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NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 032776

REASON FOR WITHDRAWAL ÇNational security restriction

TYPE OF MATERIAL ÇMemorandum

CREATOR'S NAME Phil Odeen

RECEIVER'S NAME Dr. Kissinger

TITLE SRG Discussion of Korean Modernization
Plan

CREATION DATE 06/11/1973

VOLUME 4 pages

COLLECTION/SERIES/FOLDER ID . 033700243

COLLECTION TITLE NATIONAL SECURITY ADVISER. NSC EAST
ASIAN AND PACIFIC AFFAIRS STAFF FILES

BOX NUMBER 5

FOLDER TITLE Korea (2)

DATE WITHDRAWN 03/02/2011

WITHDRAWING ARCHIVIST TMH

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 032777

REASON FOR WITHDRAWAL ÇNational security restriction

TYPE OF MATERIAL ÇTalking Paper

TITLE Talking Points: Korean MOD Plan Study
SRG - June 13, 1973

CREATION DATE 06/13/1973

VOLUME 3 pages

COLLECTION/SERIES/FOLDER ID . 033700243

COLLECTION TITLE NATIONAL SECURITY ADVISER. NSC EAST
ASIAN AND PACIFIC AFFAIRS STAFF FILES

BOX NUMBER 5

FOLDER TITLE Korea (2)

DATE WITHDRAWN 03/02/2011

WITHDRAWING ARCHIVIST TMH

THE WHITE HOUSE

WASHINGTON

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July 18, 1973

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE

SUBJECT: U.S. Policy Toward the Korean Peninsula

The President has approved the following as interim guidance on our basic policy toward the Korean Peninsula:

-- We shall continue to reassure the ROK of U.S. support for its timely and constructive foreign policy initiative announced in President Park's speech of June 23.

-- The U.S. will make no further adjustments in its present force levels in the ROK except in the context of the overall security situation on the Peninsula. We will consult with the ROK well in advance of any further force reductions.

-- The U.S. will continue military assistance to the ROK, and in particular will complete the Five Year Modernization Plan, although Congressional funding limitations will require that U.S. assistance on this plan be stretched out through FY 1977. We also believe that the emphasis in the plan should be shifted from ground forces to air defense. The other recommendations of the Under Secretaries Committee on the plan are presently under consideration; pending decision we should avoid further detailed discussion of U.S. military assistance.

-- We are keenly aware of President Park's desire that we discuss the Korean question with the PRC and the Soviet Union, and can assure the ROK that we have that desire very much in mind. We will do nothing that will harm South Korean vital interests, and will consult with the ROK to the maximum extent possible.

-- We should avoid attempting to force the pace of the South-North talks -- either by suggesting a reduction of our support for the ROK, or by pressing on the ROK a series of initiatives that it might take up with

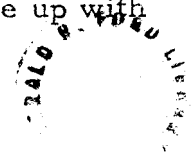
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E.O. 12958 (as amended) SEC 3.3

NSC Memo. Sec. of State Dept. Guidelines

By WA NARA Date 12/3/10

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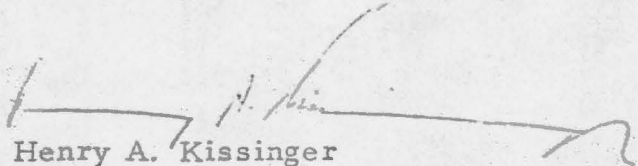
Pyongyang. Beyond lending every encouragement to the ROK to persist in the talks, and assuring the ROK of continued support, U. S. direct intervention with Seoul should be limited to averting any threatened break-down in the talks.

-- We accept the proposition that the termination of UNCURK would be a very useful step in helping avoid a confrontation at next fall's UNGA. Any termination of UNCURK, however, should be without prejudice to its past activities. We should seek to persuade the members of UNCURK to recommend termination in their annual report. A decision on whether to seek a UNGA resolution formally accepting the report, however, will not be made until we have more certain indication of the intentions of the other side.

-- We are reviewing the status of the UNC and will consider the possibility of terminating this body, provided that the related aspects of existing security arrangements can be adjusted in a way that will not diminish the security of the ROK. Since this is a delicate and complex undertaking, we should proceed with caution and are confident that we can defend the UNC against a possible hostile resolution in the next UNGA.

-- As to U. N. membership for the two Koreas, we support the position taken by President Park in his June 23 speech. We will continue to consult closely with the ROK and other friendly nations on the tactics we will adopt on the Korean question in next fall's UNGA.

The President has asked that you use the above interim guidance in your contacts with ROK officials and others, and that you not go beyond this position pending further guidance from him.


Henry A. Kissinger



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NATIONAL SECURITY COUNCIL

August 27, 1973

MEMORANDUM FOR: HENRY A. KISSINGER

FROM: PHIL ODEEN

SUBJECT: DOD Reclama on NSDM 227 (Korean Modernization Plan)

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(P)

Schlesinger's August 7 memo (Tab B) and Rush's August 24 memo supporting the DOD position (Tab C) argue that we need to switch more rapidly from grant to credit funding of Korean force modernization. This reaction to NSDM 227 reflects the pre-disposition within the Departments to get away from grant MAP and to respond to Congressional cuts in MAP funds by cutting future requests. In fact the NSDM provides for a major cut in MAP requests for Korea -- from \$261 million for FY-74 to \$180 million for FY-75. Defense and State would gut Korean MAP funding, cutting the FY-75 request to about \$125 million.

The memos are right that we probably could not get the \$655 million required to complete the modernization program from grant MAP by FY-77. However, the NSDM approved a funding program with \$200 million of this total to be from FMS credit. Moreover, nothing in the NSDM (Tab D) nor in the underlying reports (Tab E) indicates that we would face any disaster if the full funding of the modernization program were not completed in FY-77 because of Congressional cuts.

Cuts in Korean MAP funding will be particularly serious in FY-74 because, of the \$261 million request, \$41 million is to cover the costs of Enhance, i. e., principally the costs of the Koreans renting our F-4s which replace the F-5s the Koreans have loaned free to South Vietnam. Thus if Congress cuts MAP sharply and Cambodia continues to require large amounts of available funding, there may be little funding for the Korean Modernization Program in FY-74. This could become an important issue, but it is not the issue DOD raises in its memo which focuses on FY-75 and future years' requests to Congress. Our likely poor performance on Korean Modernization in FY-74 is, however, all the more reason for seeking a relatively high funding level for FY-75.

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E.O. 12958-2, 12958-3, 12958-4, 12958-5, 12958-6, 12958-7, 12958-8, 12958-9, 12958-10, 12958-11, 12958-12, 12958-13, 12958-14, 12958-15, 12958-16, 12958-17, 12958-18, 12958-19, 12958-20, 12958-21, 12958-22, 12958-23, 12958-24, 12958-25, 12958-26, 12958-27, 12958-28, 12958-29, 12958-30, 12958-31, 12958-32, 12958-33, 12958-34, 12958-35, 12958-36, 12958-37, 12958-38, 12958-39, 12958-40, 12958-41, 12958-42, 12958-43, 12958-44, 12958-45, 12958-46, 12958-47, 12958-48, 12958-49, 12958-50, 12958-51, 12958-52, 12958-53, 12958-54, 12958-55, 12958-56, 12958-57, 12958-58, 12958-59, 12958-60, 12958-61, 12958-62, 12958-63, 12958-64, 12958-65, 12958-66, 12958-67, 12958-68, 12958-69, 12958-70, 12958-71, 12958-72, 12958-73, 12958-74, 12958-75, 12958-76, 12958-77, 12958-78, 12958-79, 12958-80, 12958-81, 12958-82, 12958-83, 12958-84, 12958-85, 12958-86, 12958-87, 12958-88, 12958-89, 12958-90, 12958-91, 12958-92, 12958-93, 12958-94, 12958-95, 12958-96, 12958-97, 12958-98, 12958-99, 12958-100

NSC Memo, 5/20/73, Office of the Secy. of Defense, Guidelines, Sub Directive 5200.30

By MA Date 12/3/10



The State memo argues that the Koreans can afford to purchase more equipment on a 10-year credit basis instead of receiving it from grant MAP. The Korean economy has done extremely well. This economic strength is one of its major strengths in comparison with North Korea. However, we are rapidly shifting operations and maintenance costs to the Koreans and cutting back on economic aid (lack of commodities will force a major reduction in PL-480 this year). It is not clear that it is a desirable trade-off to reduce Korea's future growth rate by forcing it to pay even sooner for needed military equipment. Moreover, the State and Defense memos are written as though we have no problems obtaining FMS (credit) funding from the Congress. In fact we have major commitments for FMS, leaving little room for a large Korean program, and there are other candidates for potential switches from grant to FMS.

The memo at Tab A calls the weakness of DOD staffing to the Secretary's attention and urges State and Defense to get on with the job at hand.

RECOMMENDATION:

That you sign the memo at Tab A to the Secretary of Defense with a copy to the Chairman of the Under Secretaries Committee.

Richard Kennedy and Jack Froebe concur.



THE WHITE HOUSE

WASHINGTON

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MEMORANDUM FOR

THE SECRETARY OF DEFENSE

SUBJECT: Korean Modernization Plan (NSDM 227)

The essential foreign policy aspects of our military assistance to Korea are that we stick by our commitment to modernize the ROK forces and that we do nothing to signal a precipitous reduction in our support for the ROKs.

Your memo of August 7 implies some interpretations of NSDM 227.

-- The NSDM leaves the completion date for the Modernization Plan somewhat flexible. It states that no termination date should be established for grant MAP while endorsing a recommendation of the Steering Group that funding of the Modernization Plan be stretched out through FY-77. As progress is made over the next couple of years, another review of requirements will probably be needed and the completion date will be considered in that review.

-- Nothing in the NSDM implies that the full \$261 million in the FY-74 MAP request for Korea must be funded regardless of Congressional cuts. There is a major distinction between cuts we make in our requests to Congress, which would signal reduced U.S. support, and cuts made in the program as a result of Congressional cuts and priorities in other countries such as Cambodia.

-- Your memo states that about \$165 million per year through FY-77 would be needed to complete the modernization program and you do not believe Congress will provide this amount of grant MAP. The NSDM requires only that assistance not be switched rapidly from grant to FMS. The option approved by the President provides for a reduction of about \$40 million per year in grant MAP and an increase of about \$20 million per year in FMS. These figures refer to our request to Congress. The FY-74 MAP request of \$261 million includes \$41 million for costs of Enhance. Thus the approved

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NSC Memo, [unclear] Guidelines; [unclear] 20030
By [unclear] NARA, Date 12/3/10



program is a FY-75 request of only \$180 million of MAP for the Modernization Plan -- a substantial reduction which should improve the chances of Congressional approval next year. Under the approved funding plan, about \$200 million of Modernization Plan costs would be funded from FMS through FY-77 assuming the Congress provides the full FMS requests. This FMS funding allows for completion of the Modernization Plan with substantial Congressional reductions in our MAP requests in FY-74 and even in subsequent years when the MAP requests will be lower.

I believe careful staffing of the full funding implications of NSDM 227 and the underlying reports will indicate that the program approved by the President can be defended in the Congress.

We need to emphasize with the Congress the importance of our MAP assistance to Korea as a prime example of how MAP makes possible a shift of defense responsibilities to our allies.

Henry A. Kissinger

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

7 AUG 1973

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT FOR NATIONAL
SECURITY AFFAIRS

SUBJECT: The Korea Modernization Plan (NSDM 227) (e)

(s) NSDM 227, dated July 27, 1973, provides the basic policy toward Korea, to include, inter alia, the completion of the Modernization Plan by the end of FY 1977 and a shift in emphasis from ground forces to air defense. As a result of our conversation on August 2, 1973, I have examined the financial impact of NSDM 227 on the MAP grant aid program.

(e) For the past few years, our requests for grant military assistance funds have been reduced drastically by the Congress. Our FY 1974 request of \$652.0 million in New Obligational Authority (NOA) has been reduced by the Senate Foreign Relations Committee to \$420 million (with a \$119.0 million ceiling on Korea) and by the House Foreign Affairs Committee to \$550 million. We are hopeful, but not too optimistic, that a Senate/House compromise will result in a final appropriation of \$485.0 million. \$261.0 million of the FY 1974 budget is earmarked for Korea -- about 40% of the total FY 1974 request. If we fund the MOD plan at this level, it would allocate over 53% of the possible final appropriation.

(U) In addition to Korea, other country programs have been hard-hit by Congressional reductions:

	FY 1972		FY 1973	
	Proposed	Final	Proposed	Final
Cambodia	200.0	180.0	209.5	133.3
Indonesia	25.0	18.0	28.7	17.0
Korea	239.4	152.5	215.7	132.8
Philippines	17.0	14.0	20.8	17.7
Thailand	MASF	MASF	60.0	35.9
Jordan	45.0	38.0	42.7	32.8
Turkey	99.8	60.7	88.6	58.5

(s) The high grant assistance funding level needed to satisfy the Korea plan during FY 1974 will have an adverse impact on other important programs, and will greatly reduce our capability to deal with emergency situations. To complete the funding of the plan by the end

SEC DEF CONTR No. X-3293

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of FY 1977 (\$655.0 million) will require an average of about \$165.0 million each year - FY 74 through FY 1977. Based on our recent experience, I do not believe the Congress will authorize and appropriate sufficient funds to support the total plan under MAP grant aid.

(C) In light of the foregoing, I recommend that the MOD Plan be reviewed again to permit a new look at the mix of grant aid and Foreign Military Sales Credit financing which would take into account the realities of Congressional reductions in MAP funding. This review should be completed prior to the US-Korea Security Consultative Meeting in Seoul scheduled for mid-September.

J. R. Ahlberg

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THE DEPUTY SECRETARY OF STATE

WASHINGTON

NSC UNDER SECRETARIES COMMITTEE

August 24, 1973

~~SECRET~~

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: National Security Decision Memorandum 227

NSDM 227 of July 27, 1973 outlines our basic policy on the Korean Force Modernization Plan. I am in general agreement with all points in NSDM 227 except for those dealing with funding sources for completion of the Modernization Plan. I know that Secretary Schlesinger has already expressed his concern to you on this same issue.

On funding, NSDM 227 approves Option II of the Steering Group's Report, which Ambassador Porter forwarded to the President on June 15, 1973 as Acting Chairman of the Under Secretaries Committee. That decision was contrary to the recommendation of the Under Secretaries Committee that Option III be adopted. The difference between the two options lies in the mix of grant military assistance and Foreign Military Sales credits that could be used to complete funding of the Modernization Plan.

In my view, it is clear that Congress will not appropriate sufficient amounts of grant military assistance to make possible the implementation of Option II. This will mean that to fully fund the Modernization Plan will require a stretch-out well beyond fiscal year 1978. The alternative is to increase the use of FMS credits for procurement of equipment included in the Modernization Plan. The use of credits for this purpose was clearly foreseen in NSDM 129, which initiated the Modernization Plan.

The Korean economy has improved markedly in recent years, at a rate which was not foreseen by even the most optimistic predictions at the time the Modernization Plan was conceived. All analyses of the Korean economic situation reach the conclusion that the Korean economy is easily capable of absorbing FMS credits at the levels

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E.O. 12958 (as amended) SEC 8.3

NSC Memo, SAC/USIA, State Dept. Guidelines

By MM NARA, Date 12/3/10

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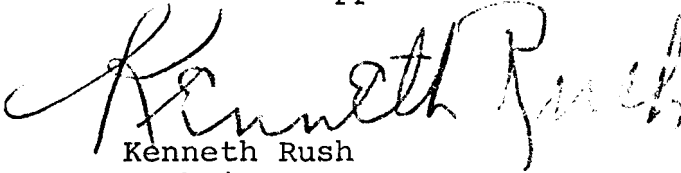
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-2-

stated in Option III of the Steering Group's Report. Such levels of credit would make it possible for us to plan on levels of grant military assistance that we can realistically expect to obtain from Congress.

It has been argued that to reduce the Administration's request for grant military assistance to the level stated in Option III might be interpreted by the Korean Government as a signal of a weakening U.S. commitment to Korea. This is, of course, a possibility but one that can be overcome if the reasons for the course of action recommended in Option III are carefully and properly presented to the Korean Government. The Koreans are well aware of Congressional attitudes toward military assistance and of Congressional actions in recent years. They are also aware of our support of their recent foreign policy initiatives. Moreover, Secretary Rogers recently restated our intention to complete the Modernization Plan and not to withdraw any U.S. forces from Korea during the current fiscal year and, thereafter, not to withdraw any without advance consultations with the Korean Government. I feel certain, therefore, that if the program in Option III were presented to the Koreans in this context - with appropriate reference to Korea's remarkable economic growth in recent years, its improving balance of payments and external debt service ratio - that they will accept the Option III program. We can probably anticipate some grumbling but I am convinced that the Option III program will not have any important adverse effect on our continued close relationships with the Korean Government.

For all of the foregoing reasons, I hope that the funding decision announced in NSDM 227 will be reconsidered prior to the U.S.-Korea Security Consultative Meeting (Defense Ministers) scheduled for September 12 in Seoul, and I strongly recommend that Option III as proposed by the Under Secretaries Committee be approved.


Kenneth Rush
Chairman

~~SECRET~~

Bushnell
32 TAB D

~~SECRET~~

July 27, 1973

National Security Decision Memorandum 227

TO: The Secretary of State
The Secretary of Defense

SUBJECT: Korean Force Modernization Plan

The President has reviewed the Under Secretaries' memorandum on Re-examination of the Korean Force Modernization Plan and has decided:

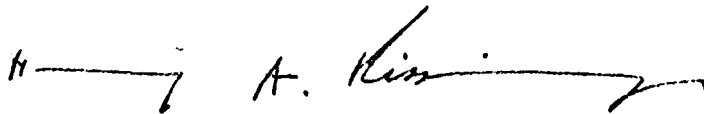
- Air defense should be emphasized in modernizing ROK forces in order to assist the ROK in moving toward combat self-sufficiency for defense against the North Korean threat.
- Modernization of ROK divisions beyond the 16 active and three ready reserve divisions recommended in the military study should receive low priority but the ROK should not be told the U. S. will not support modernization of additional divisions.
- NSDM 129 continues in effect but no termination date should be established for grant MAP assistance.
- Planning for grant MAP and requests to Congress should not be precipitously reduced nor should assistance be switched rapidly to FMS (Option Two of the Steering Group's Report is approved).
- Before high performance aircraft beyond replacement aircraft in the original modernization plan are funded, a complete review of the threat and air defense requirement should be undertaken and recommendations submitted to the President.

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GDS

Classified by Henry A. Kissinger

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AUTHORITY nsc memo 1/30/09
BY llh DATE 12/3/10

Subject to the foregoing the recommendations of the Under Secretaries' Committee are approved and the Korean Force Requirements Study should be the general basis for military assistance planning.

A handwritten signature in black ink, appearing to read "H. A. Kissinger". The signature is written in a cursive style with a long horizontal stroke at the end.

Henry A. Kissinger

cc: The Director, Office of Management and Budget
The Acting Director of Central Intelligence
The Chairman, Joint Chiefs of Staff

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TYPE OF MATERIAL ÇReport

TITLE Report of Korea Force Modernization
Interagency Steering Group

CREATION DATE 05/31/1974

VOLUME 22 pages

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