatened Treaty violation;
- We will provide support we deem appropriate for Israeli responses to Peace Treaty violations and will, in cases threatening Israel's security, be prepared urgently to consider special measures;
- We will support the Peace Treaty regime for navigation and overflight of the Strait of Tiran and Gulf of Aqaba;
- We will oppose UN actions we judge to affect the Peace Treaty adversely;
- We will try to be responsive to Israel's military and economic assistance requirements; and
- We will take steps to prevent transfer of U.S. supplied weapons to third parties for use in armed attack against Israel.

The Memorandum of Agreement also confirms that existing U.S. agreements with and assurances to Israel are not affected by the conclusion of the Treaty of Peace, with enumerated exceptions.

In the Memorandum of Agreement with Israel concerning oil, the United States and Israel agree to conclude an agreement providing, in essence, that the United States will assure that Israel obtains oil to meet its needs, should Israel be unable to secure its oil needs through normal procedures, for a period of 15 years, including the existing five year oil supply arrangement. All costs incurred by the United States will be reimbursed by Israel.

Egypt

Our bilateral assurances to Egypt are reflected in Secretary Brown's letter to Defense Minister Ali relating to military assistance, which provides that:

- We are prepared to expand our sales to Egypt of military equipment and services and to finance at least a portion of those sales;
- The President is prepared to recommend sale of \$1.5 billion in such equipment and services during the next three years, with FMS financing at specified terms; and
- We are prepared in general to sell military items listed in the classified attachment to the Brown letter.

In addition, while we have made no specific commitment to Egypt on economic aid levels, we did make clear our intent to seek \$300 million in economic support fund assistance for Egypt to supplement our existing aid.

All of the undertakings and assurances described above have been concluded in the form of Memoranda of Agreement and letters. They are not mutual security

or mutual defense treaties or security guarantees. They do not commit the United States to take any particular action in response to treaty violations or other events.

The undertakings in the President's letters to President Sadat and Prime Minister Begin are made expressly subject to United States constitutional processes. The undertakings in the Memorandum of Agreement concerning assurances are, in essence, to consult, to consider a variety of responses to a demonstrated violation of the Peace Treaty, and to take such remedial measures as the United States alone deems appropriate. While the language of the Memorandum is far short of security guarantee language, the Memorandum nonetheless also contains an express qualifier subjecting it to United States constitutional processes and laws.

Paragraph 5 of the Memorandum deals with our diplomatic posture in the United Nations and reserves to the United States the judgment whether a proposed action or resolution might adversely affect the Treaty of Peace. Paragraph 6 relating to economic and military assistance is a general statement of intent expressly subject to Congressional authorization and appropriation processes. Paragraph 7 reflects existing requirements under the Arms Export Control Act, requirements we would wish to meet even were they not legislatively mandated.

The substance and form of the commitments in the Memorandum of Agreement concerning assurances thus are of the nature traditionally concluded in executive understandings and agreements.

The United States assurance to Israel on oil is expressly subject to an undertaking to seek such additional statutory authorization as may be necessary. It reflects an understanding that those implementing actions involving U.S. crude, rather than U.S. good offices or efforts to arrange Israeli access to foreign crude, are dependent upon U.S. statutes.

These United States commitments and undertakings have played an important role in assisting both Egypt and Israel to accept the risks of the momentous step they have taken. We have tried to draw these documents carefully to meet the important practical, political and psychological requirements of the situation while avoiding excessive commitments by the United States. We have also endeavored to assure that the undertakings of the United States were made subject to Congressional action and oversight.

Sincerely,

Douglas J. Bennet, Jr.
Assistant Secretary for
Congressional Relations

Memorandum of Agreement between the Governments of
Israel and the United States concerning the Geneva
Peace Conference, dated September 1, 1975

1. The Geneva Peace Conference will be reconvened at a time coordinated between the United States and Israel.
2. The United States will continue to adhere to its present policy with respect to the Palestine Liberation Organization, whereby it will not recognize or negotiate with the Palestine Liberation Organization so long as the Palestine Liberation Organization does not recognize Israel's right to exist and does not accept Security Council Resolutions 242 and 338. The United States Government will consult fully and seek to concert its position and strategy at the Geneva Peace Conference on this issue with the Government of Israel. Similarly, the United States will consult fully and seek to concert its position and strategy with Israel with regard to the participation of any other additional states. It is understood that the participation at a subsequent phase of the Conference of any possible additional state, group or organization will require the agreement of all the initial participants.

3. The United States will make every effort to ensure at the Conference that all the substantive negotiations will be on a bilateral basis.

4. The United States will oppose and, if necessary, vote against any initiative in the Security Council to alter adversely the terms of reference of the Geneva Peace Conference or to change Resolutions 242 and 338 in ways which are incompatible with their original purpose.

5. The United States will seek to ensure that the role of the cosponsors will be consistent with what was agreed in the Memorandum of Understanding between the United States Government and the Government of Israel of December 20, 1973.

6. The United States and Israel will concert action to assure that the Conference will be conducted in a manner consonant with the objectives of this document and with the declared purpose of the Conference, namely the advancement of a negotiated peace between Israel and each one of its neighbors.

TAB HMemorandum of Agreement between the United States and
Israel of September 1, 1975

* * *

3. Israel will make its own independent arrangements for oil supply to meet its requirements through normal procedures. In the event Israel is unable to secure its needs in this way, the United States Government, upon notification of this fact by the Government of Israel, will act as follows for five years, at the end of which period either side can terminate this arrangement on one-year's notice.

(a) If the oil Israel needs to meet all its normal requirements for domestic consumption is unavailable for purchase in circumstances where no quantitative restrictions exist on the ability of the United States to procure oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel to meet all of the aforementioned normal requirements of Israel. If Israel is unable to secure the necessary means to transport such oil

to Israel, the United States Government will make every effort to help Israel secure the necessary means of transport.

(b) If the oil Israel needs to meet all of its normal requirements for domestic consumption is unavailable for purchase in circumstances where quantitative restrictions through embargo or otherwise also prevent the United States from procuring oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel in accordance with the International Energy Agency conservation and allocation formula as applied by the United States Government, in order to meet Israel's essential requirements. If Israel is unable to secure the necessary means to transport such oil to Israel, the United States Government will make every effort to help Israel secure the necessary means of transport.

Israeli and United States experts will meet annually or more frequently at the request of either party, to review Israel's continuing oil requirement.

* * *

9. The United States Government will not join in and will seek to prevent efforts by others to bring about consideration of proposals which it and Israel agree are detrimental to the interests of Israel.

10. In view of the longstanding United States commitment to the survival and security of Israel the United States Government will view with particular gravity threats to Israel's security or sovereignty by a world power. In support of this objective, the United States Government will in the event of such threat consult promptly with the Government of Israel with respect to what support, diplomatic or otherwise, or assistance it can lend to Israel in accordance with its constitutional practices.

* * *

13. The United States Government shares the Israeli position that under existing political circumstances negotiations with Jordan will be directed toward an overall peace settlement.

14. In accordance with the principle of freedom of navigation on the high seas and free and unimpeded passage through and over straits connecting international waters, the United States Government regards the Straits of Bab el-Mandeb and the Strait of Gibraltar as international waterways. It will support Israel's right to free and unimpeded passage through such straits. Similarly, the United States Government recognizes Israel's right to freedom of flights over the Red Sea and such straits and will support diplomatically the exercise of that right.

* * *

APPENDIX 7

DOCUMENTS ASSOCIATED WITH THE PEACE TREATY

MEMORANDUMS OF AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE STATE OF ISRAEL

Recognizing the significance of the conclusion of the Treaty of Peace between Israel and Egypt and considering the importance of full implementation of the Treaty of Peace to Israel's security interests and the contribution of the conclusion of the Treaty of Peace to the security and development of Israel as well as its significance to peace and stability in the region and to the maintenance of international peace and security; and

Recognizing that the withdrawal from Sinai imposes additional heavy security, military and economic burdens on Israel;

The Governments of the United States of America and of the State of Israel, subject to their constitutional processes and applicable law, confirm as follows:

1. In the light of the role of the United States in achieving the Treaty of Peace and the parties desire that the United States continue its supportive efforts, the United States will take appropriate measures to promote full observance of the Treaty of Peace.

2. Should it be demonstrated to the satisfaction of the United States that there has been a violation or threat of violation of the Treaty of Peace, the United States will consult with the parties with regard to measures to halt or prevent the violation, ensure observance of the Treaty of Peace, enhance friendly and peaceful relations between the parties and promote peace in the region, and will take such remedial measures as it deems appropriate, which may include diplomatic, economic and military measures as described below.

3. The United States will provide support it deems appropriate for proper actions taken by Israel in response to such demonstrated violations of the Treaty of Peace. In particular, if a violation of the Treaty of Peace is deemed to threaten the security of Israel, including, inter alia, a blockade of Israel's use of international waterways, a violation of the provisions of the Treaty of Peace concerning limitation of forces or an armed attack against Israel, the United States will be prepared to consider, on an urgent basis, such measures as the strengthening of the United States presence in the area, the providing of emergency supplies to Israel, and the exercise of maritime rights in order to put an end to the violation.

4. The United States will support the parties' rights to navigation and overflight for access to either country through and over the Strait of Tiran and the Gulf of Aqaba pursuant to the Treaty of Peace.

5. The United States will oppose and, if necessary, vote against any action or resolution in the United Nations which in its judgment adversely affects the Treaty of Peace.

6. Subject to Congressional authorization and appropriation, the United States will endeavor to take into account and will endeavor to be responsive to military and economic assistance requirements of Israel.

7. The United States will continue to impose restrictions on weapons supplied by it to any country which prohibit their unauthorized transfer to any third party. The United States will not supply or authorize transfer of such weapons for use in an armed attack against Israel, and will take steps to prevent such unauthorized transfer.

8. Existing agreements and assurances between the United States and Israel are not terminated or altered by the conclusion of the Treaty of Peace, except for those contained in Articles 5, 6, 7, 8, 11, 12, 15, and 16 of the Memorandum of Agreement between the Government of the United States and the Government of Israel (United States-Israeli Assurances) of September 1, 1975.

9. This Memorandum of Agreement sets forth the full understandings of the United States and Israel with regard to the subject matters covered between them hereby, and shall be carried out in accordance with its terms.

CYRUS R. VANCE,
(For the Government of the United States of America.)

M. DAYAN,
(For the Government of Israel.)

March 26, 1979.

MARCH 26, 1979.

MEMORANDUM OF AGREEMENT BETWEEN THE GOVERNMENTS OF
THE UNITED STATES AND ISRAEL

The oil supply arrangement of September 1, 1975, between the Governments of the United States and Israel, annexed hereto, remains in effect. A memorandum of agreement shall be agreed upon and concluded to provide an oil supply arrangement for a total of 15 years, including the 5 years provided in the September 1, 1975 arrangement.

The memorandum of agreement, including the commencement of this arrangement and pricing provisions, will be mutually agreed upon by the parties within sixty days following the entry into force of the Treaty of Peace between Egypt and Israel.

It is the intention of the parties that prices paid by Israel for oil provided by the United States hereunder shall be comparable to world market prices current at the time of transfer, and that in any event the United States will be reimbursed by Israel for the costs incurred by the United States in providing oil to Israel hereunder.

Experts provided for in the September 1, 1975, arrangement will meet on request to discuss matters arising under this relationship.

The United States administration undertakes to seek promptly additional statutory authorization that may be necessary for full implementation of this arrangement.

M. DAYAN,
(For the Government of Israel.)

CYRUS R. VANCE,
(For the Government of the United States.)

ANNEX

Israel will make its own independent arrangements for oil supply to meet its requirements through normal procedures. In the event Israel is unable to secure its needs in this way, the United States Government, upon notification of this fact by the Government of Israel, will act as follows for five years, at the end of which period either side can terminate this arrangement on one-year's notice.

(a) If the oil Israel needs to meet all its normal requirements for domestic consumption is unavailable for purchase in circumstances where no quantitative restrictions exist on the ability of the United States to procure oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel to meet all of the aforementioned normal requirements of Israel. If Israel is unable to secure the necessary means to transport such oil to Israel, the United States Government will make every effort to help Israel secure the necessary means of transport.

(b) If the oil Israel needs to meet all of its normal requirements for domestic consumption is unavailable for purchase in circumstances where quantitative restrictions through embargo or otherwise also prevent the United States from procuring oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel in accordance with the International Energy Agency conservation and allocation formula, as applied by the United States Government, in order to meet Israel's essential requirements. If Israel is unable to secure the necessary means to transport such oil to Israel, the United States Government will make every effort to help Israel secure the necessary means of transport.

Israeli and United States experts will meet annually or more frequently at the request of either party, to review Israel's continuing oil requirement.

JUNE 22, 1979.

MEMORANDUM OF AGREEMENT BETWEEN THE GOVERNMENTS OF ISRAEL AND THE UNITED STATES¹

Pursuant to the Memorandum of Agreement between the Governments of the United States and Israel signed March 26, 1979, Israel and the United States have entered into the Oil Supply Arrangement set forth herein as follows:

1. Israel will make its own independent arrangements for oil supply to meet its requirements through normal procedures. In the event Israel is unable to secure its needs in this way, the United States Government, upon notification of this fact by the Government of Israel will act as follows:

(a) If the oil Israel needs to meet all its normal domestic requirements is unavailable for purchase in circumstances where no quantitative restrictions exist on the ability of the United States to procure oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel to meet the shortfall in the aforementioned normal requirements of Israel. Oil will be made available to Israel as soon as practicable after notification; the United States will make every effort to ensure this period is less than 60 days.

(b) If the oil Israel needs to meet all of its normal requirements for domestic consumption is unavailable for purchase in circumstances where quantitative restrictions through embargo or otherwise also prevent the United States from procuring oil to meet its normal requirements, the United States Government will promptly make oil available for purchase by Israel in accordance with the International Energy Agency conservation and allocation formula as applied by the United States Government, in order to meet the shortfall in Israel's essential requirements. Oil will be made available to Israel as soon as practicable after notification; the United States will make every effort to ensure this period is less than 60 days.

(c) If Israel is unable to secure the necessary means to transport to Israel oil made available pursuant to this Agreement, the United States Government will make every effort to help Israel secure the necessary means of transport.

2. Prices paid by Israel for oil provided by the United States hereunder shall be comparable to world market prices current at the time of transfer. Israel will, in any event, reimburse the United States for the costs incurred by the United States in providing oil to Israel hereunder.

3. Israeli and United States experts will meet annually or more frequently at the request of either party, to review Israel's continuing oil requirement and to develop and review any necessary contingency implementing arrangements.

4. This Memorandum of Agreement is subject to applicable United States law. The United States administration may seek additional statutory authorization that may be necessary for full implementation of this Memorandum of Agreement.

5. This Memorandum of Agreement shall enter into force on November 25, 1979 and shall terminate on November 25, 1994. The oil supply arrangement of September 1, 1975 between the Governments of Israel and the United States shall be in force during the period from the date of this Memorandum of Agreement to November 25, 1994 and shall be performed and implemented in accordance with the provisions of this Memorandum of Agreement.

HERBERT J. HANSELL,
(For the Government of the United States.)

JACOB MECHUSHTAN,
(For the Government of Israel.)

JUNE 22, 1979.

In connection with the Memorandum of Agreement being entered into on this date between the Government of Israel and the Government of the United States, Israel and the United States understand that:

Because of the unique security situation of Israel its oil reserves are and should be at the level equal to six months of Israel's oil consumption; and in this connection U.S. oil supplies should be at such levels that U.S. ability to meet its oil requirements will not be adversely affected.

HERBERT J. HANSELL,
(For the Government of the United States.)

JACOB MECHUSHTAN,
(For the Government of Israel.)

¹ This agreement supersedes the agreement on oil dated Mar. 26, 1979.

APPENDIX 8

H.R. 4035 (CLEAN BILL AS REPORTED OUT OF FULL COMMITTEE ON
FOREIGN AFFAIRS)

Union Calendar No. 86

96TH CONGRESS
1ST SESSION

H. R. 4035

[Report No. 96-161]

To authorize supplemental international security assistance for the fiscal year 1979 in support of the peace treaty between Egypt and Israel, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 10, 1979

Mr. ZABLOCKI (for himself, Mr. BROOMFIELD, Mr. FASCELL, Mr. ROSENTHAL, Mr. HAMILTON, Mr. WOLFF, Mr. BINGHAM, Mr. SOLAREZ, Mr. BONKER, Mr. BARNES, Mr. HALL, Mr. WOLPE, Mr. DERWINSKI, Mr. FINDLEY, Mr. BUCHANAN, Mr. WINN, Mr. GILMAN, Mr. PRITCHARD, Mrs. FENWICK, Mr. GRAY, and Mr. DIGGS) introduced the following bill; which was referred to the Committee on Foreign Affairs

MAY 15, 1979

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To authorize supplemental international security assistance for the fiscal year 1979 in support of the peace treaty between Egypt and Israel, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1

SHORT TITLE

2 SECTION 1. This Act may be cited as the "Special In-
3 ternational Security Assistance Act of 1979".

4

STATEMENT OF POLICY AND FINDINGS

5 SEC. 2. (a) It is the policy of the United States to sup-
6 port the peace treaty concluded between the Government of
7 Egypt and the Government of Israel on March 26, 1979. It
8 is a significant step toward a full and comprehensive peace in
9 the Middle East. The Congress urges the President to contin-
10 ue to exert every effort to bring about a comprehensive peace
11 and to seek an end by all parties to the violence which could
12 jeopardize this peace. The peace treaty between Egypt and
13 Israel having been ratified, the Congress finds that the na-
14 tional interests of the United States are served—

15 (1) by authorizing the President to construct air
16 bases in Israel to replace the Israeli air bases on the
17 Sinai peninsula that are to be evacuated;

18 (2) by authorizing additional funds to finance pro-
19 curements by Egypt and Israel through the fiscal year
20 1982 of defense articles and defense services for their
21 respective security requirements; and

22 (3) by authorizing additional funds for economic
23 assistance for Egypt in order to promote the economic
24 stability and development of that country and to sup-
25 port the peace process in the Middle East.

1 (b) The authorizations contained in section 4 do not con-
2 stitute congressional approval of the sale of any particular
3 weapons system to either Israel or Egypt. These sales will
4 be reviewed under the normal procedures set forth under sec-
5 tion 36(b) of the Arms Export Control Act.

6 (c) The authorities contained in this Act to implement
7 certain arrangements in support of the peace treaty between
8 Egypt and Israel do not signify approval by the Congress of
9 any other agreement, understanding, or commitment made by
10 the executive branch.

11 CONSTRUCTION OF AIR BASES IN ISRAEL

12 SEC. 3. Part II of the Foreign Assistance Act of 1961
13 is amended by adding at the end thereof the following new
14 chapter:

15 "CHAPTER 7—AIR BASE CONSTRUCTION IN ISRAEL

16 "SEC. 561. GENERAL AUTHORITY.—The President is
17 authorized—

18 "(1) to construct such air bases in Israel for the
19 Government of Israel as may be agreed upon between
20 the Government of Israel and the Government of the
21 United States to replace the Israeli air bases located at
22 Etzion and Etam on the Sinai peninsula that are to be
23 evacuated by the Government of Israel; and

24 "(2) for purposes of such construction, to furnish
25 as a grant to the Government of Israel, on such terms

1 and conditions as the President may determine, defense
2 articles and defense services, which he may acquire
3 from any source, of a value not to exceed the amount
4 appropriated pursuant to section 562(a).

5 "SEC. 562. AUTHORIZATION AND UTILIZATION OF
6 FUNDS.—(a) There is authorized to be appropriated to the
7 President to carry out this chapter not to exceed
8 \$800,000,000, which may be made available until expended.

9 "(b) Upon agreement by the Government of Israel to
10 provide to the Government of the United States funds equal
11 to the difference between the amount required to complete
12 the agreed construction work and the amount appropriated
13 pursuant to subsection (a) of this section, and to make those
14 funds available, in advance of the time when payments are
15 due, in such amounts and at such times as may be required
16 by the Government of the United States to meet these addi-
17 tional costs of construction, the President may incur obliga-
18 tions and enter into contracts to the extent necessary to com-
19 plete the agreed construction work, except that this authority
20 shall be effective only to such extent or in such amounts as
21 are provided in advance in appropriation Acts.

22 "(c) Funds made available by the Government of Israel
23 pursuant to subsection (b) of this section may be credited to
24 the appropriation account established to carry out the pur-
25 poses of this section for the payment of obligations incurred

1 and for refund to the Government of Israel if they are unne-
2 cessary for this purpose, as determined by the President.
3 Credits and the proceeds of guaranteed loans made available
4 to the Government of Israel pursuant to the Arms Export
5 Control Act, as well as any other source of financing availa-
6 ble to it, may be used by Israel to carry out its undertaking
7 to provide such additional funds.

8 “SEC. 563. WAIVER AUTHORITIES.—(a) It is the sense
9 of the Congress that the President should take all necessary
10 measures consistent with law to insure the efficient and
11 timely completion of the construction authorized by this
12 chapter, including the exercise of authority vested in him by
13 section 633(a) of this Act.

14 “(b) The provisions of paragraph (3) of section 636(a) of
15 this Act shall be applicable to the use of funds available to
16 carry out this chapter, except that no more than sixty per-
17 sons may be engaged at any one time under that paragraph
18 for purposes of this chapter.”.

19 **SUPPLEMENTAL AUTHORIZATION OF FOREIGN MILITARY**
20 **SALES LOAN GUARANTIES FOR EGYPT AND ISRAEL**

21 **SEC. 4. (a)** In addition to amounts authorized to be ap-
22 propriated for the fiscal year 1979 by section 31(a) of the
23 Arms Export Control Act, there is authorized to be appropri-
24 ated to the President to carry out that Act \$370,000,000 for
25 the fiscal year 1979.

1 (b) Funds made available pursuant to subsection (a) of
2 this section may be used only for guaranties for Egypt and
3 Israel pursuant to section 24(a) of the Arms Export Control
4 Act. The principal amount of loans guaranteed with such
5 funds shall not exceed \$3,700,000,000 of which amount
6 \$2,200,000,000 shall be available only for Israel and
7 \$1,500,000,000 shall be available only for Egypt. The prin-
8 cipal amount of such guaranteed loans shall be in addition to
9 the aggregate ceiling authorized for the fiscal year 1979 by
10 section 31(b) of the Arms Export Control Act.

11 (c) Loans guaranteed with funds made available pursu-
12 ant to subsection (a) of this section shall be on terms calling
13 for repayment within a period of not less than thirty years,
14 including an initial grace period of ten years on repayment of
15 principal.

16 (d)(1) The Congress finds that the Governments of
17 Israel and Egypt each have an enormous external debt
18 burden which may be made more difficult by virtue of the
19 financing authorized by this section. The Congress further
20 finds that, as a consequence of the impact of the debt burdens
21 incurred by Israel and Egypt under such financing, it may
22 become necessary in future years to modify the terms of the
23 loans guaranteed with funds made available pursuant to this
24 section.

