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NSC CORRESPONDENCE PROFILE

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MO	DA	MO	DA	HR	7405530	Froelbe
11	14	11	14	19		

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SUBJECT: IG Response to NSSM-211 re security assistance to Korea

INTERNAL ROUTING AND DISTRIBUTION			REC CY FOR	ACTION REQUIRED
	ACTION	INFO		
ADVANCE CYS TO HAK/SCOWCROFT				MEMO FOR HAK ( )
STAFF SECRETARY		X		MEMO FOR PRES ( <u>X</u> )
FAR EAST <u>Froelbe</u>	X			REPLY FOR ( )
SUB-SAHARAN AFRICA				APPROPRIATE ACTION ( )
MID EAST / NO. AFRICA / SO. ASIA				MEMO _____ TO _____ ( )
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LATIN AMERICA				JOINT MEMO ( )
UNITED NATIONS				REFER TO _____ FOR: _____ ( )
ECONOMIC				ANY ACTION NECESSARY? ( )
SCIENTIFIC				CONCURRENCE ( )
PROGRAM ANALYSIS		X		DUE DATE: <u>11/21</u>
NSC PLANNING		X	X	COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
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11/27		NSC/LS	X	Noted by HAK	
11/15				11/15 gk memo to Agency (2-2)	
11/15				Index, pkg	
11/16		HAK	cix	Index	
11/27				Noted by HAK	
11/27				Rec CIA Report / 040574	Same
12/6				Rec State Comments / 7423905	Same
12/12				Rec DoD Comment	Same
1/4				C. NSSM being prepared	

DISPATCH \_\_\_\_\_

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NOTIFY \_\_\_\_\_ & DATE \_\_\_\_\_ BY \_\_\_\_\_

SPECIAL DISPOSITION: \_\_\_\_\_

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THE WHITE HOUSE

WASHINGTON

NOV 15 1974

MEMORANDUM FOR THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: Military Assistance for Korea

I understand that recommendations are being prepared on the basis of the NSSM 211 Study regarding the position you should take on military assistance to South Korea during your visit. Our review of the State Department's 1976 budget request for military assistance suggests certain factors you may wish to consider.

First, the United States Government is not now committed to any particular level or mix of U.S. government assistance to Korea's five-year armed forces modernization program. NSDM 129 of September, 1971, approved a maximum of \$1.25 billion in grant military assistance (MAP) while directing that grants be reduced to the maximum extent possible through use of foreign military sales credits (FMS), cash sales, and the granting of excess U.S. defense articles.

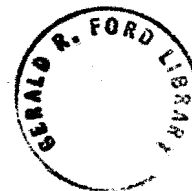
Second, despite Korea's phenomenal economic growth and relatively low percentage of GNP devoted to defense, our recent budget requests have continued to emphasize grant MAP rather than FMS credits. The Congress, however, has been unwilling to provide worldwide MAP appropriations large enough both to cover Cambodia's rising requirements and also to permit funding Korea and other major MAP recipients at anything near the budget request levels. Consequently, for the years 1971-1974, actual MAP levels for Korea have fallen \$312 million below the requested \$992 million. Fiscal year 1975 may be even worse, requiring MAP for Korea to be reduced drastically below the \$180 million request, perhaps to as little as \$40 million.

DECLASSIFIED

E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES

BY: 132 , NADA, DATE 10/14/04



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Third, while earlier reductions in Korea MAP levels largely reflected a general congressional disposition to cut MAP funds generally, congressional displeasure with the Park regime is now being translated into specific limitations on military assistance to Korea. Both the Foreign Affairs Committee and Foreign Relations Committee have written specific ceilings for Korea MAP for 1975 into the Foreign Assistance Bill and the Senate Committee would include a termination of both MAP and FMS after 1977.

These factors indicate the advisability of not making specific dollar commitments to Korea for future aid, particularly grants, that we may well be unable to fulfill.

Our recommendations on the NSSM 211 Study are:

- . That the shift from grant MAP to FMS credit and cash sales should be accelerated, as recommended by the Study.
- . That none of the funding options presented should be approved at this time pending decisions on overall 1976 military assistance budget.
- . That the option of setting a specific date for terminating grant MAP for Korea be kept open pending final congressional action on the foreign aid bill and completion of the 1976 budget review.



NSC CORRESPONDENCE PROFILE

DOC		RECD			LOG NBR	INITIAL ACTION O
MO	DA	MO	DA	HR	7405564	
11	15	11	18			

SOURCE/CLASS/DESCRIPTION

TO: PRES X FROM: ASH, R REFERENCE: CIRCLE AS APPROPRIATE

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TS SENSITIVE

SUBJECT: OMB Comments on NSM-211 re military assistance for Korea

DISTRIBUTION/INITIAL ACTION ASGMT

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ADVANCE CYS TO HAK/SCOWCROFT		X		MEMO FOR HAK . . . . . ( )
STAFF SECRETARY		X		MEMO FOR PRES . . . . . ( <u>X</u> )
FAR EAST <u>Froelich</u>	X			REPLY FOR _____ ( )
SUB-SAHARAN AFRICA <u>Smyser</u>		X		APPROPRIATE ACTION . . . . . ( )
MID EAST / NO. AFRICA / SO. ASIA				MEMO _____ TO _____ ( )
EUROPE / CANADA				RECOMMENDATIONS . . . . . ( )
LATIN AMERICA				JOINT MEMO . . . . . ( )
UNITED NATIONS				REFER TO _____ FOR: _____ ( )
ECONOMIC				ANY ACTION NECESSARY? . . . . . ( )
SCIENTIFIC				CONCURRENCE . . . . . ( )
PROGRAM ANALYSIS				DUE DATE: <u>11/18</u>
NSC PLANNING				COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
CONGRESSIONAL				<u>NSM 211</u>
OCEANS POLICY				
INTELLIGENCE				

SUBSEQUENT ROUTING/ACTIONS

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## DEPARTMENT OF STATE

Washington, D.C. 20520

~~SECRET~~MEMORANDUM FOR LIEUTENANT GENERAL BRENT SCOWCROFT  
THE WHITE HOUSESubject: Submission of Response to  
NSSM 211

Attached is our response to NSSM 211, Review of U.S. Security Assistance to the Republic of Korea. This study includes contributions from the following agencies which participated in the preparation as members of the Interdepartmental Group for East Asia and the Pacific:

Department of State  
Department of Defense  
Central Intelligence Agency  
Arms Control and Disarmament Agency  
Office of Management and Budget  
National Security Council Staff

Philip C. Habib  
Chairman, Interdepartmental Group  
for East Asia and the Pacific

Attachment:

Response to NSSM 211

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HR 10/14/04



NSSM 211

Security Assistance to the Republic of Korea

I. Introduction

This paper responds to the President's request for a study of the U.S. Security Assistance Program for the Republic of Korea (NSSM 211). The response outlines U.S. interests and policies in Korea and discusses how the Security Assistance Program complements them. As directed, the study assumes that there will be no significant changes in the level or mission of United States forces in the ROK.

In accordance with the President's request, the study addresses the following specific issues:

- Should the rate of shift from grant military assistance to FMS credits, defined in NSDM 227, be accelerated and, if so, what should the new rate be?
- Should a termination date be set for grant military assistance and if so, what should that date be?
- What types and numbers of high performance aircraft should be included in the Korean Force Modernization Program?
- What modifications, if any, should be made in the five-year Modernization Program for the Republic of Korea prescribed in NSDM 129?

II. U.S. Interests, U.S. Policies, and Policy Situation

A. U.S. Interests

The primary U.S. interest in Korea lies in preventing major hostilities between North and South. Such hostilities could reverse present desirable trends toward U.S. disengagement, run the risk of major esca-

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tion, and have an important impact on the situation in Northeast Asia, particularly in Japan. U.S. interest in further reduction of tensions in Korea stems also from our interest in detente with the Soviet Union and the PRC.

For Seoul, the basic underpinnings of its relations with the U.S. rest on the Mutual Security Treaty and an American troop presence. So long as these remain essentially intact, South Korea is prepared to accept substantial modifications and adjustments in U.S. military assistance. The ROK has already demonstrated a capacity to adjust to such changes by committing itself to greater self reliance in the equipment field and has initiated longer-range planning to adjust to a more substantial U.S. disengagement.

Like Seoul, Pyongyang, Moscow, and Peking will not perceive adjustments in the form of American assistance as signaling a weakening of fundamental U.S. support for South Korea's security as long as the basic elements in the relationship remain intact. Pyongyang has for some time focused its criticism on the U.S. troop presence as the principal obstacle to achieving its goals on the peninsula and is not likely to be encouraged by anything less than significant U.S. disengagement. Peking has indicated a willingness to tolerate the U.S. troop presence as a means of preserving stability on the peninsula; it is not likely to interpret changes in military assistance mix as undercutting the U.S. commitment to ROK security. Although much more circumspect in revealing its views, Moscow too would differentiate between such adjustments and a fundamental change in U.S. support. The willingness of both to provide North Korea with military assistance will be conditioned largely by their rivalry with each other and is unlikely to be influenced by changes in the way US military assistance is funded as long as levels are not perceived to be significantly increased.

#### B. U.S. Policies

In our efforts to maintain stability in Korea and to improve the ROK defensive capability the U.S. has maintained three basic policies. First, the United States has stoutly maintained its Mutual Defense Treaty

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commitment to the ROK in the event of an attack from the North. Second, the United States has kept forces in Korea as a deterrent to attack and more recently as a symbol of U.S. support of the ROK. In addition, the United States has maintained light infantry forces elsewhere in Northeast Asia and in the United States itself which are intended primarily for deployment as necessary in Asia. Third, the United States has supported a major security assistance program which has been instrumental in building ROK forces to the point that they are now capable of defending against a North Korean attack with only limited U.S. air and naval combat support.

### C. The Policy Situation

Although the fundamental U.S. commitment to the security of the ROK has not changed since the end of the Korean War, the level of U.S. deployments and the nature of the security assistance program have changed during that time. In the past two years grant assistance allocated to Korea has not reached planned levels. The ROK now expects further reductions in grant aid; continued reductions should have little effect as long as the U.S. continues to provide additional FMS Credit and there are no expectations of significant reductions in U.S. deployments.

Prime Minister Kim has already told the National Assembly that the ROKG expects an end to grant assistance in the next 4-3 years.

Further, as the ROKG uses its own funds in military procurement, it is looking at possible third country procurement for some major items. Part of this may be a desire on the part of the ROKG to lessen its dependence on U.S. sources. However, in the main, it is a reflection of the fact that in the mid-seventies the ROKG will provide most of its own defense costs and will wish to make its own decisions.

Recent developments in Northeast Asia will have a major impact on future U.S. policies in the area. The most important political aspect has been our judgment that the Soviets and the Chinese share our desire

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to prevent North-South hostilities and seek to lessen the risks of their involvement in future conflicts on the peninsula. Thus, we must work with both the PRC and the USSR toward easing tensions in Korea, hoping that the two Koreas can reach an accommodation that will turn their military confrontation into peaceful competition.\*

The North-South relationship remains acrimonious after three years of periodic, unproductive dialogue. Military incidents occasionally occur, and each side uses the threat of war to help motivate and control its people. Yet neither side perceives any advantage in initiating major hostilities at present. Both are concentrating their energies on economic development while maintaining a strong military posture. The South has no aggressive designs on the North. And, while Pyongyang has not disavowed its goal of controlling the peninsula, it probably would act only in the event of a breakdown in South Korean internal stability. Despite the current impasse in their dialogue, both want to keep the channel of communication open as a safety valve and for future contingencies.

Given the great power efforts at detente, the possibilities of major military conflict have been reduced. North Korea's military strategy remains primarily defensive although its military buildup over the past several years has given the armed forces a significant offensive capability. North Korean strategy appears designed to maintain a military balance in the peninsula while providing flexibility to choose from a wide range of offensive as well as defensive options. We are confident that South Korea can now successfully defend against a North Korean attack with only limited U.S. air and naval combat support. Moreover, both North and South Korea would require extensive logistical support from their respective allies if they were

\*In this regard, one possible approach meriting further study would be the pursuit of agreed restraints among the major powers in our respective arms transfers to the peninsula.

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to continue a conflict beyond a few weeks.

Internal political factors in South Korea must also be considered in the development of U.S. policies. Park Cnong-hui is now in his fourteenth year as the President of Korea and the opposition to his leadership has increased significantly in the past several years. His recent attempts to stifle opposition have been temporarily successful but may have served to unify and strengthen the opposition. An economic decline could also result in the growth of dissatisfaction with the Park regime. Further, Park's internal policies have damaged the ROK's international image, particularly among church groups and the media. This has had a clear impact on U.S. Congressional attitudes, which might well affect the future levels of Korean MAP.

The ROK has made great strides in its economic capability. For the past several years, GNP has grown at an annual rate of about 11%. Nonetheless, along with most countries, South Korea is now beginning to suffer from economic dislocations. Although there has been a sharp decline in the second half of 1974, the ROK is expected to achieve real growth of approximately 8-9% for the entire year. ROK planners, anticipating the decline in GNP growth rate, have made adjustments to maintain a high level of military expenditure which should permit a continuation of the trend away from grant aid.

The five year (FY 71-75) MOD Plan, was formulated and announced in conjunction with the withdrawal of one U.S. combat division from Korea. NSDM 129 authorized a program of \$250 million in EDA and \$1.25 billion maximum in new obligational authority (NOA), this amount to be reduced to the maximum extent possible through FMS Credit and Cash sales, provision of additional EDA, and other "no cost" U.S. equipment transfers. As of end FY 74, there was a shortfall of approximately \$110 million in EDA and \$500 million NOA (including supply operations and training) remained unfunded. Achievement of the EDA goal is not considered critical since pricing of EDA is arbitrary and the ROKs have not averted to this aspect of the MOD Plan. However, sufficient NOA to fulfill the MOD Plan commitments has not been made available and the program has been extended.

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The MOD Plan was reviewed in 1973 by the Undersecretaries Committee and the following recommendations and additional directions were approved in NSDM 227:

(1) the United States should continue to strive to complete the MOD Plan but planning for grant aid and requests to Congress should not be precipitously reduced nor should assistance be switched rapidly to FMS Credit.\*

(2) The emphasis in modernizing ROK forces should be shifted to air defense to assist in moving the ROK toward combat self-sufficiency against the North.

(3) Before high performance aircraft beyond replacement aircraft in the original modernization plan are funded, a complete review of the threat and air defense requirements should be undertaken and recommendations submitted to the President.

In FY 74 the ROK unhesitatingly accepted the U.S. offer of nearly \$57 million in FMS Credit, more than twice the amount that had been planned. The ROK has indicated that it would like even higher levels of FMS Credit, and at the September 1974 Security Consultative Meeting the Korean delegation outlined a program for \$500 million in credit over the period FY75-77. Indeed, the ROK has indicated that it:

(1) does not expect continued high levels of grant aid; (2) does not expect the U.S. to continue to provide grant aid once the MOD Plan is completed; and (3) is concerned about the availability of high levels of FMS Credit in the future.

In addition to their request for higher levels of FMS Credit, the ROK has been making efforts to

\*NSDM 227 approved an option which was considered and rejected by the Undersecretaries Committee. The rejected option recommended that the funding of the MOD Plan be stretched out through FY 77 with a steep increase in FMS Credit as a substitute for grant aid.

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significantly improve its air force. While it is not clear what the eventual ROK plan will be, they have asked to purchase the F-4D squadron now on loan to them and they wish to take additional steps to increase the number of aircraft in their inventory.

At one point, the ROKG wished to purchase 57 F-4E aircraft. However, in September, the ROKG indicated its readiness to embark on a program involving the following mix:

- a. One F-4 wing (the already provided MAP-funded F-4D squadron; the bailed F-4D squadron and one F-4E squadron to be purchased.)
- b. In addition to 72 MAP-furnished F-5E aircraft, a minimum of 3 squadrons (54 UE) of F-5E to be purchased or co-produced.
- c. An expressed ROKG preference for an eventual follow-on light-weight fighter. The ROKG decision on eventual long range modernization would be made after results of the USAF competitive test (YF-16 vs. YF-17) become available. Should the USAF fail to adopt either, the ROKG decision would then be made on other suitable US first line aircraft for incorporation into ROKAF structure in the late 70's or early 1980's.

### III. Policy Issues and Options

#### A. Should the rate of shift from grant aid to FMS Credit be accelerated?

Given past funding shortfalls and the ROKG's increasing ability to bear its own defense costs, we would in any event have to address the question of an accelerated shift from grant aid to FMS credit. In view of present Congressional attitudes regarding MAP, a review now is essential.

As of end FY74 \$500 million of the MOD Plan remained unfunded. The ROK has been repeatedly and

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publicly reassured on numerous occasions by high ranking U.S. officials that the U.S. intends to complete the MOD Plan. Accordingly the Administration has no alternative but to continue to pursue the completion of the MOD Plan. The ROKG has been informed that completion of the MOD Plan will require a greater use of FMS (cash and credit) and the issue of concern is the mix of grant aid and FMS Credit which should be provided. Grant aid has not been realized as projected in the MOD Plan. For example, of \$241.0 million grant aid planned for FY 1974, some \$78 million became available. (Supply operations of \$22 million brought the total for Korea to \$100 million.) The overall grant aid plan in FY 1975 is for \$180.0 million (\$162 M grant and \$18 M supply operations). Although the Foreign Aid bill has not been approved, the Senate and House Foreign Relations Committees have successively cut the ROK funds to \$117.5 and \$100 million. FMS Credit levels were addressed only by the SFRC which proposed levels for FY 75-77 considerably below the Administration projections and further provided for FMS termination after FY1977.

In sum, the clear ability and willingness of the ROK to provide significantly greater amounts of the funds required for its defense expenditures and the U.S. inability to continue providing high levels of grant aid make it necessary to consider new options for completing the MOD Plan. We recognize that whatever option is adopted may well be more than the Congress will accept. However, they are consonant with our assurances to the ROKG while reflecting an appreciation of legislative realities.

Option 1. Continued Funding Plans in Accordance with NSDM 227.

This would involve a grant aid request for Korea for FY 1976 of \$147 million and an FMS figure of \$65 million. Each year our request for grant aid would decrease by about \$48 million. No termination date would be set for grant aid. The following illustrative funding schedule depicts a continuation of NSDM 227 financing of the MOD Plan. It assumes no cuts to the requested amounts. Supply operations and training costs are included.

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ILLUSTRATIVE FUNDING SCHEDULE

Option 1  
(\$ Millions)

	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>TOTAL</u>
Grant Aid	192	147	96	435
FMS	<u>45</u>	<u>65</u>	<u>90</u>	<u>200</u>
Total	237	212	186	635
MOD Plan Shortfall as of end FY 74				<u>500</u>
Excess over MOD Plan				135

This option provides the advantages of:

- consistency with amounts requested in previous years
- supporting past Administration assurances that the MOD Plan will be completed as soon as possible.
- conforming to the caution in NSDM 227 that requests for grant aid not be precipitously reduced.

Disadvantages of this option are:

- Congress is likely to disapprove such high levels of security assistance, particularly grant MAP for Korea because of (1) an outstanding economic growth and very good financial credibility, (2) recent suppression of human rights, and (3) the generally negative Congressional attitude on MAP.
- Does not recognize ability -- and willingness -- of the ROKG to utilize large amounts of FMS credit for procurement of modernization equipment.

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Option 2. Plan on reduced levels of grant aid  
and increased levels of credit

This option assumes a FY 75 grant aid total for Korea of \$100 million and an FMS Credit total of \$52 million. Each year our request for grant aid would decrease by \$25 million, while our FMS request would increase by \$50 million. The table below shows the funding schedule for the period FY 75-77. Supply operations and training costs are included.

ILLUSTRATIVE FUNDING SCHEDULE

	<u>Option 2</u> (\$ Millions)			
	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>TOTAL</u>
Grant Aid	100	75	50	225
FMS	<u>52</u>	<u>100</u>	<u>150</u>	<u>302</u>
TOTAL	152	175	200	527
MOD Plan Shortfall as of end FY 74				<u>500</u>
Excess Over MOD Plan				27

The following advantages apply to this option:

- It strikes a balance between decreasing grant and increasing FMS levels.
- The grant portion for FY 1975 corresponds to the HFAC recommendation and reflects a reasonable decrease for FY 1976.
- It emphasizes to the ROK that we are still earnestly trying to complete the MOD Plan under the original concept at the least cost to the ROK.
- The significant reduction in FY 76 from the FY 1975 request for grant MAP and greater emphasis on FMS credit might receive greater Congressional support.

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Disadvantages are:

- There is no assurance we will get either the grant or FMS levels requested.
- Congress may expect the total Administration request to show a lower level than allocated in the previous year.
- The SFRC recommended \$75 million grant MAP and \$42.45 million FMS credit in FY 1975.
- Korea's consistent economic growth record militates against the requested levels, particularly the grant portion.

Option 3. Plan on grant aid levels below Option 2, but with increased levels of FMS Credit

In this option we would decrease grant aid by \$25 million for each of the next two years (from \$75 million in FY 75), and FMS requests would be increased approximately \$50-\$75 million a year (from \$52 million in FY 75). This provides \$300 million in FMS Credit over the next two years, or \$352 million by the end of FY77, and our MOD Plan commitment to the ROKG will be fulfilled assuming \$150 million in grant aid is provided.

The following illustrative funding schedule reflects the above. It assumes a cut in the FY 75 grant aid and a partially off-setting increase in FMS for out years. Supply operations and training costs are included.

ILLUSTRATIVE FUNDING SCHEDULE

Option 3  
( \$ Millions )

	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>TOTAL</u>
Grant Aid	75	50	25	150
FMS	<u>52</u>	<u>125</u>	<u>175</u>	<u>352</u>
TOTAL	127	175	200	502
MOD Plan Shortfall as of end FY 74				<u>500</u>
Excess over MOD Plan				2



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For FY 76 and FY 77 it seems reasonable to expect Congress to authorize progressively lower grant aid levels than in FY 75. However, we expect that Congress will permit higher FMS levels as a trade-off for the lower levels of grant aid in FY 76 and FY 77. Assuming that \$75 million grant aid and \$52 million FMS credit will be provided in FY 75, \$373 million of the MOD Plan will remain unfunded after FY 75.

The advantages to this option are:

- It more clearly reflects Congressional wishes for an accelerated end to grant assistance.
- It offers an early end to grant MAP as an inducement for Congressional support for a planned phase-out and for increased FMS credit.
- It provides for a large compensatory increase in FMS which the Koreans are willing to accept.
- It allows us to complete the Modernization Program within the FY-77 timeframe in a manner acceptable to the ROKG and consonant with our past assurances.

The disadvantages are:

- There is no assurance that Congress will accept either the contemplated grant levels or the steeply increased FMS requirements.
- The ROKG may interpret the sharper grant reduction as evidence that the Administration is moving away from its expressed support for the Modernization Plan. This will be true if the projected FMS levels are not realized.
- Congress may further lower the already reduced grant aid level.

Option 4. Meet the ROK request for \$500 million in FMS Credit during FY 75-77 and provide minimum levels of grant aid to demonstrate the U.S. commitment.

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this option has four considerations:

(1) the ROK would like to receive \$500 million in FMS Credit over the period FY 75-77; (2) the ROK economy is capable of supporting FMS credit levels of this magnitude; (3) the ROK expects reductions in grant aid and it is considered unlikely that serious consequences would result from such reductions so long as they are accompanied by assurances of continued U.S. support; and (4) the Congress might possibly be more responsive to a proposal for a more rapid shift to FMS credit. The table below shows the funding schedule for the period FY 75-77. This option does not provide funds necessary for supply operations. The ROKG would have to supply these funds.

ILLUSTRATIVE FUNDING SCHEDULE

Option 4  
(\$ Millions)

	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>TOTAL</u>
Grant Aid	25	10	10	45
FMS	<u>75</u>	<u>175</u>	<u>250</u>	<u>500</u>
TOTAL	100	185	260	545
MOD Plan Shortfall as of end FY 74				<u>500</u>
Excess Over MOD Plan				45

This option presumes that procurement of 27 MOD Plan F-5Es which have been programmed and partially funded in FY 75 would become a ROK responsibility. The ROKs could be expected to react vigorously to what they consider a U.S. renegeing on its commitment.

This option has the following advantages:

- This minimum level of grant MAP is much less likely to be challenged by Congress inasmuch as the very sharp decrease presages an end to grant security assistance for Korea.



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- The significantly increased level of FMS credit is within the capability of the ROK which has indicated a need for \$500 million in FMS credit over the three years ending in 1977.

Disadvantages are:

- Congressional reaction to the sharply increasing level of FMS will be unfavorable -- even antagonistic -- in light of expressed Congressional wishes to decrease all security assistance programs.
  - The minimum grant level requested would upset the ROK. Such a request would be interpreted as an implied abandonment by U.S. Administration of its support for the modernization program.
- B. Should a Termination Date be set for grant military assistance?

As noted previously, the ROKG already expects that grant military assistance for equipment will end once the MOD Plan is completed. Although it may be in our interest to continue providing security assistance to the ROK, the United States is under no obligation to do so once the MOD Plan is completed. However, the completion of the MOD Plan does not mean that all ROK modernization requirements are met. A joint U.S./ROK military ad hoc committee on Korean Force Modernization recently completed a review of ROK defense needs and developed a list of ROK modernization requirements whose total cost is approximately \$1.9 billion. Of this amount about \$550 million was identified as required for completion of the MOD Plan. It was understood that the remaining \$1.35 billion would come from ROK resources, facilitated by FMS cash and credit.

Once the MOD Plan is completed, the major justification for continuing grant aid will be the effect that such assistance would have in demonstrating the U.S. support and the influence such a program provides

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-- low levels of grant aid will be insignificant when compared with the large amounts of FMS Credit and Cash sales that are expected. However, it may be in U.S. interests to provide aid for training and funding of some minor program requirements.

Option 1. Continue providing a low level of grant aid for some minor investment programs.

This level would be relatively insignificant in terms of total ROK purchases but it would continue to demonstrate the U.S. interest in ROK security and provide some measure of leverage on military matters. There will be no post MOD Plan economic requirement for grant aid, however, and the Congress might well consider it inappropriate to continue providing grant aid. This option would also provide for training programs.

Option 2. Termination grant aid except for training.

Under this option the United States would continue to provide grant aid for training, but would terminate grant aid for investment. The ROK security assistance program would be similar to the program for the Republic of China. This option would provide a vehicle for continued U.S. influence with all levels of the ROK military.

C. What Types and Numbers of High Performance Aircraft Should Be in the Korean Force Modernization Program?

Predicated on the continued presence of one wing (72 UE) of USAF F-4s in Korea, NSDM 227 reaffirmed a MOD Plan goal of 10 squadrons of high performance aircraft (1 F-4D and 9 F-5A/E squadrons). Additionally, NSDM 227 accepted the Korean Force Requirements Study, which included a recommendation that in order to be self-sufficient against a North Korean threat (i.e., without requiring USAF tactical air support), the ROKAF requires an additional 90 F-5Es (5 squadrons) or the equivalent.

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However, NSDM 227 directed that before high performance aircraft beyond replacement aircraft in the original modernization plan are funded, a complete review of the threat and air defense requirements should be undertaken and recommendations submitted to the President.

Recently it was decided to sell to the ROK the 18 US F-4D aircraft currently bailed to them. The ROK will be asked to pay \$43.2 M for the aircraft (which will be credited toward MOD Plan completion), and will be asked to make other concessions. If the sale is consummated and programmed F-5Es are funded in FY 75, the ROKAF will have one more tactical fighter squadron than was anticipated in the MOD Plan.

There is general agreement that a requirement exists for additional high performance aircraft for the ROK particularly if they are to approach self-sufficiency. However, as NSDM 227 noted, before additional high performance aircraft for the ROK are funded, the threat should be reviewed and Presidential approval obtained. Further, the type and numbers of high performance aircraft for the ROKAF should be determined after dialogue with the ROKG in the normal course of events. At the Seventh Security Consultative Meeting it was urged that the ROK/U.S. staffs continue to examine the requirements for overall ROK air defense. This question is now under study. Therefore, it is considered premature to formulate types and numbers of high performance aircraft for the future ROKAF inventory now.

D. What Modification, if any, should be made to the MOD Plan?

At this time no modifications to the MOD Plan are recommended other than those funding changes discussed in III.A., above. The U.S./ROK Military Ad Hoc Committee monitoring ROK force modernization, have generally agreed to the modernization requirements. The only two notable areas of disagreement concern ROK air defense and include the numbers and types of high performance aircraft (discussed in III.C., above), and the requirements for ground based air defense systems. The latter disagreement arises from the U.S. recommendation that the ROK convert all 12 of its Hawk

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Batteries to the improved version (at a cost of about \$75 M), whereas, the ROK initially desired to retain the basic Hawk system. An agreement was reached under which the ROK will convert 4 forward firing batteries.

The disagreement over the number of Hawk batteries which should be converted will not be resolved until an investigation of total ROK air defense requirements is completed. The U.S./ROK re-evaluation of ROK air defense requirements, now underway, was prompted by: (1) the House report accompanying the FY 75 Military Appropriations Bill which recommended transfer of all U.S. air defense assets in Korea to the ROK, and (2) a recent Secretary of Defense decision calling for negotiation of the transfer to the ROK of the six U.S. Nike Hercules batteries in Korea.

It is, therefore, recommended that no additional modifications to the MOD Plan impacting on ROK air defense be made at this time.



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TYPE OF MATERIAL . . . . . List

DESCRIPTION . . . . . List of clearances for State Department  
Response to NSSM 211

CREATION DATE . . . . . 1974

VOLUME . . . . . 1 page

COLLECTION/SERIES/FOLDER ID . 039800396

COLLECTION TITLE . . . . . U.S. NATIONAL SECURITY COUNCIL  
INSTITUTIONAL RECORDS

BOX NUMBER . . . . . 32

FOLDER TITLE . . . . . NSSM 211 - Review of U.S. Security  
Assistance to the Republic of Korea (1)

DATE WITHDRAWN . . . . . 11/12/2004

WITHDRAWING ARCHIVIST . . . . HJR



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Clearances:

- PM - Commander R. Marryott (draft)
- ACDA - Mr. E. Finegold (draft)
- DOD/ISA/EAPA - Mr. M. Abramowitz (draft)
- DOD/ISA/SA - General Grimsley (draft)
- DOD/J-5 - Colonel J. A. Diddle (draft)
- DOD/DPA&E - Mr. J. Tillson (substance)
- OMB - Mr. T. Colberg (draft)
- CIA - [REDACTED] (draft)

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CREATOR'S NAME . . . . . W. P. Clement, Jr.

CREATOR'S TITLE . . . . . Deputy Secretary

RECEIVER'S NAME . . . . . Assistant to the President for National  
Security Affairs

DESCRIPTION . . . . . re NSSM 211

CREATION DATE . . . . . 12/11/1974

VOLUME . . . . . 1 page

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BOX NUMBER . . . . . 32

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Assistance to the Republic of Korea (1)

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DEPARTMENT OF STATE

Washington, D.C. 20520

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December 5, 1974

MEMORANDUM FOR LIEUTENANT GENERAL BRENT SCOWCROFT  
THE WHITE HOUSE

Subject: NSC Request for Comments on  
NSSM 211 Response

NSSM 211 presents three major questions, namely the proper mix for grant MAP and FMS in our security assistance, whether a termination date should be set for grant MAP, and what types and quantities of modern aircraft should be provided under security assistance.

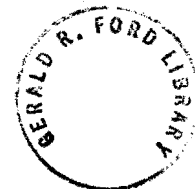
The Modernization Plan Grant/FMS Mix

All four options presented for requests to the Congress have as their goal the completion in FY 1977 of the Five-Year Modernization Program which was to have terminated in FY 1975.

However, option one is so heavily weighted on grant MAP and option four so heavily weighted on FMS that neither option would have any chance of getting Congressional concurrence. Option 4 would also pose serious problems with the ROKG since it would be interpreted as an attempt to evade our Modernization Plan responsibilities. Option 2 provides assistance levels in excess of those which the SFRC has indicated it considers appropriate but which may turn out to be acceptable to the HFAC. Option 3 provides grant MAP which coincides with the SFRC recommendation but the FMS levels are higher than either branch of Congress is likely to support.

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In our view Option 2 is preferable for the following reasons:

-- the FY 75-77 security assistance components are in reasonable balance given our Modernization Plan goals and Congressional realities. The grant assistance levels are more consistent with our past requests while continuing the transfer to FMS credits.

-- the progression in FMS for FY 1976 and FY 1977 provides for annual increases of \$50 million in credit; this projection is reasonable on the basis of providing Korea with its requirements for a self-reliant defense and could be so defended to the Congress.

-- in the event of drastic Congressional cuts, an Executive Branch request along the lines of Option 2 would somewhat cushion the political impact of the reduced MAP since Executive Branch desire to finish the program would remain clearly part of the record.

#### Termination Date for Grant Assistance

If Congress does not approve a mix of grant/FMS sufficient to meet the modernization program goals by FY 77, and assuming a termination date is not imposed by the Congress, we should continue to request grant assistance and FMS credit in subsequent years. However, we should be flexible in dealing with the problem and attempt to trade off with the Congress a termination date for major grant assistance (exclusive of training) in exchange for sufficient grant/FMS levels to complete the modernization program.

There will be no economic justification for continuing grant materiel assistance to the ROK after completion of the modernization program and, thus, the MAP materiel program should be terminated. However, we believe it is in our interest to continue grant assistance for training beyond termination of the modernization program. Such a grant program would probably not exceed two million dollars a year. At the same time, we would recognize that the major

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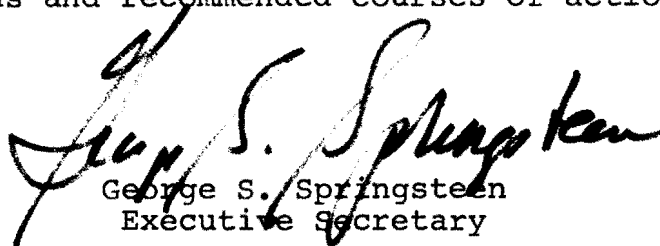
-3-

ROKG need in the post-Modernization Program period will be the provision of significant FMS credit.

Future ROK Procurement of Modern Aircraft

A message has been prepared which authorizes the sale to the ROKG of the bailed F-4D squadron and we anticipate approval will precede consideration of responses to the NSC request for comments on NSSM 211.

In addition to the bailed F-4D squadron, the ROKG may wish to undertake procurement and/or co-assembly/coproduction of either the Northrop F5E or the McDonnell-Douglas F4E aircraft. Any action on either request should be considered in the context of a broader study of the types and numbers of sophisticated aircraft we consider appropriate for a proper defensive air capability for the ROK. The Department believes the Inter-Agency Steering Group should be asked to prepare a report on the policy implications and recommended courses of action for the USG.

  
George S. Springsteen  
Executive Secretary

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CREATOR'S NAME . . . . . W. E. Colby

CREATOR'S TITLE . . . . . Director

RECEIVER'S NAME . . . . . Henry A. Kissinger

RECEIVER'S TITLE . . . . . Assistant to the President (National Security Affairs)

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CREATION DATE . . . . . 11/27/1974

VOLUME . . . . . 1 page

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BOX NUMBER . . . . . 32

FOLDER TITLE . . . . . NSSM 211 - Review of U.S. Security Assistance to the Republic of Korea (1)

DATE WITHDRAWN . . . . . 11/12/2004

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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

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November 15, 1974

MEMORANDUM FOR:

The Secretary of Defense  
The Deputy Secretary of State  
The Director of Central Intelligence  
The Director, Arms Control and  
Disarmament Agency  
Director, Office of Management and  
Budget

SUBJECT: Review of U.S. Security Assistance to the  
Republic of Korea: NSSM 211

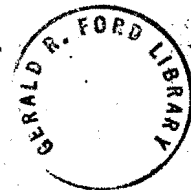
Attached is the Review of U.S. Security Assistance to the Republic  
of Korea prepared by the NSC Interdepartmental Group for East Asia  
and the Pacific in response to NSSM 211.

We would appreciate receiving your agencies' comments on the paper  
by December 2, 1974.



Jeanne W. Davis  
Staff Secretary

cc: Chairman, Joint Chiefs of Staff



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TER: SUBJECT: Response to NSSM 211

(NO DIS )

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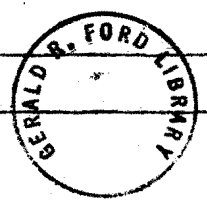
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MEMORANDUM

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NATIONAL SECURITY COUNCIL

INFORMATION  
November 16, 1974

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MEMORANDUM FOR: SECRETARY KISSINGER

FROM: Richard T. Kennedy *[Signature]*  
W. R. Smyser *[Signature]*

SUBJECT: Future U. S. Military Assistance to South Korea

At Tab A is the EA/IG response to NSSM 211, which requested a review of the future of our military assistance to South Korea. Specifically, the NSSM request asked whether the rate of shift from grant MAP to FMS credits should be accelerated, whether a termination date should be set for grant MAP, and whether additional high-performance aircraft should be transferred to the Republic of Korea (ROK).

Since the paper only came over on November 15, the Agencies have not yet had time to give us their positions. We have, therefore, not stated Agency positions in this memorandum but have mainly given you our views and stated Agency positions only in the cases where we know them. The paper is, however, still useful for our background during the President's discussions in Seoul. By the time you return, we expect to have the Agency positions and we shall then prepare a NSDM.

Policy Background

The EA/IG paper analyzes the import of the following factors for future U. S. military assistance to the ROK:

-- North Korean Intentions and the Military Balance on the Peninsula.

The paper holds that Pyongyang, like Seoul, perceives no advantage in initiating major hostilities at present. Pyongyang has not disavowed its goal of controlling the Korean Peninsula, but would probably move with force only if South Korean internal stability broke down. However, a high level of tension between the two Koreas remains after three years of political talks, which both sides now view mainly as a channel of communications rather than a forum to resolve their differences. The paper asserts that great power interest in detente has been the principal

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factor in reducing the chances of a new major military conflict on the Peninsula.

The paper says that Pyongyang, like Moscow and Peking, would interpret adjustments in the form of U. S. military assistance to South Korea in the present context as a sign that U. S. support for South Korea was weakening, even if the basic elements of the U. S. - ROK security relationship remain intact.

Comment: The paper gives a somewhat overly sanguine view of the North Korean disposition. We doubt that North Korea perceives no major advantage in initiating major hostilities. We think that Pyongyang is restrained not by a lack of perceived advantage, but rather by the PRC and Soviet Union, by the U. S. defense commitment backed by U. S. forces in South Korea, and by an increasingly credible South Korean military deterrent. We would also criticize the EA/IG paper's tendency to place almost as much responsibility on the South as the North in assigning reasons for the continued high level of tension.

The paper does not effectively address the state of arms competition on the Peninsula. However, the intelligence community's assessment of this last July concluded that the ROK's modernization program "may also have caused the North to adopt a more forceful policy against the South and to continue its own arms buildup." This argues for some caution on our part in considering new sophisticated weapons for South Korea.

-- South Korea's Interest in Continued U. S. Military Assistance. The EA/IG paper holds that South Korea will accept substantial adjustments in U. S. military assistance -- so long as our defense commitment and troop presence remain essentially intact. More specifically, the paper asserts that the ROK expects, and is fully prepared, to accept further reductions in grant MAP as long as the U. S. increases FMS credits. The paper notes that at the same time the ROK is exploring the possibilities of third-country procurement. Last, the paper concludes that the ROK is economically quite capable of assuming a much larger defense burden.

Comment: The EA/IG paper does not deal adequately with the implications of the ROK's acceptance of a drastic, rapid reduction in grant military assistance:

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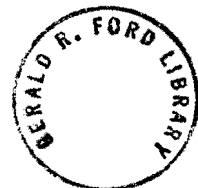
-- This reduction<sup>would</sup>/reinforce the fundamental ROK inclination to reduce dependence on the U. S. (North Korea has shown a similar reaction toward the PRC and the Soviets.)

-- The reduction in our military assistance has probably been the most important factor in the new ROK interest in third-country procurement, in establishing an in-country defense industry, and in developing nuclear weapons by 1980.

-- The reduced ROK -- and North Korean -- dependence on the great powers increases their freedom of action, although this is still partially offset by the constraints of detente.

-- Status of the Force Modernization Plan. The Modernization Plan (MOD) to which we committed \$1.5 billion in 1971 at the time we withdrew the first of our two divisions from Korea, was to have been finished in FY 75. At the end of FY 74, however, we were still \$500 million short due to Congressional parsimony. The Koreans have indicated an interest in greatly expanded levels of FMS credits -- \$500 million over the period FY 75-77. (Comment: The EA/IG paper fails to mention that the Koreans at the same time requested \$345 million in grant military assistance for the same period.) The Koreans have also given some indication that they do not expect the U. S. to continue grant military MAP after the completion of the modernization plan, now tentatively scheduled for FY 77. (Comment: The Korean position probably results from Seoul's acceptance of what it sees as the inevitable, rather than from its ready and positive acceptance of this likelihood, as the EA/IG intimates here and elsewhere.) The ROK does, however, place very considerable store by our finishing out our obligation to the Modernization Plan in some credible fashion, even if we extend our funding of it beyond FY 77.

The ROK last spring expanded its request to include the following: (1) the transfer of the F-4D squadron now on a bailment to the ROK under the Enhance Plus Agreement, plus one F-4E squadron. These would be added to the one F-4D squadron already owned outright by the ROK to give it a wing of F-4s; (2) a minimum of three F-5E squadrons either through purchase or co-production (in addition to the four F-5E squadrons already planned); and (3) a follow-on light-weight fighter such as the YF-16 or YF-17.



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-- Tightened Congressional Constraints. The Congressional desire to/military assistance world-wide has been increased in South Korea's case by President Park's handling of his internal political situation. The Fraser Subcommittee has held hearings on human rights in Korea. Fraser and seven others have recently written the President asking that he take the problem up with President Park during his visit and tell Park that "unless human rights are restored to the Korean people, the United States will begin to disengage from South Korea." The Senate and House Foreign Relation Committees have successively cut our FY 75 grant MAP request of \$180 million first to \$117.5 million and then to \$100 million. Although they have not made a determination on our FMS credit request for the ROK, their disposition is negative; the Senate Foreign Relations Committee has proposed a world-wide termination of FMS credits after FY 77. These figures compare with a FY 74 appropriation for the ROK of \$100 million in grant MAP and \$57 million in FMS credit.

In considering the policy options for aid, we are essentially trying to balance what we regard as Korean needs against our considerations regarding Congressional attitudes. In the past, we have generally tried to keep our pledges high but have then found that Congress would not supply us the money. Some people still want to do this because they believe it will help us in Korea as well as on the Hill. Others believe, however, that it would be best to lower our pledges to what they regard as more realistic levels.

#### Policy Options

A. Rate of Shift from Grant MAP to FMS Credit. The EA/IG paper casts its four options in terms of proposed levels only through FY 77, the year by which the paper recommends that we complete our obligation to the Modernization Plan. The totals of grant MAP and FMS credits under all four options would fill out the remaining \$500 million in our obligation. Ranking U. S. officials have repeatedly assured the ROK we would fulfill our obligations, although the funding would have to be stretched out longer than originally planned.

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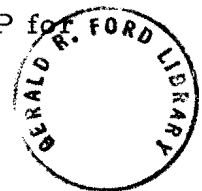
	FY 75		FY 76		FY 77	
	Grant	FMS	Grant	FMS	Grant	FMS
OPTION 1	192	45	147	65	96	90
OPTION 2	100	52	75	100	50	150
OPTION 3	75	52	50	125	25	175
OPTION 4	25	75	10	175	10	250

Options 1 and 4 border on the unfeasible, in that Option 1 would ask for a level of grant MAP and Option 4 would ask for a level of FMS credit which would almost certainly not be seriously considered by Congress. In addition, Option 4 would assume that the 27 F-5Es which have been programmed and have been partially funded in FY 75 would become a ROK funding responsibility, which the ROK would view as renegeing on our commitment on this major item. A further disadvantage to Option 4 is that the ROK would assume the burden of supply costs which can run 10 - 20 percent of total grant MAP and which we have assumed so far. The paper evaluates Option 3 as having a better chance with Congress than Option 2, but as risking ROK doubts about the constancy of the USG support for completing the modernization plan.

Comment: We favor Option 2. We agree with the EA/IG paper's assessment would raise fewer doubts about U. S. constancy, recognizing that the ROK continues to place great store by the level of the Administration's request even though it knows Congress may appropriate something substantially lower. At the same time, we believe that this level of request is a figure that would be taken seriously by Congress, would not conflict with our Congressional tactics on the level of FMS credit we are requesting, and takes cognizance of the ROK's economic ability to assume a larger share of the defense burden.

B. A Possible Termination Date for Grant MAP.

Option 1: After FY 77, continue a low level of grant MAP for minor investment programs.



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-- Would provide political assurance to the ROK and preserve some U. S. lever on ROK military affairs. On the other hand, might well be resisted on the Hill.

Option 2: After FY 77 terminate grant MAP except for a level of training on the order of \$1 million.

-- Would afford continued U. S. influence in ROK military affairs, but would not be as politically reassuring to the ROK.

Comment: We favor Option 1. At least at this point, we should plan to continue a low profile of grant MAP after FY 77 (we would suggest about \$25 million in FY 78, tapering off to \$5-10 million thereafter). To make a decision at this point to terminate grant MAP would needlessly risk giving a signal to Pyongyang and would not be supportive of confidence we want in Seoul. The paper's citation of ROK acceptance of a termination of grant MAP immediately upon the end of the modernization plan in FY 77 is, as we indicated earlier, misleading. The term "resignation to" rather than "acceptance of" is probably a more accurate description of the ROK reaction.

C. Additional High-Performance Aircraft for the ROK. At this point, the only real question is whether to transfer to the ROK the F-4D squadron which has been bailed to the ROK under Enhance Plus since late 1972. It is beyond the scope of this study -- and not politically necessary at this juncture -- to consider the ROK's other requests for a squadron of F-4E aircraft, additional F-5E aircraft, and possibly YF-17 or YF-18 light-weight fighters. The provision of these additional aircraft would move the ROK substantially toward air defense self-sufficiency and thus would raise the question of the withdrawal of at least part of our own F-4 wing in South Korea. It would also require a detailed reassessment of the North-South air force balance in order not to risk stimulating another round in the arms competition between the two Koreas.

As regards the F-4D bailed squadron, at Tab B is a State memorandum indicating general agreement in the bureaucracy to sell this squadron to the ROK. As you may recall, a second F-4 squadron was contained in the original five-year modernization plan drawn up in 1971, but was removed from last year's revision of that plan because there seemed to be no prospect that another F-4 squadron would become available for transfer to the ROK. (Our own Air Force at that time,

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and indeed until very recently, was adamantly opposed to transferring the bailed squadron to the ROK.) It is true that the transfer of the bailed squadron would be additive to the three F-5E squadrons which in effect were substituted for it in last year's revision of the 1971 modernization plan, but we do not believe that this addition to the ROK Air Force's capability would risk an intensification of arms competition on the Peninsula. The bailed squadron has effectively been in the ROK inventory for two years. State and Defense have agreed to put a price tag of \$43 million on the F-4D squadron.

DOD, however, wants to attach a condition to the sale: that the ROK be asked to pay the \$3.3 million cost for rehabilitating the two F-5A squadrons being returned to South Korea from South Vietnam under the Enhance Plus Agreement. DOD rationalizes that, although the rehab cost is our obligation under the Enhance Plus Agreement, the Agreement also provided that the F-4D bailed squadron be returned to the U.S. Air Force when the two F-5A squadrons were returned to South Korea. DOD argues, therefore, that our flexibility on the F-4D bailed squadron should be matched by ROK flexibility on the rehab cost. DOD's real reason, however, is to try to pick up another \$3.3 million for its sorely pressed Vietnam budget. Our own concern is that we not, for the sake of this relatively small sum of \$3.3 million, lose the political advantage that we would gain through transferring the bailed squadron, and which may be useful to us in the coming year to fend off ROK pressure for additional high-performance aircraft such as the F-4E. State and DOD have agreed to ask Embassy Seoul to test the ROK on the rehab cost, but not to press the matter with them if they resist strenuously -- which they almost certainly will.

A tactical issue involved in the transfer of the bailed squadron is when and how the ROK should be notified of whatever decision we make on this question. State (Assistant Secretary Habib) feels strongly that the President should not convey even a positive decision during his visit, but that our Embassy should inform the ROK following the visit. Habib's concern is the adverse reaction from Congress and those in this country who have been stridently criticizing the Park Government recently, should the President present this "gift" to the ROK during his visit. Ambassador Habib also believes that the appearance of the President as a "bearer of gifts" is inappropriate to the more mature stage we have reached in our relationship with the ROK.



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Our View

We fully agree that we should sell the F-4 bailed squadron to the ROK for the price suggested. As to tying this sale to the ROK's acceptance of the F-5A rehab cost, we have no objection to the State-Defense suggestion that the Embassy try this out on the ROK, but agree that the matter should not be pressed. We are also prepared to accept Habib's view that the President should not use the occasion of his visit to present the F-4s.

