

DEPARTMENT OF DEFENSE**Office of the Secretary**

[Transmittal No. 04-02]

36(b)(1) Arms Sales Notification**AGENCY:** Department of Defense, Defense Security Cooperation Agency.**ACTION:** Notice.**SUMMARY:** The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Pub. L. 104-164 dated 21 July 1996.**FOR FURTHER INFORMATION CONTACT:** Ms. J. Hurd, DSCA/COMPT/RM, (703) 604-6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 04-02 with attached transmittal, policy justification, and Sensitivity of Technology.

Dated: October 17, 2003.

Patricia L. Toppings,*Alternate OSD Federal Register Liaison Officer, Department of Defense.***BILLING CODE 5001-08-M-**



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

3 OCT 2003
In reply refer to:
I-03/011888

The Honorable J. Dennis Hastert
Speaker of the House of
Representatives
Washington, D.C. 20515-6501

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, we are forwarding herewith Transmittal No. 04-02, concerning the Department of the Army's proposed Letter(s) of Offer and Acceptance (LOA) to Egypt for defense articles and services estimated to cost \$920 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

A handwritten signature in cursive script that reads "Richard J. Millies".

Richard J. Millies
Deputy Director

Attachments

Same ltr to: **House Committee on International Relations**
Senate Committee on Foreign Relations
House Committee on Armed Services
Senate Committee on Armed Services
House Committee on Appropriations
Senate Committee on Appropriations

Transmittal No. 04-02

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended**

- (i) **Prospective Purchaser:** Egypt
- (ii) **Total Estimated Value:**
- | | |
|---------------------------------|-----------------------------|
| Major Defense Equipment* | \$724 million |
| Other | <u>\$196 million</u> |
| TOTAL | <u>\$920 million</u> |
- (iii) **Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:** A coproduction including the sale of 125 M1A1 Abrams tank kits each with Commander's Independent Thermal Viewer, Firepower Enhancement Package and armor upgrades. Also included: 125 M256 Armament Systems, 125 M2 .50 caliber machine guns, 250 M204 7.62mm machine guns, spare and repair parts, special tool and test equipment, personnel training and equipment, publications, U.S. Government and contractor engineering and logistics personnel services, and other related elements of logistics support.
- (iv) **Military Department:** Army (NFV, NFW, UWD, UWE, and UWM)
- (v) **Prior Related Cases, if any:** numerous cases from 1988 through 2002
- (vi) **Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid:** none
- (vii) **Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold:** See Annex attached
- (viii) **Date Report Delivered to Congress:** 3 OCT 2003

* as defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION**Egypt – Co-production of M1A1 Tanks and Upgrade**

The Government of Egypt has requested a coproduction program that would include the possible sale of 125 M1A1 Abrams tank kits each with Commander's Independent Thermal Viewer, Firepower Enhancement Package and armor upgrades. Also included: 125 M256 Armament Systems, 125 M2 .50 caliber machine guns, 250 M204 7.62mm machine guns, spare and repair parts, special tool and test equipment, personnel training and equipment, publications, U.S. Government and contractor engineering and logistics personnel services, and other related elements of logistics support. The estimated cost is \$920 million.

This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a friendly country that has been and continues to be an important force for political stability and economic progress in the Middle East.

Egypt is demilitarizing its Soviet fleet. This proposed sale will increase the quantity of the Abrams tank coproduction program, started in 1988, from the current level of 755 tanks, to 880 tanks. The additional M1A1 tanks will modernize Egypt's tank fleet. Egypt, which has already coproduced the M1A1 Abrams tanks, will have no difficulty absorbing the additional tanks.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be General Dynamics of Sterling Heights, Michigan. There are no offset agreements proposed in connection with this potential sale.

Implementation of this proposed sale will require the assignment of up to 40 U.S. contractor representatives for up to two years in Egypt. The 6 U.S. Government representatives already in country who currently manage the M1A1 and M88A2 HERCULES coproduction programs will also manage this program for production and fielding.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 04-02

**Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act**

**Annex
Item No. vii**

(vii) Sensitivity of Technology:

1. Components considered to contain sensitive technology in the proposed coproduction program are special armor, 120mm gun and ammunition, gas turbine propulsion system, Night Vision Forward Looking Infra Red, and compartmentation.

a. The M1A1 Tank Special Armor and other special armors used in the hull and turret are classified at the Secret level. Major components of special armor are fabricated in sealed modules and in serialized removable subassemblies. Special armor components and associated vulnerability data for both chemical and kinetic energy rounds are classified Secret. The track skirts have been formally declassified but are still considered to be sensitive items and their dissemination is controlled.

b. The M1A1 Tank 120mm Gun and Ammunition system is composed of a smooth bore gun manufactured at Watervliet Arsenal.

c. The M1A1 Tank Gas Turbine Propulsion System in the Abrams tank is a unique application of armored vehicle power pack technology. Manufacturing processes associated with the production of turbine blades, recuperator, bearings, and shafts, and hydrostatic pump and motor, are proprietary and therefore commercially competition sensitive.

d. The Second Generation (GEN) Night Vision Forward Looking Infra Red (FLIR) can be used for target acquisition such as Infra Red missile target acquisitions or air defense. It is classified as Secret.

e. A major survivability feature of the Abrams Tank is the compartmentation of fuel and ammunition. Compartmentation is the positive separation of the crew and critical components from combustible materials. In the event that the fuel or ammunition is ignited or deteriorated by an incoming threat round, the crew is fully protected by the compartmentation. Sensitive information includes the performance of the ammunition compartments as well as the compartment design parameters.

f. The Commander's Independent Thermal View (CITV) Hunter/Killer Sight is a "second generation" thermal sight. This fully stabilized, Panoramic sight is capable of 360 degree rotation and independent sector scanning under automatic or manual control. The CITV interfaces with the fire control system and can be used for surveillance, automatic target hand-off to the tank gunner and as a back-up engagement sight for the commander. The CITV is currently designed to interface only with the M1A2 series tank and not the Egypt M1A1 series tank, which would require either modification to the sight itself or the addition of interface equipment in the tank. The CITV is classified Secret.

g. The United States Marine Corps (USMC) is currently developing an upgrade to its M1A1 fleet Firepower Enhancement Program Gunner's Primary Sight (GPS) that includes the addition of "second generation" thermal sight technology to the Thermal Imaging System portion of the GPS. The upgrade uses subsystems that are virtually identical to those used in the M1A1 CITV to improve sight resolution and performance over the current M1A1 Thermal Imaging System. As with the CITV, the highest level of classified information that could be disclosed is Secret.

h. The Advanced Non-DU Armor package replaces the base armor package in the turret front, providing significantly increased protection against Kinetic Energy and Chemical Energy threats. The Advanced Non-DU Armor is classified Secret.

i. The Improved Side Armor provides significantly improved crew turret side protection over armor currently in Egyptian M1A1 turrets. The design and protection levels are classified as Secret.

2. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures which might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

3. A determination has been made that Egypt can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.