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By: **MB** Date: **04/09/02**

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ACTION: Amembassy TEHRAN PRIORITY

INFO: Amembassy BRUSSELS FOR AMBASSADOR MACARTHUR
CINCSTRIKE /CINCMEAFSA
CSAF

STATE
JOINT STATE/DEFENSE MESSAGE
REF: Tehran 4760; State 179726 ^{nc} NC

1. In response to query about USG position on 7th and 8th squadrons F-4E's you should inform GOI that we recognize fully it entirely within GOI prerogative as well as its responsibility to determine military forces it requires to provide for its security. As a close friend whose advice is being sought on a wide range of military questions, however, we feel that we would be derelict were we not to make known insofar as possible factual considerations we see which would help the GOI to make sound and informed decisions. In the specific case of additional squadrons of F-4's, we assume that the GOI would wish to consider carefully and fully such questions as IIAF ~~capacity~~ ^{capability} to absorb and use aircraft in terms of manpower, training, maintenance facilities, possible less costly alternatives such as the F-4E(F), and

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PM - Mr. Chapman
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the financial impact additional acquisitions may have on its other military purchase plans. We hope these considerations will be illuminated by the Toufanian-Twitchell study which is still in progress and that the GOI will not feel compelled to reach decisions of this importance until this study has been concluded. We also assume that the GOI will wish to consider with us the possible impact additional acquisitions ~~w~~ could have on the regional arms balance as we are certain they share our hope that an arms race in the area can be avoided.

2. In connection with the time factor we appreciate GOI's desire to minimize possibility that a deferral of a decision to acquire additional F-4's may prove more costly. We understand further that it must address itself by December 1, 1970 to a letter of intent it gave ~~McDonnell~~ McDonnell-Douglas in September indicating its desire to acquire 73 F-4E's and 4 RF-4's. We have discussed this matter with McDonnell-Douglas and have been assured of McDonnell-Douglas willingness to td

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convert the September letter of intent into two arrangements: (a) a contract for 39 F-4E's and 4 RF-4E's, sale of which has been approved by USG in response to GOI request. (As Embassy aware, we understand financing not yet arranged for 7 of 39 F-4's, a fact which we assume GOI will want to take account of before signing on dotted line); and (b) a new option for 34 F-4E's which need not be exercised before March 1, 1971 which stipulates there will be no rpt no change in price, terms or delivery schedules from those embodied in current letter of intent. FYI It noted that current letter of intent envisages delivery of all 77 aircraft by December 1974. McDonnell-Douglas has furnished us copy of October 31 message from Gen. Toufanian which indicates QUOTE final decision UNQUOTE to have 25 aircraft delivered during calendar year 1973, 24 aircraft delivered during 1974, and 24 aircraft delivered during 1975. McDonnell-Douglas asserts this new GOI delivery schedule will cause costs to

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June 21, 2006

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rise above those cited in letter of intent because all F-4E production is currently projected to cease at end of calendar year 1974 except for production for GOI. McDonnell-Douglas now calculating cost estimates for latest GOI delivery schedule and we expect they will be forthcoming shortly. END FYI.

3. As to question of transferring F-4E and/or RF-4E negotiations into FMS channels (Tehran 4772) ^{NC} wish to point out that SecDef 9029 September 2, 1970 was not intended to convey impression that USG unalterably opposed to this possibility. It was intended to convey our belief that we could not appropriately comment on the details of direct negotiation between private company and the GOI, a process to which we were not a party. We appreciate Embassy observation that in spite of rapid advances GOI may not yet be prepared to fully understand or deal with complex issues involved in negotiating a contract for highly sophisticated and expensive items such as F-4's. We are therefore willing consider

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your suggestion that USG handle transaction through FMS channel. We have not yet ~~resolved~~ worked out with USAF how such changes might affect December 1 time table. In so advising the GOI, however, it requested you indicate that any FMS negotiation would be on estimated cost basis with GOI having to pay any increases or contrarily benefiting from any decreases arising out of changes in McDonnell-Douglas production schedules. We understand GOI has already rejected such an arrangement with McDonnell-Douglas and has elected for a fixed price arrangement. If this a major consideration ^{should} in their thinking they ~~could~~ be aware of limitations in going FMS route. Further, of course, is fact that delivery schedules and option possibilities would not be altered by our entry into the negotiating process. It also our understanding that furnishing of RF-4E GFE items by USAF to GOI by means of letter of offer with delivery to GOI representative in St. Louis has worked very smoothly. Our entry into the picture could necessarily entail added steps which could slow up somewhat

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the entire process. In asking GOI to weigh advantages and disadvantages of FMS procedure as they see it they should clearly understand that if they choose to continue on the direct commercial route we will be, as we have up to now, constrained from commenting on various aspects of the negotiation.

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End

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