

December 12, 1967

**Attachment, 'Report on the Czechoslovak
Delegation's Negotiations in the United Arab
Republic from November 8-19, 1967'**

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Summary:

Summary of successful negotiations between Czechoslovakia and the United Arab Republic for the purchase of L-29 jets.

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Contents:

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Appendix III.

Report

on the Czechoslovak delegation's negotiations in the United Arab Republic
from November 8-19, 1967

From November 8 until November 19, 1967, the Czechoslovak delegation led by General Director of the Main Technical Administration at the Ministry of Foreign Trade, Ing. František Langer, was in the United Arab Republic where it negotiated about the resolution made by the Central Committee of the Czechoslovak Communist Party from July 4, 1967 (39th meeting point 8) concerning the L-29 jet delivery. Apart from this, issues of mutual payments were addressed in relation to a request for postponing payments related to civil and special agreements - this request was presented at the end of October in this year in Prague at the opportunity of the II. Session of the Joint Czechoslovak Socialist Republic and the United Arab Republic Committee by Mr. Zaki the Egyptian Minister of Economy and Foreign Trade.

The negotiations were concluded on November 18, 1967 resulting in signing the Agreement on the delivery of 70 L-29 jets, 35 substitute engines for these jets and jet spare parts, and also an exchange letter was signed which prorogued Arab party's request for postponing the payments resulting from civil and special agreements.

The agreement on the L-29 jet delivery was signed, including an orally expressed reservation of a subsequently required approval by the Czechoslovak government, by cde. Ing. František Langer and the Minister of War Amin Howaidi and the exchange letter was signed by the Minister of Economy and Foreign Trade Mr. Hassan Abas Zaki.

The overall value of this agreement amounts to 290 million Czechoslovak Koruna trade parity 1967 (6 million Pound Sterling, pre-devaluation). The jet delivery is to be carried out the way that already in 1967, 20 pieces will be delivered with the remaining 50 L-29 jets to be delivered during 1968 under the following payment conditions:

□□□

□□□□

24 mil. Czechoslovak koruna

(500 thousand Pound Sterling)

within 3 week following the signing of the agreement □□□

□□□□

48 mil. Czechoslovak Koruna

(1 mil. Pound Sterling)

by 1.10.1968 □□□

□□□□

53 mil. Czechoslovak Koruna

(1.1 mil. Pound Sterling)

by 1.10.1969 □□□

□□□□

48 mil. Czechoslovak Koruna

(1 mil. Pound Sterling)

by 1.10.1970 □□□

□□□□

39 mil. Czechoslovak Koruna

(800 thousand Pound Sterling)

by 1.10.1971 □□□

□□□□

39 mil. Czechoslovak Koruna

(800 thousand Pound Sterling)

by 1.10.1972 □□□

□□□□

39 mil. Czechoslovak Koruna

(800 thousand Pound Sterling)

by 1.10.1973 □□ □□

The Czechoslovak delegation met the Egyptian government's requirement for a fast delivery of L-29 jets reaching at the same time better payment and credit conditions than it had within the previous agreements.

During the negotiations about the delivery of L-29 jets, Minister Zaki presented a request for postponing the 1967 and 1968 instalments for credits granted to the United Arab Republic by the Czechoslovak government for deliveries of both special and civil goods, and this request was presented by Minister Zaki at the end of the II. Session of the Joint Committee in Prague and again had the form of an exchange letter. The value of the instalments within this year amounts to 148 mil. Czechoslovak Koruna OP 1967, the 1968 instalments amount to 275.5 million Czechoslovak Koruna trade parity 1967.

An agreement was reached during the negotiations that the 1967 instalments would be paid until the end of this year and a promise was made for paying the 1968 instalment in due time. This point is listed in the exchange letter where the Arab party agrees with the instalment postponing being prorogued for an undefined period of time.

Nevertheless, it cannot be ruled out whether the Egyptian party will not raise again the question of postponing instalments during the III. Session of the Joint Committee that is to meet at the beginning of the following year. For your information, there is an overview of Czechoslovak receivables in the United Arab Republic listed in Appendix IV., including the repayment and this overview includes both technical and company credits as well as credits granted by the Main Technical Administration at the Ministry of Foreign Trade for special material deliveries.

Apart from the fact that we succeeded in reaching better payment conditions for the L-29 jet delivery than it had been in the case of agreements concluded prior to the aggression, and apart from the decision to pay the 1967 instalments, we received significant support from the United Arab Republic Armed Forces Commander in Chief, Marshal Fawzi who informed us about his determination to support and help us personally at any time if we experience any difficulties, be it financial issues (fulfillment of Egyptian payment obligations in due time), or issues of Czechoslovak purchases in the United Arab Republic.

During the negotiations with the Czech delegation, Marshal Fawzi, the Egyptian Armed Forces Commander in Chief and general Riad, the Chief of General Staff asked to conclude a further agreement amounting to approximately 435 million Czechoslovak Koruna trade parity 1967 (9 million Pound Sterling, pre-devaluation) with this agreement being comprised of the following military material supplies:

- Anti-aircraft weapons (cannons and mgs)
- Further L-29 jets
- Armored personnel carriers
- Amphibian vehicles
- Tatra trucks

The United Arab Republic delegation was made aware of our limited delivery options of some kinds of the special technology listed above and it was agreed upon that the content of this contract would be defined after checking our delivery options.

The Egyptian party presupposes that we will offer a 10-year credit for this delivery, as it had been the case with previously concluded similar agreements between the United Arab Republic and the Polish People's Republic, the German Democratic Republic and Yugoslavia. We presuppose the negotiations regarding this document to take place as late as in March 1968.

Also A. W. Bishri, the Minister of Military Industry presented a request to the delegation for proving the option of an assembly and later on, possibly partial production of L-29 jets for the Egyptian Air Force's purposes in the jet airplane manufacturing sites that are being constructed in the United Arab Republic with the aid of Western, especially West-German specialists.

The Czechoslovak delegation informed minister Bishri regarding our options and preliminary ideas pointing to possible difficulties and the relatively high costs that would be connected with carrying out such a plan and pointed to the fact that it's necessary to consider that such a manufacturing could be ineffective for the Egyptian party.

Minister Bishri very openly presented the situation within the relatively vast airplane industry that has received significant finance volumes and which is very passive due to the existing capacities not being used. The Egyptian party is not intending to generate profit in this branch if L-29 jets would be assembled or manufactured here, but it's about using the current capacities, manpower and decreasing the rising losses.

Taking into consideration that there is a group of military specialists from the Federal Republic of Germany working in the United Arab Republic airplane industry, the General Director of the Main technical Administration from the Ministry of Foreign Trade, cde. Ing. Langer made the Egyptian Minister of Military Industry, Mr. Bishri, aware that according to his personal opinion, it would be necessary to address this issue in an appropriate way because we cannot allow any kind of West German designers participating in the Czechoslovak-Egyptian cooperation within the special issues area. Minister Bishri promised to arrange all what's necessary.

On December 6 of this year, a group of Czechoslovak specialists traveled abroad in order to clarify this issue and they will carry out a technical and economic survey regarding the option of assembling and later on possibly partially manufacturing L-29 planes in the current United Arab Republic airplane manufacturing sites. The information collected here will be processed into a preliminary study that will then be discussed with Egyptian airplane specialists - based upon this, the respective conclusions and proposal will be made.

The Ministry of Foreign Trade presupposes, after clarifying the Czechoslovak options of providing for the United Arab Republic's requirements in the field of ground equipment technology, or in the field of airplane industry cooperation, to present a comprehensive document to the Central Committee of the Communist Party of Czechoslovakia and within this document, the overall credit situation regarding this territory would be addressed.

The respective document and the draft resolution were discussed with the State Planning Commission, the Ministry of Foreign Affairs, the Ministry of Heavy Industry, the Ministry of Finance and the Ministry of National Defense.