

Message Text

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ORIGIN PM-07

INFO OCT-01 EA-11 ISO-00 L-03 TRSY-11 CIAE-00 INR-10

NSAE-00 RSC-01 EB-11 COME-00 AID-20 IGA-02 MC-02

OMB-01 /080 R

DRAFTED BY PM/SAS:DWMCCCLINTOCK:RG

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EA - AMB. SULLIVAN

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA

INFO DOD

CINCPAC HONOLULU HI

C O N F I D E N T I A L STATE 081620

E.O. 11652: GDS

TAGS: MASS, RP, US

SUBJECT: M-16 COPRODUCTION AGREEMENT

REF: MANILA 4381

1. FOLLOWING IS POINT-BY-POINT ASSESSMENT OF EMBASSY'S PROPOSED CHANGES TO M-16 DRAFT MOU, TO WHICH DEPARTMENT HAS GIVEN CAREFUL CONSIDERATION. AMBASSADOR SULLIVAN HAS CLEARED THIS MESSAGE.

2. KEY PROBLEM (REFTEL PARA 1) APPEARS TO BE INTERPRETATION OF BASIC THRUST OF AGREEMENT, I.E., WHETHER GOVERNMENT-TO-GOVERNMENT OR COMMERCIAL ASPECTS SHOULD BE EMPHASIZED. POLITICAL ASPECTS, NOT RPT NOT COMMERCIAL BENEFITS OF COLT-GOP AGREEMENT, PROVIDED BASIS FOR DEPARTMENT SUPPORT
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OF PROJECT AND WILL BE BASIC THRUST OF OUR JUSTIFICATION

TO CONGRESS. THEREFORE, DEPARTMENT BELIEVES IT WOULD BE APPROPRIATE TO EMPLOY STANDARDIZED LANGUAGE THAT CORRECTLY REFLECTS USG INTERESTS UPON WHICH INTER-AGENCY APPROVAL OBTAINED.

3. ABOVE COMMENTS APPLY AS WELL TO REFTEL PARA 2. WITH REGARD TO LAST SENTENCE, PARA 2, IT SHOULD BE NOTED THAT USG WILL INCUR IMPLICIT RESPONSIBILITIES BEYOND MERE PROVISION OF FMS CREDIT AND EXPORT LICENSES. PROJECT WILL REQUIRE CAREFUL MONITORING THROUGHOUT ALL STAGES IN VIEW OF CONGRESSIONAL AND OTHER USG RESTRICTIONS ON END-USE; FROM BOTH FINANCIAL AND TECHNICAL ASPECTS, M-16 PRODUCTION PROGRAM IS SUFFICIENTLY COMPLEX THAT NEED FOR USG-GOP CONSULTATIONS COULD BE ANTICIPATED AT VARIOUS STAGES.

4. DEPARTMENT APPRECIATES GOP MOTIVATIONS AND UNDERSTANDINGS EXPLAINED IN REFTEL PARA 3. HOWEVER, IT SHOULD BE UNDERSTOOD THAT FMS FINANCING OBTAINABLE ONLY ON TERMS ALLOWED BY FOREIGN MILITARY SALES ACT, AS AMENDED. DUE TO CONGRESSIONAL REPORTING REQUIREMENTS SET FORTH IN SECTION 42(B) OF THIS ACT, WE ARE UNWILLING TO SUBSTITUTE TERM "PRODUCTION" FOR "CO-PRODUCTION" WHERE IT NOW APPEARS IN TEXT (REFTEL PARA 4).

5. USG INDEED SUPPORTS GOP ATTEMPT TO ACHIEVE REASONABLE DEGREE OF MILITARY SELF-RELIANCE; THEREFORE, SUBSTITUTION SUGGESTED IN REFTEL PARA 5 IS ACCEPTABLE AND HEREBY AUTHORIZED.

6. RE REFTEL PARA 6, PRODUCTION FIGURES IN DRAFT INTENTIONALLY INCLUDED IN MAIN BODY OF MOU AS WELL AS ANNEX A TO AVOID ANY MISUNDERSTANDING CONCERNING MAXIMUM LIMITS, WHICH PEGGED SPECIFICALLY TO INTERNAL PHILIPPINE REQUIREMENT ONLY (SEE ALSO PARA 14 BELOW).

7. MOU PARA 6(2) IS BASIC STATEMENT OF FMS CREDIT TERMS AND THUS FORMS CRUX OF AGREEMENT. DRAFT TEXT IS BASED ON SPECIFIC LANGUAGE PROVIDED BY TREASURY, WHOSE CONCURRENCE IS NECESSARY.

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8. MOU PARA 6(3)B DOES NOT NECESSARILY RESTRICT PROCUREMENT TO U.S. OR PHILIPPINES SOURCES, SINCE ALTERNATE ARRANGEMENTS CAN BE MADE WITH AGREEMENT OF BOTH PARTIES. THIS CLAUSE INSERTED IN VIEW OF BOTH EXECUTIVE BRANCH AND CONGRESSIONAL INTEREST IN U.S. BALANCE-OF-PAYMENTS; IF ALTERNATE PROCUREMENT ARRANGEMENTS BECOME NECESSARY FOR PURPOSES OF PROJECT IMPLEMENTATION, USG COULD GIVE PROMPT CONSIDERATION.

9. DEPARTMENT ACCEPTS EMBASSY'S SUGGESTION RE SUBSTITUTION OF WORD "PRODUCTION" FOR "ASSEMBLY" IN MOU PARA 6(4)C AND AUTHORIZES THIS CHANGE.

10. IN LIEU OF CHANGE SUGGESTED IN REFTTEL PARA 10, DEPARTMENT AUTHORIZES FOLLOWING LANGUAGE FOR MOU PARA 7(A): "THE GOP WILL NOT SELL, EXPORT, OR OTHERWISE TRANSFER TITLE TO OR POSSESSION OF RIFLES, COMPONENTS, PRODUCTION EQUIPMENT, DOCUMENTATION OR ANY OTHER ITEM PURCHASED OR RECEIVED FROM THE USG UNDER THE PROGRAM TO ANYONE NOT AN OFFICER OR EMPLOYEE OF THE GOP WITHOUT THE WRITTEN CONSENT OF THE USG. THIS RESTRICTION SHALL NOT APPLY TO ITEMS OF A NON-WEAPONS NATURE THAT ARE UNRELATED TO THIS PROGRAM BUT ARE MANUFACTURED SEPARATELY IN THE SAME PRODUCTION FACILITY."

11. RE REFTTEL PARA 11, FOREGOING DEPARTMENT COMMENTS CONCERNING CO-PRODUCTION ASPECTS OF AGREEMENT WILL EXPLAIN INCLUSION OF CLAUSE RELATING TO LIAISON OFFICERS.

12. WE DO NOT CONCUR IN USE OF MORE DISCRETIONARY LANGUAGE IN MOU PARA 9. AS EMBASSY AWARE, M-16 IS COMPLEX WEAPON, SUCCESSFUL MANUFACTURE OF WHICH REQUIRES EXTREMELY CLOSE MACHINING TOLERANCES. RELAXING OF STANDARDS WOULD LIKELY RESULT IN IMPROPER WEAPON PERFORMANCE, WHICH IN TURN COULD GENERATE COLT-GOP DISPUTES AND NECESSITATE UNDESIRED USG-GOP ARBITRATION.

13. DEPARTMENT AUTHORIZES DELETION OF MOU PARA 11.

14. EMBASSY SHOULD BE AWARE OF DIFFICULTIES ENCOUNTERED IN INTER-AGENCY CLEARANCES PROCESS WHICH ATTEST TO CLOSE CONFIDENTIAL

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SCRUTINY BEING GIVEN TO PROJECT JUSTIFICATION. WHITE HOUSE (OMB) FUNDING APPROVAL LETTER TO UNDER SECRETARY DONALDSON SPECIFICALLY STATED THAT DEPT RECOMMENDATION ACCEPTED IN LIGHT OF AMBASSADOR'S "EXPRESSED VIEW THAT APPROVAL OF AND PARTICIPATION IN THE PROJECT WILL YIELD SUBSTANTIAL BENEFITS IN THE UPCOMING BASE NEGOTIATIONS". OMB APPROVAL (WHICH ALSO REFLECTS NSC VIEWS) FURTHER SUBJECT TO UNDERSTANDING THAT: A) "NO RIFLES WILL BE MANUFACTURED FOR EXPORT FROM THE PHILIPPINES;" B) "NUMBER OF RIFLES PRODUCED WILL NOT EXCEED THOSE REQUIRED BY PHILIPPINES ARMED FORCES;" AND C) "EVERY EFFORT WILL BE MADE TO CAUSE MINIMUM DISRUPTION OF THE OTHER PROJECTS BY THE DIVERSION OF CREDITS FOR THIS PROGRAM." REQUIREMENT A) SHOULD BE SATISFIED BY WORDING OF DRAFT MOU

PARA 7(A). TO MEET REQUIREMENT B), DEPARTMENT PROPOSES ADDING FOLLOWING PHRASE AFTER LAST WORD "ESTIMATES" IN MOU DRAFT PARA 1: "FOR USE SOLELY BY THE PHILIPPINES ARMED FORCES." IN DEPARTMENT VIEW, REQUIREMENT C) DOES NOT NECESSITATE SPECIFIC REVISION OF TEXT, BUT NEVERTHELESS POINT SHOULD BE UNDERSTOOD AND OBSERVED BY BOTH PARTIES. ANY LESS RESTRICTIVE AGREEMENT THAN THAT ENVISIONED BY THE DRAFT MOU WOULD BE UNLIKELY TO SURVIVE THE INTER-AGENCY CLEARANCE PROCESS.

15. EMBASSY WILL BE AUTHORIZED TO DELIVER PROPOSED MOU, SUBJECT TO CHANGES ENUMERATED IN THIS MESSAGE, TO GOP OFFICIALS UPON APPROVAL OF CIRCULAR 175 CLEARANCE. ANY CHANGES IN MOU WILL BE SUBJECT TO AD REFERENDUM CONCURRENCE BY DEPARTMENTS OF STATE AND DEFENSE. DOD REPS WILL ARRIVE MANILA APRIL 30 RPT APRIL 30 TO ASSIST, AS

APPROPRIATE, IN DISCUSSIONS WITH GOP WHICH WILL COMMENCE AFTER CIRCULAR 175 APPROVAL HAS BEEN TRANSMITTED TO EMBASSY. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARMS, PROGRAMS (PROJECTS), CREDIT AGREEMENTS, MILITARY SALES, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE081620
Document Source: CORE
Document Unique ID: 00
Drafter: DWMCLINTOCK:RG
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740094-0626
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740424/aaaaauuu.tel
Line Count: 189
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: MANILA 4381
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2002 by shawdg>; APPROVED <13 FEB 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: M-16 COPRODUCTION AGREEMENT
TAGS: MASS, RP, US
To: MANILA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005