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DEFENSE SECURITY ASSISTANCE AGENCY
WASHINGTON, D. C. 20301

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In reply refer to:
I-5538/79

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE
EAST ASIA, PACIFIC AND INTER-AMERICAN AFFAIRS
(INTERNATIONAL SECURITY AFFAIRS)

SUBJECT: 12/R~~OK~~/U.S. Security Consultative Meeting (U)

(U) Reference is made to your memorandum I-5538/79, dated
2 October 1979.

(C) The following issues may be discussed by the Security
Assistance Committee:

A. Request for "Category A" Status

- On several occasions during the past two years, the ROK expressed dissatisfaction with being placed in a separate category from NATO, Japan, et al, for FMS and commercial purchases. Strictly speaking, the terms "Category A" and "Category B" refer to prescribed channels for submission of FMS requests. In the ROK's view, however, "Category A" status may correspond more closely to "First Class Country" and encompass such NATO requisites as eligibility for waiver of certain FMS charges under Sec 21, AECA and authorization to make commercial purchases over \$25 million under Sec 38(b), AECA.

- As defined by the USG, Category A status allows the purchaser to submit requests for significant combat equipment (SCE) directly to the appropriate DOD agency. Category B status requires the purchaser to submit requests for SCE through State Department channels. The ROK has Category B status for FMS requests for SCE and Category A status for requests for all other defense items. ROK requests for SCE (and Major Defense Equipment) normally flow from the MND to the ROK Logistics Service Mission in Washington and from there to DOD.

- We propose to tell the ROK side that:

In practice, Korea already virtually has Category A status for SCE and MDE.

~~Classified by Director, DSAA~~
~~Declassify on 4 October 1985~~

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2

-- Designation as Category A for SCE requests would not speed up the processing of Korea's requests because (a) nearly all requests for SCE are already processing expeditiously; in those few instances where delays occur, they are caused by policy or technical problems which would require resolution prior to issuance of a Letter of Offer irrespective of the channels through which the requests are submitted, (b) all requests for SCE by Category A countries are, in fact, reviewed and approved by OSD and State prior to implementation by the Military Departments and (c) all requests requiring Congressional notification must first be reviewed and approved by OSD and State.

-- For political reasons, we would not wish to codify or publicize Korea's de facto status by changing the MASM.

--- Some NATO countries, e.g., Greece and Turkey, presently have Category B status for SCE requests, as do other countries, such as Israel, with whom the U.S. has special relationships.

- With regard to other perquisites which may be associated in the ROK's minds with Category A status, if the subject is raised we propose to tell the ROKs that:

-- Elevating the ROK to the same category as NATO with respect to eligibility for waiver of certain FMS charges under Sec 21, AECA, would place them ahead of Australia, Japan, New Zealand and other countries with whom the U.S. has close relationships and would therefore be politically unacceptable.

-- For similar political reasons, we would not wish to seek a change to existing legislation to enable the ROK to make commercial purchases in excess of \$25 million as authorized for NATO, et.al., under Sec 38(b) (3), AECA.

B. ROK exports to third countries.

- The ROK would like the USG to abandon its present case-by-case consideration of ROK requests to export US-origin items to third countries and permit unlimited sales of particular items to selected countries without specific approval if such approval had been given previously.

- We intend to tell the ROKs that:

-- We cannot forego a case-by-case approach because:

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3

--- By law, we are obliged to notify Congress 30 days before giving final USG approval of each third country transfer and

--- Changing international or other circumstances could cause us to disapprove the same sort of transaction as was previously approved.

--- Each request must be individually evaluated on the basis of criteria such as the following:

(1) Would the USG itself sell the same or similar item to the particular country?

(2) Is the proposed sale in the military and political interests of the U.S.?

(3) Is the item currently in U.S. production, and is there a requirement to keep our own production base warm?

(4) Is the item in long supply or excess status in U.S. Mildep inventories?

(5) If not currently in U.S. production, to what extent would such production benefit our own employment and balance of payments situations?

-- We have received expressions of concern on the part of Congress over our recent approvals of ROK requests to sell to third countries.

-- It is important that in deciding whether to produce military items in Korea the ROK not count on rendering any such projects economically viable through exports to third countries.

C. FMS Credit.

- The ROKs are expected to appeal for increased FMS credit assistance to support their Force Improvement Plan (FIP).

- As part of the "compensatory measures" for withdrawal of U.S. ground forces, we told the ROKs that we would seek to provide \$275 million in FMS credit annually over the next several years. Since then, we have achieved that level only in one year (FY78). In FY79 we provided \$225 million, \$225 million is currently planned for FY 80.

~~CONFIDENTIAL~~

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4

- We intend to tell the ROKs that

-- We expect that future FMS credit levels for Korea will be further reduced as the result of Congressional cuts in the worldwide program and the need to support other countries as well as Korea.

-- For budgetary purposes, ROK should plan to finance major FIP II programs largely from its own resources.

D. IMET.

- The ROKs are expected to request assurance that the IMET will continue at an adequate level of funding (i.e., around \$2.0 million/yr).

- The ROKs received \$1.8 million in IMET for FY 79.

- We intend to tell the ROKs that the IMET program can realistically be expected to decline at a gradual rate and that Korea must plan on financing a greater percentage of its military training requirements from its own resources.

E. F-5G Aircraft.

- The ROKs have requested Planning and Budgetary data for optional quantities of 60 and 100 F-5Gs.

- We intend to tell the ROKs that:

-- A USG decision has not yet been made as to whether the F-5G or any similar aircraft will be produced, and that therefore we are unable to comply with the ROK's request for P&B data.

F. F-5E/F Coproduction

- The ROKs have requested USG approval to coassemble 36 F-5E and 32 F-5F aircraft. They reportedly strongly desire that the airframes and engines be provided under FMS procedures, with direct commercial procurement limited to technical assistance and other minor items.

- We intend to tell the ROKs that:

-- The President has approved an exception to the Arms Transfer policy (PD-13) to permit Korean coassembly of F-5E/F aircraft, including the fabrication of high-usage spare parts and the forward fuselage.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

5

-- A Memorandum of Understanding setting forth USG and ROK responsibilities concerning the proposed program is currently in preparation.

-- Congressional notification documents will be processed expeditiously. We anticipate little adverse Congressional reaction.

-- The percentage of the program that will be carried out through FMS procedures is a Korean decision. However, we would prefer that those components and sub-assemblies which are not standard USAF procurement items be purchased commercially.

-- We have been advised by the contractor that FMS procurement of airframes would cause initial aircraft deliveries to slip from 2Q CY82 to 1Q CY83.

-- It should be clearly understood that FMS contracts pursuant to this program will be between the USAF and ROK Government, not between the USAF and Korean Air Lines.

G. F-16 Aircraft.

- In March 1977, the ROK requested a Letter of Offer for 60 F-16s. ACDA strongly objected to the sale on the grounds that it would precipitate the introduction of MIG-23's into North Korea. Notwithstanding ACDA's objections, we have told the ROKs that although ground force improvement should have a higher priority than F-16 acquisition the USG approves the sale of F-16s in principle and the timing of the sale is up to them. On 3 Oct 79 we received a P&B request 54 F-16A and 6 F-16B aircraft. The ROKs reportedly consider their original LOA request still valid and require P&B data for planning purposes while awaiting USG approval of the sale.

- We intend to tell the ROKs that:

-- Their P&B request will be processed and that a response should be forthcoming prior to 1 January 1980.

-- The USG does not consider the ROK's original (Mar 77) request still valid, and consequently, we will take no further action with regard to processing an F-16 Letter of Offer in the absence of a fresh ROK request.

H. M74 Incendiary Rockets

- On 12 April 1979, the ROK requested a LOA for 25,029 M74 incendiary rocket clips for use in the M202A1 4-tube portable launcher (which it reportedly has purchased commercially).

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

6

The M74 rocket was designed to replace the portable flame-thrower in the U.S. inventory. Our response indicated that there are severe problems with the M74 round, including malfunctioning rocket motors and leakage of the incendiary agent. Until these problems are corrected, the M74 has been suspended from FMS or use by U.S. forces.

- We intend to tell the ROKs that:
 - The M74's status has not changed.
 - A malfunction investigation is still in progress.
 - We do not expect the M74 (or a derivative) to become available for FMS for at least three years.
 - Even if the M74 were safe and available, its sale to Korea would require an exception to the USG worldwide policy restrictions against the sale of incendiary munitions.
 - We recommend the ROKs examine alternative methods of satisfying this military requirement.

I. Aviation Gasoline (AVGAS)

- The ROKs would like to resume FMS purchases of AVGAS. Such sales were discontinued in 1976 because of the close-out of U.S. theater stocks resulting from lack of demand for AVGAS on the part of U.S. forces. For the past 3 years, the ROKs have been obtaining AVGAS from a Taiwan firm, China Petroleum Corp. However, they strongly desire to re-establish their link with the U.S. logistic system for the supply of this commodity.
 - We intend to tell the ROKs that:
 - U.S. theater stocks of AVGAS have been exhausted and are no longer available.
 - The cost of obtaining AVGAS in CONUS and shipping it to Korea would be very expensive.
 - The small amount of AVGAS currently utilized by U.S. forces has a lower octane rating (110/130) than that desired by ROK (115/145).

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7

-- We recommend that the ROK continue to satisfy its requirements by contracting directly with commercial sources in the East Asian region. The USAF has provided a listing of potential commercial sources to the ROK Government.

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