

SYSTEM II
90118

NATIONAL SECURITY COUNCIL MEETING

July 31, 1981

Time and Place: 12:00-1:30 p.m., White House Cabinet Room

Subjects: Gulf of Sidra Exercise; US Naval Presence
in Indian Ocean; Security Assistance for
Egypt ~~(S)~~

Participants

The President

The Vice President
Admiral Daniel J. Murphy

State
Secretary Alexander M. Haig, Jr.
Deputy Secretary William P. Clark

OSD
Secretary Caspar W. Weinberger
Deputy Secretary Frank C. Carlucci

OMB
Mr. David Stockman
Mr. William Schneider

DCI
Mr. William J. Casey

JCS
General E. C. Meyer (Acting Chairman)
Vice Admiral Sylvester R. Foley, Jr. (Deputy CNO for
Plans, Policy and Operations)
Captain Richard Allen

White House
Mr. Edwin Meese III
Mr. James A. Baker III
Mr. Michael K. Deaver
Mr. Richard V. Allen
Admiral James W. Nance
Mr. Frank Hodson
Ms. Janet Colson

NSC
Major Robert Kimmitt
Major Chris Shoemaker

~~SECRET/SENSITIVE~~

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Mr. Allen began the meeting by identifying the three NSC agenda items; first is the Gulf of Sidra; second is the US naval presence in the Indian Ocean; and third, security assistance for Egypt. He then introduced Vice Admiral Bob Foley and Captain Dick Allen to brief on the Gulf of Sidra exercise.

Issue 1: August 18-19 Exercise in the Gulf of Sidra

Admiral Foley then presented an outline of the exercise. He identified two purposes: 1) to assert freedom of navigation in the Libyan-claimed waters in the Gulf of Sidra, and 2) to conduct an open ocean missile exercise. He pointed out that the area selected for the exercise is optimal for firing missiles. At issue is the portion of the exercise which penetrates into Libyan-claimed waters.

The exercise will be conducted August 18-19 by two carrier battle groups. In the course of the exercise, two ships will be stationed south of 32°30' in Libyan-claimed waters. We plan to follow standard notification procedures for the exercise, which involves a notice to airmen and mariners five days prior to the exercise. Libya has a moderate sized armed force with which it can challenge the US fleet, including 476 aircraft, piloted by Libyans and Syrians, naval patrol boats with ship-to-ship missiles, and four submarines. Should the Libyans challenge our forces, peacetime rules of engagement will be followed. Admiral Foley assessed that the likelihood of the Libyan military reaction was slight in areas north of the Gulf, although less predictable south of 32°30'. The US will respond to Libyan aircraft by intercepting and escorting them as soon as they approach the fleet. US aircraft will fly no closer than 15 nautical miles of Libya itself. Admiral Foley then discussed peacetime rules of engagement. The underlying principle is the use of the minimum amount of force required to control the situation. The commander of the task force (Rear Admiral James Service) has the authority to declare a ship or airplane hostile. In addition, individual pilots may attack if they themselves are attacked first. Hot pursuit will be authorized only until the attacker poses no further threat to the fleet.

The President asked if, in our notification, we are going to state that we will penetrate into Libyan-claimed waters or whether we would simply outline the general area in which we will exercise.

Secretary Weinberger said that the latter is the case, and notification will be made in a low-key fashion.

Mr. Allen amplified this point by saying that we would notify through standard NOTAM procedures. Libya will be notified in this fashion.

Captain Allen said that these notifications are routinely published in international civil air channels and maritime circuits.

Mr. Allen asked if we would get protests from Libya during the five-day notification period before the exercise.

The President promised that he would not communicate directly with the USS PRATT as he had done before. He related that the sailor to whom he had talked said that the effect on the ship was as if God had called the Vatican and asked for a particular altar boy.

Secretary Weinberger stressed that once we submit notification of the exercise, we cannot back out. To do so would be to invite further loss of confidence among our key regional Allies.

The President said we should proceed with the exercise unless they drain the bay.

Mr. Meese said that we should respond to any protests by citing international law. He asked when the last time was that we moved into the disputed area.

Admiral Foley answered that we had dropped below the line three years ago.

Mr. Meese then asked what the closest approach of the exercise area was to the Libyan coast.

Admiral Foley responded that it was about 50 miles, which would allow us about five minutes of warning time of approaching Libyan airplanes.

Mr. Allen asked what the rules of pursuit are if the attack is of a very substantial nature.

Admiral Foley answered that they would be to protect the fleet and then contact the National Command Authority.

General Meyer agreed that the NCA would have to take the decision on whether or not to strike Libyan bases.

The President said that we will respond instantly, should we be shot at. He related the story of the Benedictine monks who had a rule to treat visitors with open arms, but should the visitors get unruly, they were to be taken out back by some hefty monks and shown the error of their ways.

Mr. Allen asked where the Soviets will be.

Admiral Foley responded that normally one intelligence ship (AGI) shadows each carrier. The Soviets could also deploy IL-38 aircraft to Libya to observe the exercise.

Secretary Haig asked if the fleet had hot-pursuit authority to chase Libyan airplanes into Libyan airspace.

Admiral Foley responded that this was the case.

Mr. Meese asked, if the Libyans shoot down one of our planes, will we pursue them into their airspace?

The President said that we would chase them right into the hangar.

Secretary Haig then said that he and Secretary Weinberger were in agreement that we should follow routine notification procedures. He pointed out that most of our Allies, with few exceptions, would support our action. We have been building a case against Qadhafi, and this will help demonstrate our seriousness. Local Arab states will also support our action and will not consider our actions unnecessarily provocative.

Secretary Weinberger underscored the fact that the notification would be routine.

Mr. Allen asked if we had any plans for special approaches to anybody.

Secretary Haig said that we would notify only Sadat in advance of the routine announcement.

Secretary Weinberger pointed out that the President needs to be aware of possible repercussions for the 2500 Americans in Libya. We urged our citizens to pull out of Libya when we decided to close the so-called People's Bureau here in Washington. We do not plan any additional warning now, but the President should be aware of their presence.

Mr. Casey pointed out that Sadat is very much concerned with Qadhafi.

The President said that he should tell Sadat about the exercise during the one-on-one meeting.

Secretary Haig said that Sadat will certainly raise the issue of Qadhafi and seek our support for Egyptian actions. The exercise will be helpful in this regard, to show that we are "putting screws on Qadhafi." Sadat believes it is time for the US to do more to roll back Soviet influence in the region.

Issue 2: US Naval Presence in the Indian Ocean

Mr. Allen outlined the issue by saying that, at present, we maintain two carrier battle groups in the Indian Ocean at all times. DOD wants to reduce this presence to one carrier battle group continuously in the Indian Ocean, augmented by a second one 50 percent of the time.

Admiral Foley then provided details on our presence. Currently, one carrier battle group is on-station in the Arabian Sea north of 12° north. A second moves throughout the Indian Ocean, paying port calls in Kenya and Australia and participating in exercises. The problem is that, in maintaining two carriers in the Indian Ocean, we are straining greatly our operational tempo. We need more flexibility to meet our commitments in the Pacific and in the Mediterranean.

The President asked how long these deployments last.

Admiral Foley responded that, when one of our carriers returned from a recent Indian Ocean deployment, it had spent 230 out of the last 248 days at sea.

General Meyer added that this impacts on personal lives of the sailors.

The President asked whether the new presence levels would help reduce the burden on the sailors.

Admiral Foley responded that this was the case.

Secretary Weinberger said that reduced presence would not be perceived by regional states as a lessening of our commitment to their security.

Issue 3: Security Assistance for Egypt

Mr. Allen opened the discussion by stating that the Secretaries of State and Defense have recommended a substantial increase in FMS credits for Egypt in FY 1983. The Secretaries recommend that the President inform President Sadat during his upcoming visit that we will seek a level of \$1.3 billion in FY 83, with concessional terms and continued cash flow funding.

Secretary Weinberger stated that it was important to the US for Egypt to be strong and friendly. He said that the package proposed for Egypt helps to meet that country's real need for military modernization. It will also prove that we treat our

partners in the region--Israel and Egypt--on a relatively even-handed basis; this fact is not vital but it is important. The key question, however, is the purpose for which the money will be used, and in this case it will be used for the modernization and strengthening of the Egyptian forces. There is also existing a cash flow problem, and we should defer out-year obligations in a manner such that payments in a fiscal year are limited to the amount in the Administration's most current budget request. We need to reach this decision now so that the President can inform Sadat next week, especially since the ultimate budget decisions would contain these figures anyway.

Defense has investigated very closely the items on the Egyptian request list and has determined that these are valid requirements. What this fact really means is that providing this equipment to Egypt is important to the US. Military assistance should not be viewed as a charitable gesture by the US, but rather as an action important to our national security interests in that it pushes the defense of the US a little further out. Thus, Sadat should be informed of our willingness to increase military assistance to Egypt, as a necessary adjunct to our foreign and defense policy.

Deputy Secretary Carlucci noted the incongruity present when one visits Egypt and is greeted by officers very friendly to the US who must rely on Soviet-provided tanks and MIGs for defense.

Mr. Meese asked whether this proposed increase would be accommodated within the Defense budget.

Secretary Weinberger replied no, that these figures would be reflected in the security assistance budget.

Secretary Haig stated that the security assistance budget was under State's jurisdiction, and he would like to offer a few comments about that budget. He recognized the importance of the Egyptian program and recommended its approval, but noted that the overall budget question is also very important. Referring to a chart, he noted that the FY 81 security assistance budget was \$5.3 billion, FY 82 was \$6.9 billion, and that State's current estimate for FY 83 was \$8.9 billion, including the roughly \$2 billion for Egypt. If, however, the FY 83 budget figures were straight-lined with those of FY 82, as has been suggested by OMB because of budget stringencies, major cuts would be required in countries such as Spain, Portugal, Greece, Turkey, and Pakistan, and programs such as the Caribbean Basin initiative. These countries and programs are the heart and soul of the President's foreign policy, and without sufficient funding there would in effect be no

viable policy. We need planning figures that allow us to speak credibly on these issues. It is important that we tell Sadat that we will give him \$1.3 billion in FY 83 to demonstrate to him, and his increasingly restive military, that they have a good ally in the US; this reassurance will also aid in the peace process later this year. At the same time, OMB and Treasury must realize that we need new money in FY 83, recognizing that security assistance is an integral part of our defense spending.

Secretary Weinberger noted that Congress unfortunately views security assistance as a gift from the US. He also predicted that President Sadat would use a chart to show the President how Egypt was being encircled by Libya and Soviet influence.

DCI Casey stated, in that connection, that Sadat would also likely ask for increased aid to Sudan and for support of the Egyptian military cooperation program in Africa.

Mr. Meese asked whether the \$1.3 billion program for Egypt was part of the \$8.9 billion figure.

Secretary Haig responded that it was.

Mr. Allen asked whether the \$8.9 billion figure included Israeli concessional amounts.

Secretary Haig responded that it did, at current authorized levels. He noted, too, that the high figures for Egypt are the direct result of the Camp David Accords. Our current proposal would add only \$400 million over that requested in FY 82, a modest increase but one with which Sadat would be comfortable.

Mr. Allen then asked, with F-16 delivery dates so extended because that aircraft was so much in demand, whether it might make better sense to sell Egypt the F-5G.

Mr. Meese injected that he had told Tom Jones of Northrop that he should redesignate the F-5G as the F-19, since it is a very capable aircraft but one saddled with the notion that it is less than attractive politically.

The President noted that there was also a major cost differential between the F-5G and first-line aircraft.

Mr. Meese agreed, stating that it would also be available much earlier.

Secretary Haig agreed, but noted that Northrop's problem was the psychological disadvantage applied to the F-5G.

The President remarked that that was unfortunate, since the F-5G could outperform many models of the Soviet MIG series.

Mr. Allen asked again whether Egypt might be a likely candidate for the F-5G.

Secretary Weinberger replied in the affirmative, provided that the Egyptians really desire the aircraft because of its lower price and other attractive features.

Mr. Meese stated that he was glad that the President was being presented with the overall security assistance problem at this time, because it appears that we have no more money in FY 83; indeed, we must trim \$40-50 billion in as yet unidentified funds in that year.

Director Stockman said that he would not comment on the security aspects of the Egyptian assistance program, but that he would like to speak to the budget implications. In actuality, he noted, the request is for an additional \$400 million for 4 years and that the loan credits processed by the Federal Financing Bank added to the spending deficit. On cash flow, he noted that, in effect, we are encouraging the Egyptians to buy equipment on the assumption that they will receive \$1.3 billion each year for the period FY 83 through 86, and that we would be obligated to budget at that level. He was also concerned about out-of-cycle budgeting. While sometimes required because of the volatile nature of foreign affairs, if we proceed in this manner so often that it becomes a pattern, we will, in effect, have no budget cycle at all.

He was also concerned about the problem of escalation in the Egyptian and Israeli programs, noting that they would rise from \$2.7 billion in FY 81 to \$4.7 billion in FY 83. As critical as that area of the world is, he was not sure that it warranted doubling assistance in that short period. As he indicated to the President this morning, the cupboard is bare for FY 83 through 86 now that indexing is in the tax law. He closed by noting that the proposed increase for Egypt could be accommodated within the defense budget, since it represented only one-tenth of one percent of that budget.

Secretary Weinberger responded that the defense budget is already very tight. He noted, however, that outlay and revenue figures can change favorably in future years and that we should not constrain ourselves now with someone as important and as needy as Sadat. He agreed with Director Stockman on the piecemeal budget question, but stated that he believed this case was a justifiable exception.

The President then asked whether, considering the psychological factor raised earlier, if there were a practical possibility of the US adding the F-5G to its own inventory. He recognized that there is a qualitative difference associated with the F-5G, but asked whether we have forces that would be employed for continental defense that could use such aircraft.

General Meyer replied that, while he could not speak for the Air Force, new parts being brought into the US inventory for the F-5G might cause some problems.

Mr. Allen replied that he believed the President was talking about acquiring F-5Gs for US forces that could be transferred to foreign countries.

The President said yes, what he meant was that if we have a legitimate need for such aircraft, we should procure them, thereby rendering a psychological statement of approval. He stated that he personally had great confidence in Northrop's aircraft, recalling that in recent testing Northrop aircraft were found to be superior to certain competitors.

Secretary Haig said that in countries such as Venezuela and Pakistan there was no interest in F-5Gs and that the alternatives being considered to US first-line aircraft were French MIRAGEs and other foreign variants. In Egypt and Israel, too, the F-5G was deemed unattractive because the US had not purchased the aircraft. He noted that Northrop faced tough competition in the Third World fighter market from the MIRAGE and the Israeli KFIR.

The President noted that it was odd to see Israel exporting its own aircraft, then asking us to provide US planes for their forces.

Secretary Haig responded that we were supporting the KFIR program to assist the Israelis in obtaining valuable foreign exchange.

Mr. Allen said that this issue would be forwarded for Presidential decision in the summary memorandum following today's meeting, and that the decision would be included in the materials for the Sadat visit.

The President stated that he was convinced, based on today's discussion, that we are really speaking about improving our own defense by these actions.

Secretary Haig agreed, noting, however, that we still have to overcome the problem of Congress viewing the security assistance program as a give-away.

The Vice President asked whether the Egyptian program might be viewed as anti-Israeli on Capitol Hill.

Secretary Haig responded in the negative, noting that supporters of Israel were generally sympathetic on Egypt arms issues.