

07/01/87 09:47 *** To: NSPWR --CPUA

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NOTE FROM: William A. Cockell

Subject: S-W-C Breakfast 7/1: Rabin/Lavi

*** Forwarding note from NSWAC --CPUA 07/01/87 09:44 ***

To: NSGSG --CPUA Frank C. Carlucci NSWHC --CPUA

FRANK C. CARLUCCI

NOTE FROM: William A. Cockell

SUBJECT: S-W-C Breakfast 7/1: Rabin/Lavi

~~SECRET~~

Weinberger opened the discussion by asking who was briefed on the gameplan for dealing with Rabin. He didn't see "why we should pay for a plane we didn't start." What we have been talking about, he said, was 90m (in offsets) at the outside. Now Rabin's in with a whole raft of new demands. Taft commented that Rabin's position has the flavor of an opening offer. Weinberger responded that Rabin had moved "from an exorbitant to an unreasonable position." Shultz observed that Rabin's calls on Cap and himself were simply courtesy calls; "the business will be transacted with the Congress." Weinberger said he had heard that AIPAC was working against the Pell bill which would block reflagging. Shultz commented that Congress is right where it ought to be on the reflagging issue: expressing misgiving, but doing nothing about it. Wright's statement yesterday was actually constructive. Weinberger asked whether there was a concerted position on what to tell Rabin. Shultz agreed that we needed one, and tasked Bill Burns to get one together before Rabin sees Cap at 1100 today. Weinberger said the touchstone should be "that the money goes to strengthen the military." Termination costs shouldn't be high; it's a government-owned company. We've offered co-production; that should help take care of the skilled manpower issue. With regard to offshore procurement, Israel would be the only country allowed to do that; it would also impact the trade balance. The Israelis want two more years of offsets, he continued, at \$200m a year. We are proposing \$75m for one year. We shouldn't have to pay anything, actually, for something that we told them in '81 wasn't a good idea. Whitehead observed that the Israelis haven't actually cancelled the program yet. Cap went on to note that the Israelis also want to index the \$1.8B ... "retain the purchasing power of \$1.8B in 1983." Shultz commented that we need to get on with winding up the issue -- face the inevitable and put a package together that will get the program cancelled. Taft observed that we should go with "the F-16 part and speedy delivery." The offsets are harder because "anything you buy in Israel you can also buy other places -- oranges, for example, in Spain. Cap said our position shouldn't go beyond two years at \$75m. Shultz asked what was wrong with the Lavi. Cap replied that it's a "good second rate aircraft." It's not as good as the F-16; and any time you set out to design a totally new aircraft, it's going to be a very expensive proposition. One thing that had motivated the Israelis was the prospect of an export market for the plane -- sales, e.g., to South Africa. Shultz asked where we stood now

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on FSX. Cap said it was hard to tell. The Japanese were being guided by three principles: a decision will not be based on commercial pressures; it will be based on interoperability; and a third principle which he could not recall. Like the Bible, he said, the principles are capable of varied interpretations. We pushed for a US airframe -- that's particularly important with a small buy (170 aircraft in this case). On the Toshiba case, the Japanese are eager to get on with the project of helping us recover the ASW capability we have lost. They are willing to finance a large part of the research. We told them it is important for them to move fast, or Congress will get ahead of them. Cap noted that he had read that the Senate had voted a two year ban on Toshiba products yesterday. He would talk to Garn about that. Colin indicated that Garn was hard over on the issue. Shultz said he had read the President of the company had resigned. Cap indicated that the Japanese are concerned that there be no public linking of their help with ASW research and the Toshiba case. Cap told them that it was inevitable that the two eventually would be associated; but that we would not make any explicit linkage. ~~SECRET~~

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COLIN L. POWELL Colin L. Powell

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