Case Number: 2009-0528-F

FOIA MARKER

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Folder Title:
Boeing Sale-Korea

Staff Office-Individual:
International Economic Affairs-Bruns, James

Original OA/ID Number:
3194

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38	2	5	2	V

UNCLASSIFIED FAX

THE NATIONAL SECURITY COUNCIL AND THE NATIONAL ECONOMIC COUNCIL OF THE WHITE HOUSE

SENDER: JAY BRUNS, INTERNATIONAL GROUP

WH PHONE: (202) 456-9283
WH FAX: (202) 456-9370

DATE: 11/13/00 PAGES (INCLUDING COVER SHEET): 3

SUBJECT: Congressional letter re Korea F-15 Sale

TO: PHONE: FAX:

John Duncan - NSC/NEC.

John - could you please get a copy of this letter into Gene's briefing book? I told him in my memo that we'd get a copy of this to him.

Jay

Congress of the United States
Washington, DC 20515

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of the many thousands of employees who labor to build the F-15 Eagle aircraft, we would like to bring to your attention a critical international opportunity for this aircraft that will require the strong support of the U.S. Government.

The Republic of Korea has a requirement for 40 Next Generation Fighter aircraft, capable of performing air superiority and deep strike missions, to replace its aging fleet of F-4D/Es and F-5 fighters. The Korean government has solicited bids internationally to fulfill this requirement, and recently down-selected to four competitors – the Eurofighter Typhoon (Britain, Italy, Germany and Spain), the Dassualt Rafale (France), the Sukhoi Su-35 (Russia) and the Boeing F-15, the only American fighter aircraft in this competition.

We are convinced that purchase of the F-15 aircraft is in the best interests of both the Korean and U.S. governments. As you know, the F-15 is the preeminent strike fighter aircraft in the world, and its capabilities will greatly enhance Korean security and regional stability. The presence of this aircraft in the Korean inventory will also serve to strengthen U.S.-Korean military cooperation, and significantly advance the long-term interoperability of our forces. Such a sale would also help sustain an industrial base and workforce that are essential to our government's continued development and production of advanced fighter aircraft.

In light of the above, it will be important for all relevant U.S. government agencies to work together to support the F-15 in this competition. We therefore urge you to instruct the Departments of State and Defense to ensure that prompt consideration is given to issues associated with the sale that come under their jurisdictions. We also would appreciate the strong advocacy of the Departments of Commerce and Treasury in promoting the many benefits of an F-15 purchase. The active support of these agencies is critical at this time, since we expect other governments to be undertaking similar efforts in advance of the Republic of Korea's deadline for best and final offers on January 1, 2001.

Mr. President, given the importance of this competition to both the Republic of Korea and our nation, we also request that you personally convey to President Kim the significance the U.S. Government attaches to the selection of the F-15 and its relevance to our overall bilateral relationship. Specifically, we would appreciate your raising this matter with President Kim when you meet with him next month at the Asia Pacific Economic Cooperation summit in Brunei.

We appreciate your personal attention to this matter, and look forward to working with you on it in the weeks and months ahead.

Sincerely,

Sen. Christopher S. Bond

Sen. John Ashcroft

Sen. Richard J. Durbin

Sen. Olympia J. Snowe

Sen. Max Cleland

Sen. Susan Collins

Rep. Richard A. Gephardt

Rep. Ike Skelton

Rep. James Talent

Rep. Roy Blunt

Rep. Kenny C. Hulshof

Rep. William Clay

Rep. Rosa Delauro

Rep. Nancy Johnson

Rep. James H. Maloney

Rep. John M. Shimkus

Rep. Jerry Costello

Rep. Steven Kuykendall

The Korean Air Force is modernizing its fleet, and is expected to buy 40 new fighter aircraft. The American F-15 is among the aircraft Korean officials are considering. Competitors are the French, the Russians, and a European consortium including the British, Germans, Spanish and Italians. The CEOs of Boeing, Honeywell, Raytheon, GE Aircraft Engines, Northrop Grumman and United Technologies have written a joint letter to you asking for you to convey to President Kim the importance your Administration attaches to his government's selection of the F-15. The CEOs maintain that the sale would not only provide future employment to over 25,000 industry personnel, it would also complement the U.S. force structure now in the Pacific, support our key ally, help our balance of trade with Korea. We agree that we should support this sale. Evaluations of the respective aircraft are now underway; the Koreans are expected to make a final decision in June.

TALKING POINTS:

-- I understand that the Korean Air Force is modernizing its fighter aircraft fleet, and is considering the purchase of F-15s.

-- My Administration attaches great importance to this sale. Aside from the economic benefits, I believe that your having modern U.S. fighter aircraft would complement our force structure in the Pacific.

-- I hope that you will decide on the American competitor.

29 September 2000

BACKGROUND

The Republic of Korea Air Force has a requirement for 40 Next Generation Fighter (F-X) aircraft, capable of performing air superiority and deep strike missions, to replace its aging fleet of F4D/Es and F-5s. The Korean government has down selected to four competitors -- the Eurofighter Typhoon, the Dassault Rafale, Russian Sukhoi Su-35, and the Boeing F-15. The F-16 was eliminated from the competition because of the Korean Air Forces' requirement for a twin-engine aircraft. The final RFP was issued on 8 April '00 and our response was delivered 30 June. Our configuration includes the APG-63 (V1) radar with air-to-air and air-to-surface modes, the Advanced Display Core Processor (ADCP) and the Digital Map Set (DMS).

CURRENT STATUS

Competitor aircraft flight evaluations are scheduled from August to November 2000. The team will be in the US from 17 September until 13 October. The flying portion of the evaluation will be conducted at Elmendorf AFB, Alaska during the first two weeks of October. A final decision is planned for June with a contract in December 2001. The current approved budget for the F-X program is $4 Billion.

ISSUES

- F-15 production line status.
- Perceived increases in program and flyaway costs since our 1999 proposal. There is some due to increase in scope (IRST) and economics.
- Long term supportability and the ability to buy 40 more starting in 2010.
- The myth of "old technology" when the F-15K will have all new and improved systems.
- The notion that an APG-63 (V1) must be inferior to the APG-70 or any higher numbered radar.
- Releaseability issues for NATO, NATO-Allies, and Non-NATO countries.

TALKING POINTS

- The F-15K aircraft represents a unique opportunity to support key U.S. ally forces and enhance U.S. national security policy to foster long-term stability in the Asia-Pacific region.
- The F-15K complements U.S. force structure currently deployed in the Pacific Theater.
- The Boeing F-15K is the only U.S. competitor bidding on this program. A Boeing win would provide a sizable increase in the U.S. balance of trade with Korea.
- The Koreans are going to purchase a fighter with strategic capabilities. Should this competition be won by either of the European competitors (Eurofighter or Rafale), the competitive landscape for future fighter competitions worldwide will be altered in favor of the Europeans.
- The F-15 line is producing F-15Es for the USAF and is scheduled to remain active until the F-15K goes into production.
- A 40 aircraft F-15K program would keep the assembly line open and allow for additional foreign purchases of the F-15. A Boeing win would keep the production line open through 2007.
- The F-15K is the most modern and capable dual-role fighter in the world and will be a key part of the USAF inventory beyond 2030.
- Raytheon's APG-63 (V1) radar is the newest and most capable radar flying today. It is based on the APG-70 but delivers better radar performance with better maintainability and reliability. It is also the only radar available that can accept an Active Electronically Scanned Antenna (AESA), as on the F-15Cs' APG-63 (V2) radar.
- Honeywell's Advanced Display Core Processor (ADCP) is the newest processor in development and will provide exceptional performance for the F-15K well into the 21st Century.
- General Electric and Pratt & Whitney will be offering their F-111-129 and F100-229 engines respectively.

Korea Campaign Update

F-X Competition

2 October 2000

Boeing Limited
Competition Sensitive

F-X Program Overview

- 40 Long Range Multi-Mission Aircraft to Replace F-4/F-5 Fleets
- Competition
  - EFA-2000, Rafale, Su-35, F-15K
  - F-16X and F-18E/F Were Eliminated After RFI Evaluation
- Background
  - RFI Released Nov 97 - Response Jan 98
  - 1 Year Program Slip Due to Economy
  - RFP Released 8 April 00
  - Proposal (Hangul) Delivered 30 June 00

Look-Ahead

• F-15K T&E (U.S.)	On-going through 13 Oct 00
• Negotiations Begin	23 Oct 00
• Rafale T&E (France)	23 Oct 00 - 17 Nov 00
• EFA T&E (Spain)	20 Nov 00 - 15 Dec 00
• Effectiveness Analysis Complete	31 Dec 00
• Cost Analysis Complete	1 Mar 01
• Negotiations Complete (Model Contract)	1 Mar 01
• T&E Final Report Complete	1 Mar 01
• Selection Announced	1 Jul 01
• Contract Award	TBD

Product Requirements

- Unclassified Requirement - "F-15E Class" Aircraft
    - 2 Engines
    - +9 to -3 g
    - > 11 Stations
    - All Weather
    - IRST

  Mach 1.8 (Rafale)
  > 15,400 lbs Stores
  A/A and A/S
  Terrain Following
- Classified Requirements Are Also Consistent With F-15E System Capabilities
- Actual Threats and Scenarios Differ from Public Perspective

Cost and Offset Requirements

- $4B (TY) Funding Available (Program Cost Cap Per RFP)
- 30% Minimum Offset Requirement
  - $1.2B Minimum Offset Obligation
- 129 Discreet "Offset Requirements" Identified in RFP With Twelve (12) Designated Korean Industry Partners (KIPs)
  - Project Priorities Not Specified in RFP
- Two Proposals
  - Direct Commercial Sale (Boeing Is Prime)
  - License Production (KAI Is Prime)

Judson L. Bruns
10/06/2000 04:16:03 PM

Record Type: Record

To: Dorothy Robyn/OPD/EOP@EOP

cc:
Subject: UPDATES for Gene's blue folder

Dorothy - meant for you to get a copy of this, since you told me about how important Boeing stufff is. Also, were you able to get to Cameron Munter what he needed to answer that letter? Thanks, Jay

---------------------- Forwarded by Judson L. Bruns/NSC/EOP on 10/06/2000 04:26 PM ---------------------------

Judson L. Bruns
10/06/2000 03:52:32 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: UPDATES for Gene's blue folder

BOEING Campaign to Sell F-15s to South Korea: Boeing, Pratt & Whitney and Ratheon came in this week to inform us about their bid for the Korean Air Force's requirement for 40 next generation fighter aircraft. The South Korean budget for the buy is $4 billion. If Boeing wins, it would add another four years to the life of their production line in St. Louis. There are no other U.S. competitors. The negotiations between the Koreans and the bidders (France, Spain and Russia) begin this month; the Koreans are scheduled to decide on July 1. Our companies are confident of their chances, but hope that we can support them in our conversations with Korean government officials. We need to keep this talking point in mind when we meet with the Koreans.

U.S.-CANADA SOFTWOOD LUMBER: Richard Fisher today asked agencies to start gathering data and analysis on the U.S.-Canada softwood lumber issue. He wants to be able to tell Sen. Baucus and other Senators that he is working on the issue when he meets with them. That meeting is likely to take place on October 19.

U.S.-Japan Autos: The Japanese have turned down our proposal to meet late next week; they are counter-proposing dates in late October. At the meeting, Bob LaRussa and Robert Novick would plan to present our concept paper for a follow-on agreement to the auto and auto parts agreement, which expires on December 31.

Sudanese Gum Arabic: State is likely to authorize soon a limited waiver for U.S. processing companies to import gum arabic from Sudan. (Gum arabic is used in many products, including pharmaceuticals and coca cola. Other countries, such as Chad, also produce it, but our companies have run into difficulties getting the quality and volume they need from other sources.) Al Larson has spoken with reps of the U.S. companies to determine how much gum arabic they need to stay in business. State has authorized such limited waivers have been granted twice in recent years.

Message Sent To:

Christopher M. Wanken/OPD/EOP@EOP
Amy Mall/OPD/EOP@EOP
Joseph N. Crisci/OPD/EOP@EOP
David Tseng/OPD/EOP@EOP
Richard M. Samans/OPD/EOP@EOP
John D. Duncan Jr/NSC/EOP@EOP
Robert F. Wescott/OPD/EOP@EOP
Charles L. Pritchard/NSC/EOP@EOP
Sarah Rosen Wartell/OPD/EOP@EOP
Richard B. Norland/NSC/EOP@EOP
Daniel H. Rosen/OPD/EOP@EOP

SENSITIVE BUT UNCLASSIFIED TABS

November 12, 2000

TO: Gene Sperling

FROM: Jay Bruns

SUBJECT: Possible F-15 Fighter Sale to Korea

The Korean Air Force is in the process of modernizing its fighter aircraft fleet. The Koreans need to replace their aging F4D/Es and F-5s. They are looking for an aircraft that can perform deep strike missions. **They are prepared to buy 40 aircraft, and have to date approved a $4 billion budget for the program.** The competition is down to four aircraft, only one of which American. Among the requirements that the Koreans designated in the request for proposal: two-engine aircraft capable of mach 1.8. (The Koreans eliminated the F-16 from the running because it is one engine.)

The competitors to the F-15 are the French Dassault Rafale, the Eurofighter EF2000 Typhoon (a UK/German/Spanish/Italian consortium) and the Russian Sukhoi Su-35.

As you know, **the CEOs of Boeing, Honeywell, Raytheon, GE Aircraft Engines, Northrop Grumman and United Technologies wrote to President Clinton** to urge that he stress to President Kim that his Administration supports this sale when they meet in Brunei. (Letter attached at TAB 1.)

Boeing currently has an **F-15 production line in St. Louis**. Current orders will carry the production line through to 2003; **if they win the Korea contract, the life of the production line would be extended another four years, until 2007**. Having the production line stay open offers further opportunities for foreign sales of additional F-15s. The CEOs also argue that keeping the production line open will **provide future employment to over 25,000 in the industry**.

Representatives of Boeing, Raytheon and Pratt & Whitney called on me last month to discuss the jet fighter sale to Korea. **They informed me that they are reasonably confident of their chances to make the sale for several reasons:**

- The U.S. bid meets the requirements in the Korean RFP.
- Our industry reps believe that the Korean Air Force wants to buy the U.S. planes, but the Korean Air Force still needs to persuade the Korean Government.
- The Korean Air Force has to date almost never purchased non-U.S. aircraft.
- U.S. companies have experience in working with Korean offset requirements.

The U.S. reps said that they do not believe that the Russian bid will be considered seriously by the Koreans. They said that the Russians have a rather large bilateral debt burden with the Koreans, and the Russian offer is a form of debt repayment because their planes would be offered at very cheap prices. Our industry reps thought that the Koreans are looking for more capable planes. They are **more worried about both European entries**, and seemed concerned about the Europeans' potential ability to undercut them on initial price. They believed that the Korean Government would push the air force to squeeze the competitors on price. Still, our company reps felt that international experience thus far with European fighter jets is that maintenance costs turn out to be substantially higher than forecast.

Among the other points that the U.S. companies make in favor of pushing hard for its sale:

- supports a key ally and fosters long-term stability in Asia-Pacific
- Complements U.S. force structure currently in the region.
- helps with U.S.-Korea balance of trade.
- **IF** the Europeans should win, it may shift balance for future competitions worldwide in favor of the Europeans.

I understand that **Dick Gephardt has also sent a letter** asking the President to weigh in with Kim. I'll forward it when I get a copy.

TAB 1: CEOs letter to POTUS
TAB 2: Boeing background papers (Sensitive but Unclassified)

October 27, 2000

The Honorable William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue, Northwest
Washington, D.C. 20500

Dear Mr. President:

The Korean Air Force (ROKAF) is in the process of modernizing its fighter aircraft fleet. Currently, the ROKAF is considering the American F-15, the French Dassault Rafale, the British/German/Spanish/Italian Eurofighter EF2000 Typhoon, and the Russian Sukhoi Su-35. A decision on aircraft selection is expected within the next ten months. The ROKAF would like to strengthen its deterrent capabilities against potential long-range regional threats. Since the F-15 is the only American fighter in this competition, we are hoping to secure your active support and the support of the entire Administration for the sale of this aircraft to the Government of Korea.

While modernization of the Korean aircraft fleet will be a long-term process, evaluations are currently underway and decisions on the fighter competition will be made soon. Sale of the F-15 to Korea presents the United States with a unique opportunity to support a key U.S. ally. Korean flown F-15s would complement U.S. force structure currently deployed in the Pacific and the revenues associated with such a sale would provide a sizable increase in the U.S. balance of trade with Korea.

The Koreans intend to purchase a fighter with strategic capabilities. A sale of the F-15 to Korea will ensure that the F-15 production line will continue operating through 2007 and will provide future employment to over 25,000 U.S. industry personnel. Your strong support for the sale of F-15s to Korea will help provide quality jobs to thousands of people across the United States.

We hope that you will convey to President Kim, when you meet with him next month in Brunei, the importance your Administration attaches to the selection of the F-15 by the government of Korea.

Thank you in advance for your support of this important initiative.

Sincerely,

Phil Condit,
Chairman and CEO
The Boeing Company

W. James McNerney, Jr.
President and CEO
GE Aircraft Engines

Michael R. Bonsignore
Chairman and CEO
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Kent Kresa
Chairman, President, and CEO
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Daniel P. Burnham
Chairman and CEO
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George David
Chairman and CEO
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Cc: William S. Cohen, Secretary of Defense
Madeleine K. Albright, Secretary of State
Norman Y. Mineta, Secretary of Commerce
Lawrence H. Summers, Secretary of the Treasury
National Security Council

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- The F-15K aircraft represents a unique opportunity to support key U.S. ally forces and enhance U.S. national security policy to foster long-term stability in the Asia-Pacific region.
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Korea Campaign Update

F-X Competition

2 October 2000

F-X Program Overview

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    - > 11 Stations — A/A and A/S
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