



INTERNATIONAL SECURITY AFFAIRS

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F-18L to Iran Doc#853

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

NO DOD HAS BEEN

14 MAY 1977

Reply to: 1-5536/77

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MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: DOD F-18L Study -- INFORMATION MEMORANDUM

Since we are leaving for Europe Sunday morning and the Presidential decision on Arms Control Policy (PRM 12) will be released next week, I thought I would send you a copy of the present (and probably final) version of the DOD F-18L Study even though the coordination process is not complete.

As you might expect, there are strong views within DOD on the F-18L issue and continuing disagreement over whether or not to characterize it in this study as a significant modification of the F-18A, and whether or not its presumptive performance vis-a-vis the F-16 is valid given the lack of testing. Given these issues, Lynn Davis will hold a senior level meeting early next week to attempt to complete the paper for final transmission to you. We do not expect to be able to obtain agreement and so the final version will probably be substantially unchanged.

While the decision on PRM 12 will, as we understand, preclude sale of the F-18L to Iran, it will not address the specific U.S. response to the Shah's request. One value of this study is that it considers alternative responses for your consideration.

Attachment
a/s

David E. McGiffert
Assistant Secretary of Defense
International Security Affairs

ASD/ISA

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F-18L STUDY

12 May 1977

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EXECUTIVE SUMMARY

INTRODUCTION

On 12 September 1976, after discussions with the Northrop Corporation, the Government of Iran formally requested that the United States procure 250 F-18L fighter aircraft for it through the Foreign Military Sales Program as replacements for its F-4 force. The F-18L would be a land-based derivative of the F-18A, a carrier-based fighter-aircraft currently being developed by McDonnell Douglas and Northrop for the Navy. Since it would be capable of using the SPARROW missile, it is expected to be somewhat superior in capabilities to the F-16, which will be co-produced by the U.S., Belgium, Denmark, Netherlands and Norway for use by their Air Forces and sale to third countries. Since the USG has no current plans to incorporate the F-18L into the U.S. weapons inventory, the plane would be developed solely for sales overseas. Because of the structural and equipment modifications which the aircraft would require to optimize it for land-basing, the F-18L would require some additional development and testing beyond that planned for the F-18A. Finally, because the request would be -- and legally must be -- handled as a government-to-government sale through the Foreign Military Sales (FMS) program, the USG would be involved in the modification and sale of the F-18L.

This study examines two issues: (1) whether it is in the U.S. interest to offer through the FMS program the F-18L, a land-based modification of the F-18A carrier-based aircraft still in development, when the U.S. has no current plans to incorporate that modification into its own inventory, and (2) whether it is in the U.S. interest to sell Iran aircraft to replace the F-4 in the early-80 time frame. Part I of this paper addresses the first issue,

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Part II addresses the second issue, and Part III provides alternative approaches for resolving both issues.

DESCRIPTION OF THE F-18L PROGRAM AND RELATIONSHIP TO F-18A

The F-18L would be a land-based fighter which would have the capability to employ the SPARROW and SIDEWINDER missile systems. The baseline F-18L proposed for FMS sales would employ a simpler radar and avionics suite than the F-18A, but the more capable F-18A radar now under development could be offered as an option. The modification of the F-18A aircraft into the L configuration prior to introduction of the F-18A into the Navy inventory should not interfere with the F-18A, given current scheduling (at least 9-month lag between the two programs).

Aerodynamically, the F-18L and F-18A would be essentially the same, and major portions of the structure and subsystems would be common (total commonality by empty weight is 60%; commonality of high value usage spare parts is 85-90%). The major difference between the systems would be the elimination of the F-18A characteristics unique to carrier basing, which will reduce the weight of the aircraft. The weight reduction would result in better air combat maneuverability for air-to-air engagements and a larger combat radius for both air-to-air and air-to-ground missions for the F-18L as compared to the F-18A.

BENEFITS AND RISKS ASSOCIATED WITH F-18L PROGRAM

There would be both benefits and risks for the U.S. if it were to pursue the F-18L program. The chief development and economic benefits for the USG are reduced cost, earlier maturity and greater reliability of parts common to the F-18A and F-18L. The chief development and economic risks for the USG are that the development risks associated with the F-18A could turn out to be

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greater than anticipated, perhaps even locking us into an FMS contractual agreement which we might not be able to fully honor; that the Northrop business plans could prove unrealistic and force the U.S. into a politically difficult position of having to encourage additional F-18L sales to keep Iran's cost low, increase the F-18L price to Iran, or possibly agree to a direct USG-Iran oil barter arrangement; and/or that the F-18L would compete with the F-16 for sales and complicate U.S. relations with the European Consortium in partnership with the U.S. for production of the F-16. The first two risks are manageable through careful structuring of the FMS contract with Iran and the U.S.-Northrop contract, especially since at this time the F-18L is not expected to pose substantial technical risk; the third risk may prove more difficult to deal with. This is because the European Consortium anticipates F-16 sales to third countries, and would tend to see the F-18L as a USG-sponsored competitor to the F-16. In the current political environment, they may view approval of the F-18L as signaling not only disregard of the importance of F-16 sales to their economies but also an indication that profits for U.S. industry are more important to the USG than NATO cooperation. On the other hand, if the F-18L is not developed because of our concern with EPG sensitivities, other nations, and especially Iran, may feel that the U.S. is not being sensitive to their particular military requirements.

IMPACT OF F-18L ON U.S. INTERESTS IN IRAN

U.S. security interests in Iran evolve from U.S. interests in the region to (1) insure regional stability, (2) minimize Soviet presence and influence, and (3) assure a continuous flow of oil. The U.S. has chosen to rely primarily on the two major regional powers friendly to the U.S. -- Iran and Saudi Arabia -- to ensure regional stability rather than to rely on U.S. military strength and presence.

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From the U.S. and Iranian perspectives, the primary threat against which Iran must be capable of defending itself is Iraq. With the anticipated improvement in Iranian military personnel capabilities and approved modernization of its force by 1982, Iran should be able to effectively meet this threat with or without warning even without the F-18L. Prior to that time, the degree of surprise which Iraq achieves may determine the outcome of any initial conflict.

There are two major problems related to Iranian acquisition of the F-18L: Iran's ability to absorb and maintain new aircraft within its manpower resources and disposition of Iran's F-4Es.

Iran's shortage of skilled manpower to support and maintain its military forces independently is a problem which potentially affects not only the F-18L but all Iranian modernization plans. With respect to the F-18L, despite the F-18L's greater ease of maintenance than current Iranian aircraft, given these deficiencies and the fact that Iran has already committed itself to adding 160 F-16s to its inventory, the F-18L would appear to complicate Iran's absorption problems. This is because it would be one more system to be integrated into the force in the early-80 time frame.

Disposition of the excess F-4s could also be a problem since, with the exception of 28 F-4D aircraft which will complete expected service life in 1985, Iran's F-4 force has a service life extending to 1994, seven years longer than Iran anticipates keeping the F-4 in its inventory. Since these aircraft still would be capable systems, it may prove difficult for Iran to identify a buyer for F-4s acceptable to the USG and/or the USG may require Iran to make major modifications to the F-4s in order to transfer them. Alternatively, Iran may decide to keep the F-4s.

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There are alternatives available to meet either the U.S. or Iranian perceptions of Iran's military requirements for the mid-80s. As indicated above, from the U.S. perspective, most of Iran's F-4 force should have a service life extending to 1994 and, in combination with approved modernization plans for Iran, may be sufficient to enable Iran to counter the Iraqi military threat. On the other hand, there may be substantial foreign policy reasons for meeting Iran's request for new aircraft. In this case, Iran's capabilities could be improved by providing Iran with the F-18L, the F-18A, or additional F-16s.

ALTERNATIVE APPROACHES

This study presents five options for resolving the F-18L question. They are listed below, together with their major advantages and disadvantages.

Option 1: Approve the F-18L program and operational phase-in beginning in 1982. The chief advantages of this approach are that it is responsive to Iran's request; would provide recoupment of \$490,000 per F-18L aircraft sold and reduce U.S. costs for the F-18A by approximately \$300,000 per aircraft through savings from economies in greater production of common parts; would provide total savings for the F-18 of \$450 million; would expedite identification of potential problems with and greater reliability of parts common to the F-18A and F-18L; and would preclude Northrop allegations that U.S. is showing favoritism to the F-16 contractors and unfairly restraining competition.

The chief disadvantages of this approach are that it could exacerbate Iran's absorption and maintenance deficiencies, because of concurrent F-16 deliveries; would require U.S. certification through FMS procedures of aircraft not planned for U.S. inventory; could place U.S. in politically difficult position of either having to encourage other third country sales,

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or increase the F-18L price to Iran, if additional sales are not realized, and would make U.S. logistic support of the system more difficult than it would be with a standard U.S. system; and could undercut European Participating Governments (EPG) expectations of F-16 sales and thereby create political difficulties for the USG with the EPG. Additionally, this approach could require difficult USG decisions on Iranian transfers of the advanced F-4s to third countries.

Option 2: Approve the F-18L program but postpone operational phase-in of the system in Iran until the 160 F-16s approved for sale to Iran have been phased in. This would be at least 1983. The advantages of Option 2 are identical to those for Option 1. Additionally, this option would reduce the possibilities that introduction of the F-18L would exacerbate Iran's absorption and maintenance deficiency by phasing in the F-18L after the introduction of first increment of F-16s. ✓

The disadvantages of Option 2 are largely identical to those for Option 1, although Iran's potential absorption difficulties would be reduced somewhat. However, postponement of the phase-in could increase the cost of the F-18L due to normal inflation. Also, it could be a potential political irritant to U.S.-Iranian relations, since Iran has requested deliveries to begin in 1982.

Option 3: Disapprove the F-18L program but offer to provide Iran with the F-18A after F-16s have been phased in (e.g., about 1983). The chief advantages of this approach are that it is somewhat responsive to Iran's request for replacement aircraft for their F-4s; would maximize benefits to the Navy F-18A program; could increase U.S. savings for the F-18 program to \$675 million; would reduce development risks to U.S.; could reduce likelihood of potential problems with EPG, since the F-18A system is being developed for U.S. inventory

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and does not require additional foreign sales for contractor to break even; would facilitate U.S. logistics support; would preclude Northrop objections that U.S. is showing favoritism to F-16 contractors; and would signal a policy of restraint of FMS programs entailing substantial modification of U.S. weapons systems.

The chief disadvantages are that this option would provide Iran with a more expensive, different system from that requested; would not reduce absorption problems; would be viewed by Northrop as unfair restraint upon their business activities; could require difficult USG decisions on Iranian transfers of advanced F-4s to third countries; and because it would entail both postponement of phase-in and substitution of F-18A and F-18L, could be potential political irritant to U.S.-Iranian relations.

Option 4: Disapprove the F-18L program but offer to provide Iran with additional F-16s beginning in 1982. The chief advantages of this approach are that it would be somewhat responsive to Iran's request for replacement aircraft for their F-4s; would preclude potential problems with the EPG over U.S. sale of a system comparable to F-16 and, in fact, increase EPG and U.S. recoument for F-16; would reduce Iran's absorption and potential maintenance difficulties because of standardization; and would signal policy of restraint of FMS programs entailing major modification.

The chief disadvantages of this approach are that it would provide Iran with a slightly less capable system than that requested (because it lacks the SPARROW capability); would elicit Northrop objections that U.S. showing favoritism to F-16 contractors and restraining competition; would yield no cost or development benefits for F-18A; and could require difficult USG decisions on Iranian transfer of advanced F-4s to third countries. (This option was not considered relevant by I&L, P&E, and General Counsel during the DSARC review of the F-18L.)

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Option 5: Disapprove the F-18L program and offer no alternative. The chief advantages of this approach are that it would preclude engineering and costing risks to U.S. associated with F-18L program; would signal a policy of restraint of FMS programs entailing substantial modification of U.S. weapon systems; and would encourage Iran to gain full service life from F-4s.

The chief disadvantages are that it is non-responsive to Iran and thereby could impact negatively on U.S.-Iranian relations; and offers no cost benefits to U.S.

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