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18 SEP 1981 15 27

ASSISTANT SECRETARY OF DEFENSE

OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

I-24362/81

15 SEP 1981



INTERNATIONAL SECURITY AFFAIRS

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MEMORANDUM FOR DEPUTY SECRETARY OF DEFENSE  
THROUGH: UNDER SECRETARY OF DEFENSE FOR POLICY **D** 17 SEP 1981

SUBJECT: Buckley Mission to Pakistan (U)

(S) President Zia has accepted a new US offer of F-16 aircraft (and credits beginning in FY 83). (See Tab A for background notes left with Pakistanis.) In the process, he agreed to accept some of the new safeguards the IAEA insist on for the Pak reactor KANUPP.

(S) Whether Pakistan agrees to enough of the IAEA's new demands - spurred by discovery of mysterious lapses in which diversion of fuel could have occurred - remains to be seen. (The IAEA has a team in Pakistan now.) However, Jim Buckley made it clear that an IAEA finding that its safeguards at KANUPP were inadequate to detect diversion could occur just after Administration submission of the F-16 package to Congress.

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(S) Zia took Jim's point that an adverse IAEA finding could be fatal to the sale in Congress. The aircraft sale was worked out after the USAF took the initiative in negotiating a purchase of airframes and spares from Europe. There should thus be no significant adverse impact on US inventories.

(S) David Ransom, who accompanied Buckley, explained to Zia and others the severe limitations of the austere spare parts and support package being offered. He also explained the heavy cash burden Pakistan must bear in the next year - up to \$500 million - and the Pak liability for follow-on funding - or penalty charges in a cancellation - if FMS credits do not materialize. The background notes at Tab A are part of an effort to avoid misunderstandings with the Paks. They took the notes - and the explanation - without demurring.

(S) Zia accepted "without reservation," although he asked for delivery of eight rather than six aircraft in the first tranche, roughly October - December next year.

(S) The USAF will field a survey team ASAP and, shortly afterwards, the Paks will come to Washington to discuss details of the \$1.1 billion F-16 sale. They will also explain what Army equipment they want to buy. The latter will be difficult; the Paks may not have even the \$400-500 million needed before our credits start (hopefully) in October 1982.

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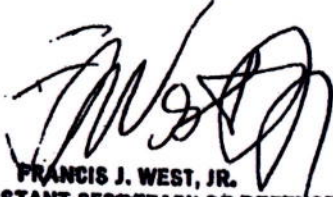
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the slightest interest in cooperation with us in military efforts in SWA. They did, however, make it clear that they intend to keep the Soviet's feet to the fire in Afghanistan, and that is the most important aspect of the "new relationship."

(S) We must still get the LOAs through Congress, unfortunately at the same time as we are arguing AMACS. Even if Pakistan gets over the IAEA hurdle this year, we will face it again next year when we argue for FMS credits.

(S) Despite the risks, there are real advantages in a resumed arms relationship with Pakistan. It joins a growing list of political military efforts of the new Administration in the area, e.g., expanded arms sales and security dialogue with Egypt, Morocco, Tunisia, Sudan, the AMACS sale, log planning in Jordan, steps toward a regional air defense in the Gulf.

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FRANCIS J. WEST, JR.  
ASSISTANT SECRETARY OF DEFENSE  
(INTERNATIONAL SECURITY AFFAIRS)

1/ Informal notification on 16 Sept.  
of 6 a/c in one year +  
34 a/c 27 months + here.  
To make payments, Saudis  
must advance more \$.  
Haig will ask Fahd this  
weekend in Spain.

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BACKGROUND NOTES

Delivery Schedules:

- Much improved: 6 aircraft at latest 12 months after LOA signed. LOA signature must follow 50 days review in Congress. Best effort will be made to deliver by October, 1982. Remainder of aircraft to start in 27 months after LOA and continue without interruption until 40 planes total reached in 47 months.

Support:

- Asters spares and ground support equipment for first six aircraft will mean reduced flying schedules (perhaps 6 to 10 hours a month per plane) and major repair of components in U.S.
- Civilian contractor maintenance required for these aircraft.
- Spares and ground support equipment must take into account availability to USAP.

Letters of Offer and Acceptance (LOA's):

- Two required, one for first six, second for remaining 34.
- First LOA anticipates purchase by USAP of six aircraft with spares from non-U.S. sources. It also includes program introduction costs and maintenance which will be of value in second LOA.
- Second LOA is necessary to support first 6 aircraft on a continuing basis as well as fund procurement of other aircraft plus bring Pakistani Air Force into full program capability. Without second contract additional support costs will be necessary for first contract 15 months after delivery of first aircraft.
- Site survey should begin immediately to identify support and training requirements.

Costs (Estimates):

- Overall cost: \$1.1 billion, to include funding for base infrastructure as well as increased funding for earlier delivery and more munitions.

	CY81	CY82	CY83	CY84
- 1st LOA	24M	135M	65M	0
- 2nd LOA	0	320M	360M	200M
	24M	455M	425M	200M

- No U.S. disbursements possible before LOA's signed and cash down payments made.

Congress:

- Administration will seek FMS credits in FY83 and following, so Pakistan must bear all costs through almost all CY82.

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