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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301



INTERNATIONAL
SECURITY AFFAIRS

MEMORANDUM FOR THE RECORD

SUBJECT: Trip Report on Operation "Tipped Kettle" (U) --
INFORMATION MEMORANDUM

~~(S)~~ My travel to Israel was based on the fact that the DoD/CIA "Tipped Kettle" team in Tel Aviv and the staff at the Israeli Ministry of Defense could not agree on the numbers of weapons that would be provided to the US and the terms under which these items would be transferred to US control.

(b)(3):10 USC §424

~~(S)~~ Upon my arrival in Israel on 23 July, I met with the [redacted] and the six-man Tipped Kettle team which had preceded me by several days. During these meetings, it became apparent that either MG Meron had not had time to address the Tipped Kettle issue with MOD or that efforts to convince the top levels of the Israeli military that it was in the best interest of the GOI to provide these weapons on a grant basis had failed.

~~(S)~~ The following morning, I called MG Meron to inform him that I was in-country and to offer my assistance in clearing up the problems that were blocking the forward movement of this project. MG Meron stated that since returning from the US, he had been unable to contact the correct people in the military and government and get them to focus on "Tipped Kettle" (this was due primarily because of the Israeli elections on 23 July). However, with the election over, he had been able to schedule a meeting with the necessary Israeli offices that afternoon to address the issue. I would be informed of the results of the meeting at 1800 hours

~~(S)~~ I left Tel Aviv after my phone conversation with MG Meron and went with the US team to storage sites in [redacted] to check upon materials involved in this shipment. Upon my return to the Embassy at 1700, I was informed by the [redacted] (b)(3):10 USC §424, (b)(3):10 USC §424

[redacted] that I had been requested to meet with [redacted] (b)(1) at 1800 hours to discuss the "Tipped Kettle" project. [redacted] (b)(1)

~~(S)~~ During this extended meeting (2 hours), [redacted] (b)(1) explained to [redacted] (b)(3):10 USC §424 and myself in a "off the record meeting" that the US would receive most of the weapons we desired; however, there would be a charge of \$17M. I asked [redacted] (b)(1) if this would have to be in cash or could some other arrangements be worked out that might better serve the interest of both countries.

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(b)(1) said that he would have to explore methods of payment. Returning to the Embassy, we debriefed the (b)(3):10 USC §424 and agreed that due to the lateness of the hour (2100), I would send a message back to ASD/ISA the following day concerning Israeli desires for payment. I returned to hotel and debriefed the team on status of project.

~~407~~ The following morning, team arrived at Embassy at 0800 to write message to ASD/ISA on \$17M offer by (b)(1). While writing this message, received phone call from (b)(1) stating that he had gotten "out in front" of GOI on policy issues related to pricing and that his offer of the previous day had to be withdrawn. He also stated that a fixed price for the weapons was now \$36 million cash. Because of a language problem between myself and (b)(1), which was taking place during this phone conversation, I requested a face-to-face meeting to confirm the "new" facts which had been presented during the call.

~~107~~ (b)(3):10 USC §424 and I met with (b)(1) at 1415 on that afternoon. During this session, he confirmed the \$36 million cash requirement now requested by the GOI. I protested the concept of the US paying any cash price for the weapons and requested a meeting with MG Meron to confirm that this was in fact the position of the GOI. (b)(1) had anticipated my request and we were granted a meeting with MG Meron at 1515 on the same afternoon. During this meeting, MG Meron explained that he had been unsuccessful in getting (b)(1) to provide the weapons on a grant basis. The problem of doing this revolved around conflicting US and Israeli desires concerning the use of these weapons. Israel was faced with the problem of equipping militia forces in Southern Lebanon with light infantry weapons. These were the same weapons, to a large degree, that the US sought in their "Tipped Kettle" program. Due to this conflict, he had (to date) "lost" his battle against (b)(1) to provide these weapons on a grant basis. (b)(1) had successfully argued that Israel should not "give away weapons" to the US that Israel needed to supply ally elements in Southern Lebanon. MG Meron went on to say that (b)(1) that raised the point that this problem would have never come up if Secretary Shultz had provided the \$40 that (b)(1) requested for this purpose during their last meeting. During the conclusion of this sober meeting, MG Meron ask that the US team "go to the beach for a couple days" while he attempted to reverse this decision.

~~70~~ The following day (Friday, 27 July), the US team visited additional weapon storage sites in (b)(1). While on this trip, MG Meron called (b)(3):10 USC looking for me, (b)(1)

(b)(1)

(b)(1)

(b)(1) During this meeting, (b)(3):10 USC §424 was told to pass on to me that MG Meron was now cleared to release "Tipped Kettle" weapons if he could receive verbal assurance that a matching amount of PMS money could be found in ongoing PMS transactions and returned to the Israel PMS account. After meeting with (b)(3):10 USC §424 upon my return to Tel Aviv, I drafted the message at Tab A.

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~~107~~ Upon receipt of the ASD/ISA message at Tab B, I requested a meeting with MG Meron. This took place on Sunday 29 July at 1000 hours. Per guidance, I presented the non-paper to MG Meron that was contained in ASD message. After carefully reading this text, MG Meron stated that the US statement was sufficient for him to smooth concerns by the Chief of Staff concerning this project. At that time, MG Meron gave me and his staff the green light to move forward on "Tipped Kettle." Following the Meron meeting, the US team met with (b)(1) and his staff for an extended period (5 hours) to work out details of the program.

~~108~~ Following this meeting, I composed my final message (Tab C) to ASD/ISA stating successful conclusion of this project. I met with US team to discuss details of project on night of 29 July. I departed Israel at 0700 on the following day 30 July. On the same date, the team moved from its hotel in Tel Aviv to a hotel in Southern Israel. All "Tipped Kettle" items should be packed by 15 August for movement out of Israel on 23 August with arrival in (b)(1),(b)(3):50 USC §403(g) about 10 September 1984.

(b)(6)

Israeli Desk Officer

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~~SECRET~~ INFORM CITE (b)(2),(b)(3):10 USC §424

(b)(2),(b)(3):10 USC §424

SUBJ: OPERATION TIPPED KETTLE (U)

1. ~~(S/NP)~~ EVENTS AT THIS LOCATION HAVE BEEN VERY CONFUSED OVER THE LAST FIVE DAYS CONCERNING BOTH THE COST AND AVAILABILITY OF WEAPONS INVOLVED IN "TIPPED KETTLE" PROJECT. IDF HAS HAD SEVERAL CHANGES OF HEART CONCERNING THIS PROJECT WITH TEAM ON ONE OCCASION BEING TOLD THAT MANY WEAPONS WOULD BE AVAILABLE ON A GRANT BASIS AND THEN LATER IN THE SAME DAY BEING INFORMED THAT THERE WOULD BE NO WEAPONS AVAILABLE AS A GRANT, AND THAT THE GOI WOULD NEED TO RECEIVE US DOLLARS \$36M CASH COMMITMENT PRIOR TO ANY WEAPONS MOVEMENT.

2. ~~(S/NP)~~ IN MEETING WITH MG MERON ON 26 JULY HE CONFIRMED THAT "AT THE MOMENT" THE WEAPONS WERE ONLY AVAILABLE ON A CASH BASIS AND ASKED OUR TEAM TO "STAY IN TOWN" UNTIL 29 JULY TO SEE IF (b)(1) THOUGHTS ON SUBJECT COULD BE MODIFIED.

3. ~~(S/NP)~~ IN SECOND MEETING WITH MG MERON ON 27 JULY AT 1400, MG MERON SAID THAT "TIPPED KETTLE" WITH SOME REDUCTIONS COULD BE MADE AVAILABLE ASAP ON THE FOLLOWING TERMS:

X "DOD WOULD MAKE VERBAL COMMITMENT TO SAVE THE GOI AN AMOUNT OF MONEY CORRESPONDING TO THE VALUE OF THE "TIPPED KETTLE" PROJECT (\$30-40M) DURING THE NEXT COUPLE OF YEARS THROUGH THE FMS RELATIONSHIP." MG MERON WENT ON TO SAY THAT THIS WOULD BE A GENTLEMEN'S AGREEMENT, AND THAT NOTHING WRITTEN ON THIS SUBJECT WOULD BE REQUIRED AT ANY TIME.

(b)(3):10
USC §424

4. ~~(S/NP)~~ IN THE VIEW OF BOTH MYSELF AND THE [] THIS ACTION BY MG MERON IS BEING TAKEN TO PROVIDE THE ITEMS TO DOD ON THE BEST POSSIBLE GROUNDS, AND AT THE SAME TIME PROTECT HIMSELF FROM CRITICISM BY SOME MEMBERS OF THE IDF WHO ARE SAYING THAT THE WEAPONS BEING GIVEN TO THE US COULD HAVE PRODUCED MUCH NEEDED HARD CASH FOR THE IDF. I BELIEVE THAT THERE WOULD BE LITTLE PROBLEM SHOWING THE MOO A SAVING OF \$30-40M IN SIZE. THIS COULD BE DONE THROUGH LEGAL FLEXIBILITY NOW AVAILABLE TO ISA/DSAA IN REFERENCE TO ISRAELI FMS PROGRAM.

5. ~~(S/NP)~~ IN ORDER TO RESPOND TO MG MERON'S OFFER, NEED ISA/DSAA CONCURRENCE TO GENTLEMEN'S AGREEMENT TO IMPLEMENT FLEXIBILITY IN ISRAELI FMS PROGRAM THAT WILL RESULT IN SAVINGS OF THIS SCOPE.

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FOR (b)(6) FROM ASD ARMITAGE
SUBJECT: OPERATION TIPPED NETTLE (U)
REF: (b)(2),(b)(3):10 USC §4 271845Z JUL 84

1. ~~WE~~ HAVE RECEIVED AND DISCUSSED YOUR MESSAGE WITHIN ISA AND DSAA. WHILE WE HAVE UNDERSTANDING FOR THE ISRAELI NEED FOR COLD CASH OR OTHER TYPE OF FINANCIAL COMMITMENT, WE ARE UNABLE TO UNDERSTAND METHOD BY WHICH WE COULD SAVE THE GOI AN AMOUNT OF MONEY CORRESPONDING TO THE VALUE OF THE "TIPPED NETTLE" PROJECT (\$30-40 MILLION) DURING THE NEXT COUPLE OF YEARS THROUGH THE FMS RELATIONSHIP.

2. ~~WITHIN~~ WITHIN THE FMS RELATIONSHIP, OOD IS BEING AS FLEXIBLE AS POSSIBLE IN ITS APPROACH TO US-ISRAELI MILITARY AND ECONOMIC NEEDS, AND IS ASSURING THAT ISRAEL IS PAYING THE LOWEST POSSIBLE COSTS WITHIN THE CONSTRAINTS OF THE LAW AND U.S. POLICY. THIS IS A BASIC OOD OBJECTIVE, AND IT WILL CONTINUE. ONLY POSSIBLE AREA WHICH MAY FIT WITHIN THE ISRAELI REQUEST ARE POTENTIAL "SAVINGS" WITH REGARD TO FMS LOANS. FOR EXAMPLE, THROUGH CAREFUL MANAGEMENT ATTENTION, WE OFTEN ARE ABLE TO NEGOTIATE CONTRACTS WHICH RESULT IN PROGRAM COSTS LESS THAN THE ORIGINAL ESTIMATES IN LOANS. THUS, SOME RECENT LOANS (E.G., F-15 PROGRAM) MAY BE FINANCIALLY OVERSTATED AND REQUIRE REDUCTION SO THESE FUNDS MAY BE RETURNED TO THE ISRAELI FMS TRUST FUND. WE WILL RESEARCH THIS CAREFULLY WITH THE SERVICES, AND ENSURE THAT ANY "SAVINGS" AVAILABLE NOW ARE RAPIDLY RETURNED TO THE ISRAELI FMS TRUST FUND ACCOUNT.

3. ~~PARAGRAPH TWO ABOVE SHOULD BE PROVIDED IN WRITING TO MG MERON IN THE FORM OF A NON-PAPER, I.E., NO SIGNATURE.~~

4. ~~KNOW THAT YOU HAVE A DIFFICULT JOB. WE COULD NOT HAVE A BETTER MAN THERE TO DO IT. LET US KNOW WHAT YOU NEED. RICH~~

DECLAS CADR

SSO NOTE: DELIVER IMMEDIATELY UPON RECEIPT

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BY USD(P)
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(b)(3):10 USC
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*Good work.
That's how it
supposed to work*

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(b)(2),(b)(3):10 USC §424

SUBJ: OPERATION TIPPED KETTLE (U)

(b)(3):10 USC
§424

1. ~~UPON~~ UPON RECEIVING YOUR MESSAGE OF 272203Z [redacted] MG MERON AND HIS STAFF ON MORNING OF 26 JULY. AS PER INSTRUCTIONS, PARAGRAPH TWO OF YOUR MESSAGE WAS PROVIDED TO MG MERON ON PLAIN BOND AS A NON-PAPER AFTER READING THE "NON-PAPER" MG MERON SAID THAT IT PROVIDED HIM WITH SUFFICIENT ASSURANCES THAT ISRAEL WOULD RECEIVE "WITHIN THE CONSTRAINTS OF THE LAW AND U.S. POLICY" FUNDS TO COVER THE COST OF THE "TIPPED KETTLE II" PROJECT. IN MEETING BETWEEN MERON'S STAFF AND U.S. TEAM WHICH FOLLOWED MAIN DISCUSSIONS, DETAILS OF PRICING AND MOVEMENT WERE WORKED TO THE GREATEST DEGREE POSSIBLE AT THIS TIME.

2. ~~UPON~~ (b)(1) [redacted] TEAM WILL BE REQUIRED TO REMAIN IN ISRAEL UNTIL THE SECOND OF AUGUST TO COMPLETE

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>>> I M M E D I A T E <<<

PACKING AND MOVEMENT OF MATERIAL TO THE ISRAELI PORT OF
ASHDOD. CARGO IS PLANNED TO BE SHIPPED OUT OF ISRAEL ON
23 AUGUST WITH ARRIVAL AT (b)(1),(b)(3):50 USC §403 ON 7-8 SEP.

3. (U) I AM LEAVING PRESENT LOCATION AT 0700 30 JULY WITH
ARRIVAL IN WASHINGTON LATE AFTERNOON OF SAME DATE, VIA
TWA 133 ARRIVING NATIONAL AT 1600. (b)(6)
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