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*ROK
(also filed in Japs)*

MEMORANDUM

NATIONAL SECURITY COUNCIL

LIMITED OFFICIAL USE

INFORMATION

December 2, 1974

MEMORANDUM FOR: MR. SMYSER

FROM: JOHN A. FROEBE, JR. *JAF*

SUBJECT: Proposed Thank You Notes to Embassies
Tokyo and Seoul

Dan O'Donohue, after checking with Ambassador Habib, has suggested a thank you note to Sneider and the Embassy for their hard work in preparing for the visit. I told him I did not know what you had in mind but that I would raise it with you. Obviously, if we send one to Seoul, we should also send one to Tokyo. I agree with Dan that this would be a nice touch -- despite your problems with Erickson and Shoesmith on the preadvantage.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~TOP SECRET/NODIS~~ (XGDS)(3)

January 9, 1975

National Security Decision Memorandum 282

TO: The Secretary of Defense
The Deputy Secretary of State

SUBJECT: Korean Force Modernization Plan

The President has reviewed the response to NSSM 211, together with the departmental and agency views thereon, and has decided the following:

- The United States will complete its obligation to the Republic of Korea Force Modernization Plan at an early date, in order to demonstrate the United States commitment to the security of the Republic of Korea.
- The shift from grant military assistance to FMS credits should be accelerated to the rate defined in Option 2 in the NSSM response.
- No termination date should be set for grant military assistance to the Republic of Korea. The downward trend in grant military assistance defined in Option 2 should be continued beyond FY 77, but should look toward the maintenance of a modest investment and training program with an annual ceiling of \$10 million.
- The F-4D squadron now on bailment to the Republic of Korea should be transferred to the Republic of Korea by sale. The Republic of Korea should be asked to pay the \$3.3 million cost for rehabilitating the two F-5A squadrons being returned to South Korea under the Enhance Plus Agreement, but this should not be a condition for the sale of the F-4D squadron if the Republic of Korea raises serious and persistent objections.
- The review of the North Korean threat and the Republic of Korea air defense requirement contemplated by NSDM 227 should be

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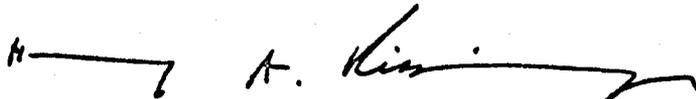
AUTHORITY nsc meeting 1/30/09

BY wh DATE 12/1/10

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fetal in ROK
Korea Force Modernization Plan
in NSSM and
Korea Force Modernization Plan
combining folders



forwarded with recommendations to the President no later than
March 3, 1975.

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

Henry A. Kissinger

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

A faint, circular stamp or seal is visible in the bottom right corner of the page. The text within the stamp is illegible due to fading.

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MEMORANDUM

6251

NATIONAL SECURITY COUNCIL

ACTION

~~TOP SECRET~~

December 20, 1974

MEMORANDUM FOR: SECRETARY KISSINGER

FROM: RICHARD T. KENNEDY *ATK/CST*
 W. R. SMYSER *[Signature]*

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

At Tab II 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).

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 make a major military move probably 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 communication rather than a forum to resolve their differences. The paper asserts that great power interest in detente has been the principal factor in reducing the chances of a new major military conflict on the Peninsula.

The paper says that Pyongyang, like Moscow and Peking, would not 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, as long as the basic elements of the U.S.-ROK security relationship remain intact.

~~TOP SECRET~~

DECLASSIFIED
 E.O. 12958 (as amended) SEC 3.3; *DoD Directive 5200.30*
 NSC Memo, 8/30/83, State Dept. Guidelines, *State v. v. 9/18/03*
 By *[Signature]* NARA, Date *12/7/10*

Comment: The paper gives a somewhat overly sanguine view of the continuing 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.

-- 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: While we do not differ essentially with the EA/IG paper on these points, we believe the paper underestimates how much South Korea may try to reduce its dependence on us if we reduce U.S. military assistance. This 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. In addition, reduced ROK dependence on us, like reduced North Korean dependence on its suppliers, increases its freedom of action in the North-South confrontation, although this is partially offset by the constraints of detente.

-- Status of the ROK Force Modernization Plan. The modernization plan, 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. By the end of FY 74, however, we were still \$500 million short, due to budgetary limitations. The ROK places considerable store by our rounding out, in some credible fashion, our contribution to the modernization plan. The President in his recent meeting with President Park reaffirmed our support for the plan, and said he hoped its completion could be speeded up.

The EA/IG paper notes that the ROK has indicated its willingness to accept greatly expanded FMS credits -- \$500 million in FY 75-77 --

and its expectation that grant MAP will end with the completion of the plan. The EA/IG paper fails to mention that the ROK at the same time has requested \$345 million in grant MAP for FY 75-77; the paper ignores the likelihood that the ROK passively accepts as inevitable the prospect of greatly reduced grant MAP and its possible early termination.

Distaste in Congress for Park's handling of his domestic political situation did not in the end reduce our military assistance to South Korea by as much as earlier seemed likely. For FY 75, Congress has authorized a total of \$145 million, plus another \$20 million if the President certifies that Park is making substantial progress on human rights. Congress has left to the President's decision how this total is to be divided between grant MAP and FMS credits. This figure compares favorably with the FY 74 appropriation of \$100 million grant MAP and \$57 million FMS credit. For FY 76, we are requesting \$75 million in grant MAP and \$100 million in FMS credit.

The ROK last spring expanded its requests for U.S. military equipment by asking for the following: (1) the transfer of the F-4D squadron now on a bailment to the ROK under the Enhance Plus Agreement, plus one additional 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.

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.

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



Options 1 and 4 border on the unfeasible. 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. (Option 1 embodies existing Presidential guidance.) 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 a reversal of 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.

Option 2 reflects the level which Congress has authorized for FY 75 and which we are requesting for FY 76.

1. Departmental Views. State supports Option 2, while Defense wants Option 3. State stresses the political importance of an Executive Branch request for a higher level of grant MAP. Defense emphasizes Congressional constraints and the reputed ROK desire for increased FMS credits.

2. Our View. We support Option 2. We agree with State's emphasis on the political importance of an Executive Branch request for this level of grant MAP in the present Korean context. We also believe that this combination of grant MAP and FMS credits 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 economic ability to assume a larger share of the defense burden. Option 2 also reflects the level that Congress has authorized for FY 75 and that we are requesting for FY 76.

B. A Possible Termination Date for Grant MAP.

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

-- 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.

1. Departmental Views. Defense wants Option 1. State also supports Option 1, but with a difference: if Congress does not approve a level of grant MAP and FMS credit for the ROK sufficient to complete our contribution to the modernization plan by FY 77, State would have us continue to request both of these in subsequent years until the plan were completed. State would terminate grant MAP, except for training (at about \$2 million a year), after the plan is finished. OMB would make no decision on the termination of grant MAP until after Congress completes action on the FY 76 bill.

2. Our Views. We favor Option 1. We believe that, at least at this point, the United States 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 now to terminate grant MAP would needlessly risk giving the wrong signal to Pyongyang and would not support confidence in Seoul. The paper misleads when it states that the ROK "already accepts" the notion that grant MAP will terminate immediately upon the end of the Modernization Plan in FY 77; the ROK has only "resigned itself to" this possibility.

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 the Enhance Plus Agreement since late 1972. The question of other high-performance aircraft -- the ROK's other requests for a squadron of F-4E aircraft, additional F-5E aircraft, and possible YF-17 or YF-18 light-weight freighters -- is the subject of a basic reassessment of the North Korean air threat and consequent ROK air defense needs ^{that} is now being done by Defense. 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, a State memorandum attaching a draft cable instruction (Tab III) indicates 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 no F-4 squadron was available for transfer to the ROK. Our own Air Force at that time, and indeed until very recently, was adamantly opposed to transferring the bailed squadron to the ROK. We do not believe that this addition to the ROK Air Force's capability would risk an intensification of the arms competition on the Peninsula, even though the bailed squadron has in effect 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 that our flexibility on the F-4D bailed squadron should therefore be matched by ROK flexibility on the rehab cost. DOD's real motive, however, is to try to pick up another \$3.3 million for its sorely-pressed Vietnam budget.

Our View. As regards the substantive issue of whether to transfer the bailed F-4 squadron, we support the transfer, as indicated above. As to the tactical issue of whether to attach the condition proposed by Defense, we have no objection to doing so, but agree with State that we should not press the matter to a breaking point with the ROK if it resists strenuously -- which it is likely to do.

At Tab I is a draft memorandum from you to the President embodying the above discussion and recommendations and attaching a draft NSDM.

RECOMMENDATION:

That you sign the draft memorandum to the President at Tab I.



THE WHITE HOUSE

WASHINGTON

~~TOP SECRET/NODIS~~ (XGDS)(3)

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER

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

As part of the preparations for your recent visit to South Korea, the departments completed a policy study on future U.S. military assistance to the Republic of Korea (ROK). The specific issues they took up in this study included (1) whether the rate of shift from grant military assistance (MAP) to FMS credit should be accelerated, (2) whether a termination date should be set now, and (3) whether additional high-performance aircraft should be transferred to the Republic of Korea.

During your meeting with President Park, you discussed our military assistance in general terms. You reaffirmed U.S. support for the Five-Year ROK Force Modernization Plan, and said that we hoped to speed up completion of our assistance to that plan. You also assured Park that we had no intention to withdraw U.S. forces from South Korea.

We now need your guidance on the specific issues listed above. The inter-departmental paper presents the following options on these issues:

A. Rate of Shift from Grant MAP to FMS Credit. The Modernization Plan, 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. By the end of FY 74, however, we were still \$500 million short due to budget limitations. The ROK places considerable store by our rounding out, in some credible fashion, our contribution to the Modernization Plan. From the beginning, we have made clear that we would fulfill our obligation through a combination of grant MAP, FMS credit, and excess defense articles. In the last year or so, we have begun shifting to larger amounts of FMS credit, both because of tightening Congressional constraints on grant MAP and because the ROK has been

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E.O. 12958 (1) (2) (3) SEC 3.3, DoD Directive 5200.30
NSC Memo, 3/30/80, State Dept. Guidelines, state rev. cw 9/18/89
By _____ NARA, Date _____



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able to pick up more of the burden. On the other hand, we do not want to shift too rapidly. We do not want to give the wrong signal to Pyongyang and its allies or to undercut confidence in Seoul.

Distaste in Congress for Park's handling of his domestic political situation did not in the end reduce our military assistance to South Korea by as much as earlier seemed likely. For FY 75, Congress has authorized a total of \$145 million, plus another \$20 million if you certify that Park is making substantial progress on human rights. Congress has left to your decision how this total is to be divided between grant MAP and FMS credits. This figure compares favorably with the FY 74 appropriation of \$100 million grant MAP and \$57 million FMS credit. For FY 76, we are requesting \$75 million in grant MAP and \$100 million in FMS credit.

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

Departmental Views. State supports Option 2 while Defense wants Option 3. State stresses the political importance of an Executive Branch request for a higher level of grant MAP. Defense emphasizes Congressional constraints and the reputed ROK desire for increased FMS credits.

My View. The real choice is between Options 2 and 3. Option 1 and Option 4 would not likely be considered seriously by Congress. I support Option 2. I believe it important in light of the present political and strategic situation on the Korean Peninsula that the Executive Branch show continuing solid support for ROK needs. Moreover, I believe that



this combination of grant MAP and FMS credits is a figure that would have a chance with Congress and reflects Korean ability to assume a growing share of the defense burden. Option 2 also reflects the level that Congress has authorized for FY 75 and that we are requesting for FY 76.

B. A Possible Termination Date for Grant MAP. The Presidential guidance of mid-1973 did not give a termination date for grant MAP. The inter-departmental paper presents two options:

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

Option 2: After FY 77, terminate grant MAP except for a level of training assistance at about \$1 million annually.

Departmental Views. Defense wants Option 1. State also supports Option 1, but with a difference: if Congress does not support enough grant MAP and FMS credit to complete our contribution to the Modernization Plan by FY 77, State would have us request both of these in subsequent years until the Plan were completed. State would terminate grant MAP, except for training (at about \$2 million a year), after the Plan is finished. OMB would make no decision on terminating grant MAP until after Congress completes action on the FY 76 bill.

My View. I favor Option 1. At this point, we do not want to indicate a termination of grant MAP. In terms of military and budgetary planning, it is not necessary that we do so now, since either Option 2 or 3 on the rate of shift from grant MAP to FMS credits indicates the downward trend in grant MAP. Projecting beyond FY 77, if you choose Option 2 on the rate of shift from grant MAP to FMS credits, I recommend that we then think in terms of about \$25 million in grant MAP for FY 78, and thereafter taper off to a level of not more than \$10 million annually.

C. Additional High-Performance Aircraft for the ROK. At this point the only real question is whether to transfer to the ROK the one F-4D squadron which has been bailed to the ROK under the Enhance Plus Agreement since late 1972. Before we consider other ROK requests for additional high-performance aircraft, we want to look at a basic reassessment of the North Korean threat and of ROK air defense needs. Defense is now completing this study.



As regards the F-4D bailed squadron, State and Defense agree that we should transfer this squadron to the ROK by sale. The ROK already owns one F-4 squadron outright. The transfer of this second F-4 squadron to ROK ownership at this time should not stimulate arms competition on the Korean Peninsula, since this second squadron has in reality been in the ROK Air Force inventory for two years already although it remained our property.

Defense wants to attach a condition to the sale of this F-4D squadron: 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. Defense wants to use the \$3.3 million for its sorely-pressed Vietnam budget. I think we can ask the ROK to pick up this \$3.3 million (on top of the \$43 million price tag we have put on the bailed squadron itself), but believe we should not press the ROK to pay this additional cost if it raises serious objections.

At Tab A is a draft NSDM which embodies my recommendations above.

RECOMMENDATION:

That you approve my signing, in your name, the draft NSDM at Tab A.

Approve _____ Disapprove _____

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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E.O. 11652 (presidential) SEC 8.3
NSC Memo, 8/23/77, State Dept. Guidelines
By W NARA, Date 12/7/10

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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 2-3 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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-7-

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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-8-

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. reneging 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.



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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E.O. 12958 (as amended) SEC 3.3
NSC Memo, 3/30/86, State Dept. Guidelines ; State review
By _____ NARA, Date _____ 9/18/93

DOD/ISA:PFLINT/EA/K:DAO'DONOHUE:LM
11/14/74 EXT 20780.
EA:PCHABIB

PM:RMARRYOTT
NSC:
T:CEMAW

DOD:WPCLEMENTS
S/S:

PRIORITY SEOUL

EXDIS

E.O. 11652: GDS
TAGS: MARR, MASS, KS, US
SUBJECT: SALE OF F-4D AIRCRAFT TO ROK



PCH.
PF/DOE
RM
DOD
NSC
S/S
CEM

JOINT STATE/DEFENSE MESSAGE

1. THE USG HAS DECIDED TO AGREE TO ROKG REQUEST TO SELL THEM THE BAILED F-4D SQUADRON ON AN FMS CASH BASIS. IN INFORMING THE ROKG OF THIS DECISION YOU SHOULD MAKE IT CLEAR THAT THIS HAS BEEN A DIFFICULT DECISION FOR US FOR THE FOLLOWING REASONS:

A. THIS DECISION WILL HAVE ADVERSE EFFECT ON USAF ASSETS. THE USAF ALREADY HAS A DEFICIT OF OVER 100 AIRCRAFT OF THIS TYPE AND THIS SALE WILL ADD TO THIS ALREADY SERIOUS SITUATION.

B. DOMESTICALLY, WE WILL PROBABLY BE UNDER CONGRESSIONAL PRESSURE FOR SELLING THESE PLANE WHEN USAF IS ALREADY SHORT OF FIGHTER AIRCRAFT. HOWEVER, USG DECISION TO SELL BAILED SQUADRON OF 18 F-4D AIRCRAFT HAS BEEN MADE BECAUSE OF OUR DESIRE TO HELP ROKG TO IMPROVE KOREAN DEFENSE CAPABILITIES AND BECAUSE OF INCREASING MAP STRINGENCIES. FYI. WE INTEND TO CHARGE THE \$43.2 MILLION FMS SALE AGAINST THE MOD PLAN \$1.25 BILLION NOA CEILING. END FYI.

2. BELIEVE THE ROKG SHOULD ALSO RECOGNIZE THAT THEY COULD NOT OBTAIN THE EQUIVALENT AIR DEFENSE CAPABILITY WITHIN THE

MILITARY ADDRESS ATTACHE

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NEAR TERM WHICH THE F-4D SQUADRON PROVIDES BECAUSE DELIVERY LEAD TIMES FOR ADVANCED AIRCRAFT ARE AT LEAST TWO TO THREE YEARS. FURTHER, ANY SIMILAR CAPABILITY {I.E., TO F-4D'S} ACQUIRED AT TODAY'S PRICES WOULD COST MORE THAN TWICE THE PROPOSED PURCHASE PRICE {I.E., F-4E'S EXCLUDING AGE AND SPARES}. WE PROPOSE TO OFFER THE F-4D'S TO ROKG AT A COST OF \$2.4 MILLION EACH {EXCLUDING AGE AND SPARES}. THIS PRICE IS BASED ON FOLLOWING:

- A. EACH REPLACEMENT F-4E AIRCRAFT WHOSE EXPECTED LIFE IS 18 YEARS COSTS THE USAF \$5.3 MILLION {EXCLUDING AGE AND SPARES}. THE LIFE SPAN OF THE F-4D IS ALSO ESTIMATED TO BE 18 YEARS AND THUS THE BAILED AIRCRAFT COULD BE EXPECTED TO BE SUPPORTED AND USED FOR AN ADDITIONAL NINE YEARS.
- B. THE BAILMENT MOU PLACES REPLACEMENT COSTS AT \$1.7 MILLION. THAT COST CAN STILL BE CONSIDERED VALID SINCE INFLATION COULD OFFSET DEPRECIATION SINCE THE MOU WENT INTO EFFECT. HOWEVER, THE USAF HAS SPENT \$700,000 PER AIRCRAFT IN CLASS IV AND V MODIFICATIONS IN ORDER TO KEEP THE AIRCRAFT UP TO USAF STANDARDS. AS NOTED ABOVE, SPARES AND AGE ARE NOT INCLUDED IN THE \$2.4 MILLION PRICE AND ACQUISITION OF THOSE ITEMS COVERED BY THE BAILMENT WILL HAVE TO BE NEGOTIATED SEPARATELY. WE CONSIDER THE \$2.4 MILLION PRICE TO BE FIRM.
3. FOR ITS PART WE WOULD EXPECT THE ROKG TO VIEW SYMPATHETICALLY THE PROBLEM ASSOCIATED WITH THE RETURN OF THE 36 F-5A'S AND ASSOCIATED AGE AND SPARES. THE FY 75 VIETNAM AID PROGRAM IS IN DIFFICULT STRAITS AND WE MUST SEEK ALL LEGITIMATE MEANS TO MAXIMIZE THE EFFECTIVE LEVEL OF AID. ASSUMPTION BY THE ROKG OF RESPONSIBILITY FOR THE COSTS ASSOCIATED WITH THE REHABILITATION AND RETURN OF THE F-5A'S AND THE REPLACEMENT OF ASSOCIATED AGE AND SPARES APPEARS TO BE A REASONABLE CONCESSION ON THEIR PART IN VIEW OF OUR DECISION ON THE F-4D'S. [YOU ARE AWARE, OF COURSE, THAT THE FY 75 MAP PROGRAM BEFORE CONGRESS IS IN DIFFICULTY AND IT MAY BE USEFUL TO MAKE ROKG AWARE AT THIS TIME THAT UNCERTAIN PROSPECTS FOR FY 75 AID LEVELS, INCLUDING F-5E AIRCRAFT, INFLUENCE OUR FAVORABLE CONSIDERATION OF THEIR F-4D REQUEST.]
4. SHOULD ROKG EXPRESS INTEREST IN PURCHASE OF F-4E'S {IN ADDITION TO PURCHASE OF BAILED SQUADRON} YOU SHOULD INFORM THEM THAT DECISION RE SUCH PURCHASE WOULD BE SUBJECT TO A SUBSEQUENT REVIEW OF U.S. POLICY CONCERNING THE MIX OF AIR DEFENSE/OFFENSE CAPABILITY WHICH THE ROK WOULD THEREBY ACQUIRE.

IN FORM THEM THAT THIS REQUEST IS UNDER STUDY.

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FORM DS 322A(OCR)

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5. WE LEAVE TO EMBASSY/COMUSK DISCRETION HOW AND AT WHAT LEVEL TO INFORM ROKG OF FOREGOING USG DECISION.

6. AFTER NEGOTIATIONS HAVE BEEN CONSUMMATED, WE ANTICIPATE PROVIDING A LETTER FROM DEPSECDEF CLEMENTS FOR DELIVERY TO MND SUH RE THIS SALE. 44



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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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ROK
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(12)
Korean-
Modernization
Plan
(working
folder)

~~TOP SECRET/NODIS~~ (XGDS)(3)

January 9, 1975

National Security Decision Memorandum 282

TO: The Secretary of Defense
The Deputy Secretary of State

SUBJECT: Korean Force Modernization Plan

The President has reviewed the response to NSSM 211, together with the departmental and agency views thereon, and has decided the following:

- The United States will complete its obligation to the Republic of Korea Force Modernization Plan at an early date, in order to demonstrate the United States commitment to the security of the Republic of Korea.
- The shift from grant military assistance to FMS credits should be accelerated to the rate defined in Option 2 in the NSSM response.
- No termination date should be set for grant military assistance to the Republic of Korea. The downward trend in grant military assistance defined in Option 2 should be continued beyond FY 77, but should look toward the maintenance of a modest investment and training program with an annual ceiling of \$10 million.
- The F-4D squadron now on bailment to the Republic of Korea should be transferred to the Republic of Korea by sale. The Republic of Korea should be asked to pay the \$3.3 million cost for rehabilitating the two F-5A squadrons being returned to South Korea under the Enhance Plus Agreement, but this should not be a condition for the sale of the F-4D squadron if the Republic of Korea raises serious and persistent objections.
- The review of the North Korean threat and the Republic of Korea air defense requirement contemplated by NSDM 227 should be

~~TOP SECRET/NODIS~~ (XGDS)(3)

DECLASSIFIED

AUTHORITY NSC memo 1/30/09

BY [signature] NARA DATE 12/7/10



forwarded with recommendations to the President no later than
March 3, 1975.

A handwritten signature in dark 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 of Central Intelligence
Director, Office of Management and Budget
The Chairman, Joint Chiefs of Staff

MEMORANDUM

6251

NATIONAL SECURITY COUNCIL

ACTION

~~TOP SECRET~~

December 20, 1974

3b
Korean Modernization Plan (also included in WSDM ROK, chm files)

MEMORANDUM FOR:

SECRETARY KISSINGER

FROM:

RICHARD T. KENNEDY *RTK* / *CK*
W. R. SMYSER *[Signature]*

SUBJECT:

Future U.S. Military Assistance to South Korea

At Tab II 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).

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 make a major military move probably 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 communication rather than a forum to resolve their differences. The paper asserts that great power interest in detente has been the principal factor in reducing the chances of a new major military conflict on the Peninsula.

The paper says that Pyongyang, like Moscow and Peking, would not 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, as long as the basic elements of the U.S.-ROK security relationship remain intact.

DECLASSIFIED

E.O. 12958 (as amended) SEC 3.3 ; *DoD Directive 5200.30*

~~TOP SECRET~~

NSC Memo, 3/30/06, State Dept. Guidelines ; *State guidelines 9/18/03*
By *WA* NARA, Date *12/7/10*

Comment: The paper gives a somewhat overly sanguine view of the continuing 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.

-- 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: While we do not differ essentially with the EA/IG paper on these points, we believe the paper underestimates how much South Korea may try to reduce its dependence on us if we reduce U.S. military assistance. This 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. In addition, reduced ROK dependence on us, like reduced North Korean dependence on its suppliers, increases its freedom of action in the North-South confrontation, although this is partially offset by the constraints of detente.

-- Status of the ROK Force Modernization Plan. The modernization plan, 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. By the end of FY 74, however, we were still \$500 million short, due to budgetary limitations. The ROK places considerable store by our rounding out, in some credible fashion, our contribution to the modernization plan. The President in his recent meeting with President Park reaffirmed our support for the plan, and said he hoped its completion could be speeded up.

The EA/IG paper notes that the ROK has indicated its willingness to accept greatly expanded FMS credits -- \$500 million in FY 75-77 --

and its expectation that grant MAP will end with the completion of the plan. The EA/IG paper fails to mention that the ROK at the same time has requested \$345 million in grant MAP for FY 75-77; the paper ignores the likelihood that the ROK passively accepts as inevitable the prospect of greatly reduced grant MAP and its possible early termination.

Distaste in Congress for Park's handling of his domestic political situation did not in the end reduce our military assistance to South Korea by as much as earlier seemed likely. For FY 75, Congress has authorized a total of \$145 million, plus another \$20 million if the President certifies that Park is making substantial progress on human rights. Congress has left to the President's decision how this total is to be divided between grant MAP and FMS credits. This figure compares favorably with the FY 74 appropriation of \$100 million grant MAP and \$57 million FMS credit. For FY 76, we are requesting \$75 million in grant MAP and \$100 million in FMS credit.

The ROK last spring expanded its requests for U.S. military equipment by asking for the following: (1) the transfer of the F-4D squadron now on a bailment to the ROK under the Enhance Plus Agreement, plus one additional 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.

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.

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

R. FORD

Options 1 and 4 border on the unfeasible. 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. (Option 1 embodies existing Presidential guidance.) 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 a reversal of 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.

Option 2 reflects the level which Congress has authorized for FY 75 and which we are requesting for FY 76.

1. Departmental Views. State supports Option 2, while Defense wants Option 3. State stresses the political importance of an Executive Branch request for a higher level of grant MAP. Defense emphasizes Congressional constraints and the reputed ROK desire for increased FMS credits.

2. Our View. We support Option 2. We agree with State's emphasis on the political importance of an Executive Branch request for this level of grant MAP in the present Korean context. We also believe that this combination of grant MAP and FMS credits 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 economic ability to assume a larger share of the defense burden. Option 2 also reflects the level that Congress has authorized for FY 75 and that we are requesting for FY 76.

B. A Possible Termination Date for Grant MAP.

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

-- 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.

1. Departmental Views. Defense wants Option 1. State also supports Option 1, but with a difference: if Congress does not approve a level of grant MAP and FMS credit for the ROK sufficient to complete our contribution to the modernization plan by FY 77, State would have us continue to request both of these in subsequent years until the plan were completed. State would terminate grant MAP, except for training (at about \$2 million a year), after the plan is finished. OMB would make no decision on the termination of grant MAP until after Congress completes action on the FY 76 bill.

2. Our Views. We favor Option 1. We believe that, at least at this point, the United States 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 now to terminate grant MAP would needlessly risk giving the wrong signal to Pyongyang and would not support confidence in Seoul. The paper misleads when it states that the ROK "already accepts" the notion that grant MAP will terminate immediately upon the end of the Modernization Plan in FY 77; the ROK has only "resigned itself to" this possibility.

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 the Enhance Plus Agreement since late 1972. The question of other high-performance aircraft -- the ROK's other requests for a squadron of F-4E aircraft, additional F-5E aircraft, and possible YF-17 or YF-18 light-weight freighters -- is the subject of a basic reassessment of the North Korean air threat and consequent ROK air defense needs ^{that} is now being done by Defense. 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, a State memorandum attaching a draft cable instruction (Tab III) indicates 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 no F-4 squadron was available for transfer to the ROK. Our own Air Force at that time, and indeed until very recently, was adamantly opposed to transferring the bailed squadron to the ROK. We do not believe that this addition to the ROK Air Force's capability would risk an intensification of the arms competition on the Peninsula, even though the bailed squadron has in effect 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 that our flexibility on the F-4D bailed squadron should therefore be matched by ROK flexibility on the rehab cost. DOD's real motive, however, is to try to pick up another \$3.3 million for its sorely-pressed Vietnam budget.

Our View. As regards the substantive issue of whether to transfer the bailed F-4 squadron, we support the transfer, as indicated above. As to the tactical issue of whether to attach the condition proposed by Defense, we have no objection to doing so, but agree with State that we should not press the matter to a breaking point with the ROK if it resists strenuously -- which it is likely to do.

At Tab I is a draft memorandum from you to the President embodying the above discussion and recommendations and attaching a draft NSDM.

RECOMMENDATION:

That you sign the draft memorandum to the President at Tab I.

THE WHITE HOUSE

WASHINGTON

~~TOP SECRET/NODIS~~ (XGDS)(3)

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER

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

As part of the preparations for your recent visit to South Korea, the departments completed a policy study on future U. S. military assistance to the Republic of Korea (ROK). The specific issues they took up in this study included (1) whether the rate of shift from grant military assistance (MAP) to FMS credit should be accelerated, (2) whether a termination date should be set now, and (3) whether additional high-performance aircraft should be transferred to the Republic of Korea.

During your meeting with President Park, you discussed our military assistance in general terms. You reaffirmed U. S. support for the Five-Year ROK Force Modernization Plan, and said that we hoped to speed up completion of our assistance to that plan. You also assured Park that we had no intention to withdraw U. S. forces from South Korea.

We now need your guidance on the specific issues listed above. The inter-departmental paper presents the following options on these issues:

A. Rate of Shift from Grant MAP to FMS Credit. The Modernization Plan, 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. By the end of FY 74, however, we were still \$500 million short due to budget limitations. The ROK places considerable store by our rounding out, in some credible fashion, our contribution to the Modernization Plan. From the beginning, we have made clear that we would fulfill our obligation through a combination of grant MAP, FMS credit, and excess defense articles. In the last year or so, we have begun shifting to larger amounts of FMS credit, both because of tightening Congressional constraints on grant MAP and because the ROK has been

~~TOP SECRET/NODIS~~ (XGDS)(3)

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able to pick up more of the burden. On the other hand, we do not want to shift too rapidly. We do not want to give the wrong signal to Pyongyang and its allies or to undercut confidence in Seoul.

Distaste in Congress for Park's handling of his domestic political situation did not in the end reduce our military assistance to South Korea by as much as earlier seemed likely. For FY 75, Congress has authorized a total of \$145 million, plus another \$20 million if you certify that Park is making substantial progress on human rights. Congress has left to your decision how this total is to be divided between grant MAP and FMS credits. This figure compares favorably with the FY 74 appropriation of \$100 million grant MAP and \$57 million FMS credit. For FY 76, we are requesting \$75 million in grant MAP and \$100 million in FMS credit.

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

Departmental Views. State supports Option 2 while Defense wants Option 3. State stresses the political importance of an Executive Branch request for a higher level of grant MAP. Defense emphasizes Congressional constraints and the reputed ROK desire for increased FMS credits.

My View. The real choice is between Options 2 and 3. Option 1 and Option 4 would not likely be considered seriously by Congress. I support Option 2. I believe it important in light of the present political and strategic situation on the Korean Peninsula that the Executive Branch show continuing solid support for ROK needs. Moreover, I believe that



this combination of grant MAP and FMS credits is a figure that would have a chance with Congress and reflects Korean ability to assume a growing share of the defense burden. Option 2 also reflects the level that Congress has authorized for FY 75 and that we are requesting for FY 76.

B. A Possible Termination Date for Grant MAP. The Presidential guidance of mid-1973 did not give a termination date for grant MAP. The inter-departmental paper presents two options:

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

Option 2: After FY 77, terminate grant MAP except for a level of training assistance at about \$1 million annually.

Departmental Views. Defense wants Option 1. State also supports Option 1, but with a difference: if Congress does not support enough grant MAP and FMS credit to complete our contribution to the Modernization Plan by FY 77, State would have us request both of these in subsequent years until the Plan were completed. State would terminate grant MAP, except for training (at about \$2 million a year), after the Plan is finished. OMB would make no decision on terminating grant MAP until after Congress completes action on the FY 76 bill.

My View. I favor Option 1. At this point, we do not want to indicate a termination of grant MAP. In terms of military and budgetary planning, it is not necessary that we do so now, since either Option 2 or 3 on the rate of shift from grant MAP to FMS credits indicates the downward trend in grant MAP. Projecting beyond FY 77, if you choose Option 2 on the rate of shift from grant MAP to FMS credits, I recommend that we then think in terms of about \$25 million in grant MAP for FY 78, and thereafter taper off to a level of not more than \$10 million annually.

C. Additional High-Performance Aircraft for the ROK. At this point the only real question is whether to transfer to the ROK the one F-4D squadron which has been bailed to the ROK under the Enhance Plus Agreement since late 1972. Before we consider other ROK requests for additional high-performance aircraft, we want to look at a basic reassessment of the North Korean threat and of ROK air defense needs. Defense is now completing this study.

As regards the F-4D bailed squadron, State and Defense agree that we should transfer this squadron to the ROK by sale. The ROK already owns one F-4 squadron outright. The transfer of this second F-4 squadron to ROK ownership at this time should not stimulate arms competition on the Korean Peninsula, since this second squadron has in reality been in the ROK Air Force inventory for two years already although it remained our property.

Defense wants to attach a condition to the sale of this F-4D squadron: 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. Defense wants to use the \$3.3 million for its sorely-pressed Vietnam budget. I think we can ask the ROK to pick up this \$3.3 million (on top of the \$43 million price tag we have put on the bailed squadron itself), but believe we should not press the ROK to pay this additional cost if it raises serious objections.

At Tab A is a draft NSDM which embodies my recommendations above.

RECOMMENDATION:

That you approve my signing, in your name, the draft NSDM at Tab A.

Approve _____ Disapprove _____

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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NSQ Memo, 8/27/10, Dept. Guidelines

By NARA, Date 12/7/10

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 steadfastly 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 2-3 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 Chong-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

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.

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. reneging 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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E.O. 12958 (as amended) SEC 8.3 ; DoD Directive 5200.30
NSC Memo, 3/30/06, State Dept. Guidelines
By MM NARA, Date 12/1/10

DOD/ISA:PFLINT/EA/K:DAO'DONOHUE:LM
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EXDIS

E.O. 11652: GDS
TAGS: MARR, MASS, KS, US
SUBJECT: SALE OF F-4D AIRCRAFT TO ROK

JOINT STATE/DEFENSE MESSAGE

1. THE USG HAS DECIDED TO AGREE TO ROKG REQUEST TO SELL THEM THE BAILED F-4D SQUADRON ON AN FMS CASH BASIS. IN INFORMING THE ROKG OF THIS DECISION YOU SHOULD MAKE IT CLEAR THAT THIS HAS BEEN A DIFFICULT DECISION FOR US FOR THE FOLLOWING REASONS:

A. THIS DECISION WILL HAVE ADVERSE EFFECT ON USAF ASSETS. THE USAF ALREADY HAS A DEFICIT OF OVER 100 AIRCRAFT OF THIS TYPE AND THIS SALE WILL ADD TO THIS ALREADY SERIOUS SITUATION.

B. DOMESTICALLY, WE WILL PROBABLY BE UNDER CONGRESSIONAL PRESSURE FOR SELLING THESE PLANE WHEN USAF IS ALREADY SHORT OF FIGHTER AIRCRAFT. HOWEVER, USG DECISION TO SELL BAILED SQUADRON OF 18 F-4D AIRCRAFT HAS BEEN MADE BECAUSE OF OUR DESIRE TO HELP ROKG TO IMPROVE KOREAN DEFENSE CAPABILITIES AND BECAUSE OF INCREASING MAP STRINGENCIES. FYI. WE INTEND TO CHARGE THE \$43.2 MILLION FMS SALE AGAINST THE MOD PLAN \$1.25 BILLION NOA CEILING. END. FYI.

2. BELIEVE THE ROKG SHOULD ALSO RECOGNIZE THAT THEY COULD NOT OBTAIN THE EQUIVALENT AIR DEFENSE CAPABILITY WITHIN THE

PCH
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MILITARY ADDRESS ATTACHED

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NEAR TERM WHICH THE F-4D SQUADRON PROVIDES BECAUSE DELIVERY LEAD TIMES FOR ADVANCED AIRCRAFT ARE AT LEAST TWO TO THREE YEARS. FURTHER, ANY SIMILAR CAPABILITY (I.E., TO F-4D'S) ACQUIRED AT TODAY'S PRICES WOULD COST MORE THAN TWICE THE PROPOSED PURCHASE PRICE (I.E., F-4E'S EXCLUDING AGE AND SPARES). WE PROPOSE TO OFFER THE F-4D'S TO ROKG AT A COST OF \$2.4 MILLION EACH (EXCLUDING AGE AND SPARES). THIS PRICE IS BASED ON FOLLOWING:

- A. EACH REPLACEMENT F-4E AIRCRAFT WHOSE EXPECTED LIFE IS 18 YEARS COSTS THE USAF \$5.3 MILLION (EXCLUDING AGE AND SPARES). THE LIFE SPAN OF THE F-4D IS ALSO ESTIMATED TO BE 18 YEARS AND THUS THE BAILED AIRCRAFT COULD BE EXPECTED TO BE SUPPORTED AND USED FOR AN ADDITIONAL NINE YEARS.
- B. THE BAILMENT MOU PLACES REPLACEMENT COSTS AT \$1.7 MILLION. THAT COST CAN STILL BE CONSIDERED VALID SINCE INFLATION COULD OFFSET DEPRECIATION SINCE THE MOU WENT INTO EFFECT. HOWEVER, THE USAF HAS SPENT \$700,000 PER AIRCRAFT IN CLASS IV AND V MODIFICATIONS IN ORDER TO KEEP THE AIRCRAFT UP TO USAF STANDARDS. AS NOTED ABOVE, SPARES AND AGE ARE NOT INCLUDED IN THE \$2.4 MILLION PRICE AND ACQUISITION OF THOSE ITEMS COVERED BY THE BAILMENT WILL HAVE TO BE NEGOTIATED SEPARATELY. WE CONSIDER THE \$2.4 MILLION PRICE TO BE FIRM.
- C. FOR ITS PART WE WOULD EXPECT THE ROKG TO VIEW SYMPATHETICALLY THE PROBLEM ASSOCIATED WITH THE RETURN OF THE 36 F-5A'S AND ASSOCIATED AGE AND SPARES. THE FY 75 VIETNAM AID PROGRAM IS IN DIFFICULT STRAITS AND WE MUST SEEK ALL LEGITIMATE MEANS TO MAXIMIZE THE EFFECTIVE LEVEL OF AID. ASSUMPTION BY THE ROKG OF RESPONSIBILITY FOR THE COSTS ASSOCIATED WITH THE REHABILITATION AND RETURN OF THE F-5A'S AND THE REPLACEMENT OF ASSOCIATED AGE AND SPARES APPEARS TO BE A REASONABLE CONCESSION ON THEIR PART IN VIEW OF OUR DECISION ON THE F-4D'S. [YOU ARE AWARE, OF COURSE, THAT THE FY 75 MAP PROGRAM BEFORE CONGRESS IS IN DIFFICULTY AND IT MAY BE USEFUL TO MAKE ROKG AWARE AT THIS TIME THAT UNCERTAIN PROSPECTS FOR FY 75 AID LEVELS, INCLUDING F-5E AIRCRAFT, INFLUENCE OUR FAVORABLE CONSIDERATION OF THEIR F-4D REQUEST.]
- D. SHOULD ROKG EXPRESS INTEREST IN PURCHASE OF F-4E'S (IN ADDITION TO PURCHASE OF BAILED SQUADRON) YOU SHOULD INFORM THEM THAT DECISION RE SUCH PURCHASE WOULD BE SUBJECT TO A SUBSEQUENT REVIEW OF U.S. POLICY CONCERNING THE MIX OF AIR DEFENSE/OFFENSE CAPABILITY WHICH THE ROKG WOULD THEREBY ACQUIRE.

IN FORM THEM THAT THIS REQUEST IS UNDER STUDY.

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FORM DS 32210CR)

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5. WE LEAVE TO EMBASSY/COMUSK DISCRETION HOW AND AT WHAT LEVEL TO INFORM ROKG OF FOREGOING USG DECISION.

6. AFTER NEGOTIATIONS HAVE BEEN CONSUMMATED, WE ANTICIPATE PROVIDING A LETTER FROM DEPSECDEF CLEMENTS FOR DELIVERY TO MND SUH RE THIS SALE. YY



~~SECRET~~

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
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WITHDRAWAL ID 032810

REASON FOR WITHDRAWAL ÇNational security restriction

TYPE OF MATERIAL ÇMemorandum

CREATOR'S NAME John A. Froebe, Jr.

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Third Country Procurement

CREATION DATE 01/11/1975

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BY: (Date & Time Stamp)

DEPARTMENT OF STATE
Operations Center

LDX MESSAGE RECEIPT

WHITE HOUSE
SITUATION ROOM

S/S #

'75 JAN 11 AM 10.36

LDX MESSAGE NO. 1337, CLASSIFICATION ~~SECRET~~/EXDIS, NO. PAGES 4

DESCRIPTION OF MSG. Telegram to Seoul re Possible ROK Third Country Procurement of Major Military Items

FROM: _____ S/S _____
Officer Office Symbol Extension Room Number

LDX TO: _____ DELIVER TO: _____ EXTENSION: _____ ROOM NUMBER: _____

NSC - Mrs. Jeanne Davis _____

FOR: CLEARANCE INFORMATION PER REQUEST COMMENT

REMARKS: _____

VALIDATED FOR TRANSMISSION BY: (Signature)
Executive Secretary Officer



FORM DS 32210CRJ

~~SECRET~~

EA/K:DAO'DONOHUE:LM
1/10/75 EXT 20760
EA:PCHABIB

PM - MR. LADD
S/S -
DOD/DSAA:GENERAL FISH {SUB}

DOD/ISA:MIABRAMOWITZ {DRAFT}
NSC -
JCS/J-5: GENERAL CDYOUREE {SUB}

IMMEDIATE SEOUL IMMEDIATE

EXDIS

E.O. 12852: XGDS-2
TAGS: PFOR, MASS, KS
SUBJECT: POSSIBLE ROK THIRD COUNTRY PROCUREMENT OF MAJOR
MILITARY ITEMS

CINCPAC FOR POLAD

REF: A. SEOUL 02; B. STATE 2#1812

1. WE AGREE WITH EMBASSY ASSESSMENT THAT, GIVEN FACT THAT ROKG INCREASINGLY BEARING ITS OWN DEFENSE COSTS AND U.S. ASSISTANCE DECLINING, KOREANS WILL BE INCREASINGLY INDEPENDENT IN THEIR PROCUREMENT DECISIONS. FOR OUR PART, IN PAST SIX MONTHS WE HAVE MADE PARTICULAR EFFORT TO BE FORTHCOMING ON MAJOR EQUIPMENT DECISIONS REGARDING KOREA. AS ROKG IS AWARE, OUR DECISION TO ALLOW PURCHASE OF F4D SQUADRON WAS A PARTICULARLY DIFFICULT ONE. IN RESPONSE TO KOREAN REQUIREMENTS, WE ALSO WERE ABLE TO MAKE SEPARATE DECISION AUTHORIZING HARPOON FOR KOREA. WE ARE NOW IN PROCESS OF ASSESSING PRODUCTION SCHEDULE TO SEE WHETHER IT POSSIBLE TO EXPEDITE DELIVERY SCHEDULE TO MEET SECOND GENERATION PSM DELIVERY SCHEDULE. WE ARE ALSO PREPARED TO GIVE SERIOUS CONSIDERATION TO KOREAN REQUEST FOR ADDITIONAL F2SE'S, PENDING DOD AIRCRAFT REQUIREMENTS STUDY NOW IN LAST STAGES. WE ARE, AND HOPE TO CONTINUE, PROVIDING SUBSTANTIAL LEVELS OF ASSISTANCE.

PCH
DAO
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S/S
NSC
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ADDR
ATTAC

DECLASSIFIED

E.O. 12858 (as amended) SEC 8.3

NSC Memo 9/30/06, State Dept. Guidelines; state rev. cw 9/8/03
By WA NARA, Date 12/7/10

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2. OVERALL, IT IS OUR VIEW THAT WE HAVE INDEED BEEN RESPONSIVE TO KOREAN NEEDS, BOTH ON THESE MAJOR ITEMS AND ON THE LARGE NUMBER OF LESSER FMS AND COMMERCIAL CASES WHICH HAVE BEEN APPROVED. GIVEN THE APPARENT BACKGROUND TO EXOCET AND SUBMARINE DEALS, IT IS OUR IMPRESSION THAT KOREAN CHARGES OF DELAY ARE NOT JUSTIFIED BY OUR PERFORMANCE AND APPEAR A RED HERRING TO OBSCURE OTHER CONSIDERATIONS WHICH WENT INTO ROKG DECISIONS.

3. WE HAVE NO DESIRE TO DICTATE TO ROKG HOW IT COMMITS ITS OWN FUNDS. THIS IS IN FINAL ANALYSIS THEIR OWN DECISION. AT SAME TIME, WE SEE NO JUSTIFICATION FOR ROKG ACTION IN ENTERING INTO LARGE SCALE COMMERCIAL PROCUREMENT OF QUESTIONABLE MILITARY EQUIPMENT FROM THIRD COUNTRY SOURCES AT A TIME WHEN WE ARE STILL PROVIDING MAJOR ASSISTANCE. DESPITE MAJOR DIFFICULTIES WE HAVE HAD WITH CONGRESS ON MAP IN GENERAL, AND KOREA IN PARTICULAR, WE STILL EXPECT THAT FY 75 LEVELS (FMS PLUS MAP) WILL BE SIGNIFICANT. HOWEVER, KOREAN DECISION TO GO AHEAD WITH PROCUREMENT OF THESE THIRD COUNTRY SYSTEMS WILL INEVITABLY CALL INTO QUESTION THE JUSTIFICATION FOR GRANT ASSISTANCE LEVELS WE ARE SEEKING AND RAISE SERIOUS CONGRESSIONAL DIFFICULTIES. WE WILL NOT BE ABLE TO DEFEND SITUATION IN WHICH USG PROVIDES LARGE SUMS OF ASSISTANCE FOR MUTUALLY AGREED UPON PROCUREMENT ITEMS, WHILE ROKG THEN USES ITS OWN FUNDS TO SHOP AROUND FOR ITEMS WHICH IT MAY WISH TO PROCURE FOR A VARIETY OF REASONS, INCLUDING NON-MILITARY CONSIDERATIONS.

4. OUR CONCERNS ARE AMPLIFIED BY FACT THAT WE AND ROK HAVE ESTABLISHED ELABORATE CONSULTATIVE ARRANGEMENTS INCLUDING AD HOC MILITARY SUBCOMMITTEE TO SET MILITARY PRIORITIES. FURTHER, AT LAST SCM, MND SUH WENT TO GREAT LENGTHS IN ASSURING US OF ROK INTENTIONS REGARDING U.S. PROCUREMENT AND PRIOR CONSULTATION. IN EXOCET CASE WE HAVE NEVER RECEIVED CONVINCING MILITARY RATIONALE AND IT IS OUR IMPRESSION THAT DECISION TO GO AHEAD IS MOTIVATED ESSENTIALLY BY POLITICAL AND OTHER CONSIDERATIONS. IN CASE OF BRITISH SUBMARINES, IT APPEARS SUCH PROCUREMENT WAS NOT EVEN DISCUSSED WITH US BEFORE DECISION MADE. THIS RAISES QUESTIONS AS TO SERIOUSNESS OF THE ROK APPROACH TO OUR PAST MILITARY CONSULTATIONS ON REQUIREMENT PRIORITIES.

5. YOU SHOULD DISCUSS THE ABOVE CONSIDERATIONS AT WHATEVER LEVEL OF ROKG YOU FEEL APPROPRIATE. IN MAKING ABOVE POINTS YOU MAY ALSO NOTE THAT WE ARE REVIEWING HARPOON SCHEDULE AND MAY BE ABLE TO DO BETTER IN

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DELIVERY TIMES. WE WILL HAVE FIRM READING ON THIS IN MID-FEBRUARY AND WILL GIVE ROK REQUIREMENTS THE HIGHEST POSSIBLE CONSIDERATION. YOU SHOULD ALSO AGAIN POINT OUT MAJOR EFFORTS WE HAVE MADE ON OTHER PROCUREMENT DECISIONS.

5. AS APPROPRIATE YOU SHOULD ALSO EXPLAIN THAT WE REMAIN FULLY COMMITTED TO THE SECURITY OF THE ROK. PRESIDENT FORD DURING HIS NOVEMBER VISIT PERSONALLY REAFFIRMED OUR CLOSE SECURITY TIES TO ASSURE THERE IS NO MISREADING OF OUR INTENTIONS. WE ARE ALSO DETERMINED TO DO ALL WE CAN TO COMPLETE THE MODERNIZATION PROGRAM. GIVEN THE CONTEXT OF OUR CLOSE SECURITY RELATIONSHIP, WE HOPE THE ROKS WOULD NOT MOVE IN A DIRECTION WHICH COULD CAUSE SERIOUS PROBLEMS FOR BOTH US OF US. YY

~~SECRET~~

O/CT:

PLEASE ALSO SEND ATTACHED CABLE TO:

INFO

ROUTINE

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2.25113-K

THANK YOU.

EA/K

