December 19, 2017

Ambassador David M. Satterfield
Acting Assistant Secretary of State for Near Eastern Affairs
U.S. Department of State
Washington, DC

Ambassador Tina Kaidanow
Principal Deputy Assistant Secretary of State for Political-Military Affairs
U.S. Department of State
Washington, DC

Dear Ambassadors Satterfield and Kaidanow:

On behalf of the Aerospace Industries Association and more than 340 member companies from across the aerospace and defense industry, I write to express concern regarding U.S. policy that damages the United States’ critical relationship with Egypt and impairs the U.S. aerospace industry’s ability to do business with that nation.

In March 2015, the Obama Administration ended Egypt’s ability to utilize a longstanding financing relationship known as Cash Flow Financing (CFF), beginning in FY2018. This announcement came after the Administration’s review of U.S. policy toward Egypt following the Egyptian military’s assumption of power. CFF is the financial mechanism that enables foreign governments to pay for U.S. defense equipment in partial installments over time rather than a one-time lump sum. As you know, successive Administrations have authorized CFF for Egypt since 1979. The elimination of CFF will significantly damage the bilateral relationship between countries, diminish U.S. influence and collaboration with Egypt’s military, and could harm our interoperability and intelligence-sharing ability should Egypt choose foreign systems. The U.S. will also lose opportunities to preserve Israel’s Qualitative Military Edge (QME) with respect to the American systems sold to Egypt, and funds to sustain American jobs and innovation in our defense production lines.

Without CFF, Egypt is already moving away from U.S. defense acquisitions. The Egyptian military has signed new arms agreements with Russia, including acquisition of the S-300 surface-to-air missiles and Ka-52 helicopters, and with France, to purchase 46 Rafale fighter aircraft, four naval corvettes, a frigate, and two Mistral-class helicopter carriers. Combined, these deals are valued at more than $11 billion.
We recognize that the U.S. Government has raised concerns with how CFF has been utilized in the past, but remain confident these concerns can be addressed through consultations with the Government of Egypt. Accordingly, we urge you to support a discussion within the Administration to restore Egypt’s ability to utilize CFF.

Sincerely,

David F. Melcher
Lieutenant General, USA (Ret)
President and Chief Executive Officer
Aerospace Industries Association

CC:
Hon. Dina Powell, Assistant to the President and Deputy National Security Advisor,
National Security Council, The White House
Michael Bell, Senior Director for Near East Asia, National Security Council, The White House
Hon. Robert Karem, Assistant Secretary of Defense for International Security Affairs,
U.S. Department of Defense