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THE SECRETARY OF DEFENSE
WASHINGTON

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Honorable William P. Rogers
Secretary of State
Department of State
Washington, D.C. 20520

Dear Bill:

The imminent termination of the F-5A production line reduces and complicates the possible options open to us in handling the Libyan F-5 question.

Since June 1971, when we released the six F-5As from storage, we have relied on earmarking aircraft from future production for Libya in order to avoid storage costs. The last aircraft from the production line, earmarked for Libya, will be completed at the end of March. One RF-5 is currently in storage, and one F-5B is on 30-day recall.

We must now consider whether we want to continue to defer a decision on delivery and place the aircraft in storage, or choose from the other options that have been proposed in the past, e.g., agree to deliver eight F-5Bs (trainers) or agree to a delivery from the Spanish facility.

Storage costs (about \$1850 for each aircraft a month) will become increasingly difficult to fund and, while adding to unit costs, diminish the possibility of selling them to other recipients. Consequently, we need to resolve this matter at an early date and, in any event, before the end of March.

The legal restriction raised in your letter of 15 December--that we are constrained by Section 9 of the Foreign Military Sales Act from agreeing to third-country transfers of equipment that the U.S. itself is not willing to transfer--only applies to equipment sold under FMS or provided under grant MAP. I understand that the U.S. Air Force has determined that the Spanish F-5 facility is supported entirely from commercial sources. Consequently, the constraints under Section 9 would not arise.

I believe our considerable interest in Libya can best be promoted by offering to deliver the trainer version, preferably from the U.S. but alternatively from Spanish production (similar to the proposed Italian M-113 sale). Despite the nil practical effect of such deliveries on the Mid-East arms balance, I recognize the potential for a publicity effort

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to argue the contrary. Juxtaposed against our recent substantial and highly publicized aircraft sales to Israel, I can only conclude that an effort to ballyhoo the sale of eight trainers would fall flat. A decision to provide F-5Bs ourselves, however, would have to be made before April 1, in order to avoid a significant break in the production line and the associated much higher costs.

Sincerely,

A handwritten signature in black ink, appearing to read "S. S. S. S.", with a long vertical line extending downwards from the end of the signature.

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