



POLICY

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THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

December 9, 1982

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Israel

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: DoD-Related Issues Pending with Israelis (U) --
INFORMATION MEMORANDUM

(U) In the context of our decisions on Lebanon, you want to be aware of the following pending issues:

(U) The LAVI Project

(1) General Lapidot, the new Chief of Staff of the Israeli Air Force, (with your permission), brought a team here to brief DoD people on their project for this new fighter aircraft. The LAVI is meant to be a replacement of the A-4 and the KFIR, and seems to be of great importance to the Israelis from the point of view of the future of their aircraft industry. To go ahead with the LAVI project, however, they need technical assistance from us and would need permission (including Congressional approval) to use FMS funds. Some equipment and technology assistance for the LAVI, the Israelis say they need this month; other items they need in March.

(1) We are still evaluating the briefings on the LAVI recently given to us. Many people here have doubts about the project, not just from the point of view of creating pressures in the future for Israeli aircraft sales to third countries, but also whether this is a good allocation of economic resources for Israel's own defense. One might argue that it is their business how they want to allocate their defense money; but, in essence, it is US money, and Israel's security -- in a fundamental sense -- is also a US responsibility.

(1) The main thing to keep in mind is that our up or down decision on the LAVI project is of great importance to the Israelis in a political and a bureaucratic sense.

(U) Arrangements for "Lessons Learned"

(1) As you know, the draft agreement that Andy Marshall discussed with the Israelis is not yet ready for signature. There are some important differences left, both in terms of political symbolism and in terms of substance.

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On the other hand, the Israelis have started giving us some very valuable information already, to a large extent through service-to-service contacts.

(S) But Sam Lewis is deeply worried that Sharon had staked his prestige on the conclusion of a Lessons Learned agreement. Lewis argues we should conclude an agreement to avoid provoking some rash action on Sharon's part.

(S) I can't judge the seriousness of this Sharon factor. With your permission, I would like to explore some alternative arrangements, such as service-to-service agreements, or a collection of ad hoc arrangements under some vaguer umbrella agreement between DoD and MOD.

(S) In some sense, the Lessons Learned issue has curiously turned into an instrument of leverage in our hands, rather than Sharon's hands, perhaps as a result of Sharon's own ineptness on this. For we can coast along with a muddled-up situation more easily than he can. You should not, however, forget the delicate bottom line here; namely, that you have a responsibility to get the maximum potential benefits from these lessons to enhance our own security and protect the lives of our people. It is important, therefore, that we do not appear cavalier about whether or not we can get -- by one way or another -- the benefits of these lessons.

(U) The F-16

(S) As you know, the next shipment of 75 F-16s is still being held up since June 16, 1981. The Israelis are, of course, upset about this. We are also holding up "cluster bomb" ammunition, but that is of rather minor importance.

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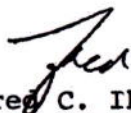
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(U) Security Assistance Funding for FY 1983

(U) The Administration, in its FY 83 request, proposed \$1,700 million FMS financing for Israel (\$500 million forgiven, \$1,200 million guaranteed credits), and \$785 million ESF.*

(U) The Senate Appropriations Committee marked up at the Senate Foreign Relations Committee levels; i.e., \$1,700 million with \$850 million forgiven. The House Appropriations Committee marks up the second FY 83 CR tomorrow, December 10. We expect \$200 million forgiven to be added for Israel for a total of \$750 million forgiven. Whether HAC will consequently increase the total FMS financing program by \$200 million to \$1,600 million or add guaranteed credits to give Israel the \$1,700 million program level is uncertain.

~~Conclusion~~ Clearly, on Security Assistance levels Congress makes its own decisions which tend to be imposed on the Administration. But on the rate of disbursement, the Administration has far more control.


Fred C. Ikle

*In the first CR, on October 1, Israel was given a level of \$550 million forgiven, within a program total of \$1,400 million. The House Foreign Affairs Committee, in its markup, would raise forgiven total to \$750 million, within the same total program of \$1,700 million. They did not add to proposed ESF. The Senate Foreign Relations Committee, still within the \$1,700 million total FMS financing program, would provide \$850 million forgiven and \$850 million guaranteed credits; i.e., making the entire \$300 million addition forgiven and thus returning to the old balance of 50% forgiven, 50% guaranteed credits. Per Senator Cranston's initiative, ESF would be raised to \$910 million (\$125 million more than the Administration requested) to cover payments due to the US on previous loans.

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