



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

18 DEC 1975

INTERNATIONAL
SECURITY AFFAIRS

I-13070/75

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: F-16 Production Work in Belgium - ACTION MEMORANDUM

In a letter of 21 November 1975 (Tab B), MOD Vanden Boeynants expressed his concern about the alleged reduction of Belgium's share in the coproduction of the F-16 aircraft.

Recommend you sign the proposed response at Tab A.

Attachments
a/s

Robert Ellsworth
Assistant Secretary of Defense
International Security Affairs

Coordination: See Tab C

OK
Technical but responsive answer.
FYI: in message US Amb in Belgium says that Vanden Boeynants letter included multiple complaints to cover himself with industry articles.



5/2/229

Library

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

JAN 2 1976

The Honorable Paul Vanden Boeynants
Minister of Defense
Ministry of National Defense
2 rue de la Loi
Brussels, Belgium

Dear Minister Vanden Boeynants:

I was pleased to have the opportunity to meet with you during my recent trip to Brussels.

Thank you for your letter and expressions of concern for F-16 production work in Belgium. Let me assure you that we consider the F-16 Multinational Program to be one of our more important programs in the Department of Defense. The F-16 represents an important step in establishing our common goal of standardization and rationalization of weapons systems in NATO.

I would agree that production levels in Belgium or other Consortium countries that might be considerably less than were contemplated could prejudice the harmonious development of the five-nation program. We can appreciate your concern that the co-production phase of the F-16 program might be falling short of expectations.

The F-16 Multinational Program is the most complex co-production effort undertaken by the DOD and NATO partners. In that context, changes to original planning are inevitable. One of those changes, the reduction in the quantity of full scale development (FSD) aircraft from 15 to 8, caused some of your industries' expectations of participating in the program to be delayed later than planned. For example, it was originally planned for SABCA to assemble GD furnished parts for a shipset of wing boxes in the FSD program. This work is now scheduled to be accomplished by SABCA later in the program. The reduction in the quantity of FSD aircraft and scheduled acceleration of the remaining aircraft caused this change.



General Dynamics is releasing components to subcontractors in lots generally no greater than for the aircraft presently being produced under contract. This falls short of the 1500 aircraft program referenced in the MOU. As additional USAF, Consortium and third country aircraft are placed on contract, new increments of F-16 co-production will be authorized. Interest by third countries in the F-16 is significant. We are confident that the 1500 aircraft program will be reached, and in all likelihood exceeded. Your senior F-16 Steering Committee representative is being briefed on third country sales status at each Committee meeting.

There are a few terms and conditions which have not as yet been fully resolved for EPG subcontractors. We are hopeful that a mutually agreeable position can be established in the audit and cost accounting standard areas this coming month.

General Dynamics is working with National Water Lift to assure that the dollar value of the units released for co-production meet the offset requirement. General Dynamics has been advised by National Water Lift that they are supplementing their request to SABCA for cost proposal quotations for 348 and 500 units. This will bring the SABCA effort in line with the co-production agreements.

With respect to the license charges and royalties imposed by National Water Lift, we are advised that no initial license payment is being required and a 12% royalty fee for use of proprietary data now is being negotiated with SABCA which would only apply to independent sales by SABCA.

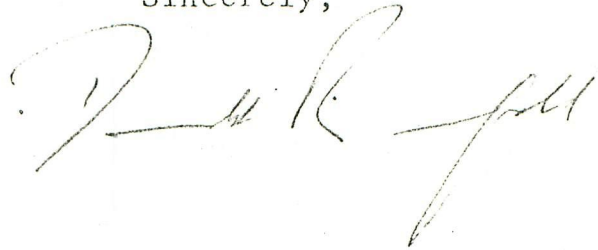
We will continue to use the F-16 Steering Committee as the forum for free and open discussions for program changes that impact our mutual interests. We encourage each representative to table concerns and believe the Committee can effectively resolve most if not all issues.

The MAG-58 and M60E2 machine guns are undergoing intensive evaluation by the U.S. Army. The evaluation started in August 1975 and is scheduled to be completed in early 1976. I can assure you the evaluation will be thorough and will cover a wide spectrum of criteria to include reliability, maintainability, procurement cost, cost of ownership, and operational performance.



I appreciate receiving your candid assessment of the F-16 Program and hope that the above information is helpful. We are confident our commitments will be met and that the F-16 Multinational Program will make a significant and successful contribution to our NATO and national objectives.

Sincerely,



The Ministry of
National Defense

The Minister

Rue Lambermont 8
1000 Brussels
21 Nov. 75
Ref.: No. MDN 18772

The Hon. Donald Rumsfeld
Secretary of Defense
The Pentagon
Washington

Dear Mr. Secretary:

Among the many problems that your new functions will involve, there is one that is the object of our joint concern - the F-16 aircraft.

As you probably know, the choice of the F-16 was a difficult one for Belgium and was made on the basis not only of the intrinsic qualities of the aircraft, the interest its production represents for Belgian industry, but also because of the guarantees that Belgium was able to obtain in a certain number of important areas: cost, participation in the decisions, industrial participation, reasonable nature of the competitiveness, management, transfer of technology...

These guarantees were the result of a meeting I had with Mr. J. Schlesinger in Washington and were referred to in a letter which the latter addressed to me on 2 June 1975.

I take the liberty of calling your attention to this letter because the provisions it includes are of very great importance for the harmonious development of the program within the diverse economic circles of Belgium.

On 5 June 1975, the General Dynamics firm informed the Belgian Government that it had studied the program for co-production and compensation once more and that, as a result, it was in a position to submit a new plan concerning the Belgian manufacture of the airframe.



HAG

ISA has action answer

will be in bilateral notes

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General Dynamics also formally pledged that it would grant to a Belgian firm the co-production of the servo-controls, within the framework of a program of 1,500 aircraft and for an amount of \$42,000,000. Finally, General Dynamics emphasized that a plan, set up on 17 April 1975, provided for the participation of Belgian industry in the program for the development of the prototypes and of certain equipment for the mass /production/ program.

On my part, I considered that this action by the General Dynamics firm was a result of the discussions I had had with Mr. J. Schlesinger on 2 June 1975.

According to the information I received from the Belgian manufacturer of the airframes, it appears, nevertheless, that the work load will be considerably below the estimates indicated by the builder before the decision of the choice of the F-16.

This reduction bears particularly on the sectors of the airframe and the electronics; it concerns as well the actual participation in the development work and the production itself and the assembly work.

It also results in a very late start (1977 or 1978) of industry in the co-production.

As to the servo-controls mentioned above, there is not only a reduction, but there are also very disadvantageous conditions which the American producer wishes to impose on the Belgian manufacturer: license charges and very high "royalties" and it being nearly impossible to participate in the production of the spare parts, even for the European requirements.

You will understand, I am sure, that all this is causing great concern in Belgium and threatens to create an atmosphere that may be prejudicial to the harmonious development of the program.

Therefore, I am taking the liberty of requesting your intervention with the main contractors and their subcontractors so that the Belgian industry in question may receive the work provided by the agreements concluded between our Governments.

Furthermore, I would very much like to see a favorable outcome to the negotiations underway with regard to the purchase of machine guns of Belgian manufacture (Fabrique Nationale - Herstal) to equip the American armed forces.



I am sure you will want to give these problems your very serious attention and remain, dear Mr. Secretary of Defense, with very high regard,

/signature/

P. VANDEN BOEYNANTS





INTERNATIONAL
SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

In reply refer to:
I-13070/75

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Concern for F-16 Production Work in Belgium -
ACTION MEMORANDUM

The attached response has been coordinated with ASD Public Affairs; OSD General Counsel; Assistant Secretary of the Army, I&L; Assistant Secretary of the Air Force; I&L; and Director, DSAA.

Recommend you sign the attached letter.

Attachment
a/s

COORDINATION:

ASD Public Affairs Concurs - see attached

OSD General Counsel *JM*

Asst Sec Army, I&L *E. Reiner*

Asst Sec AF, I&L *Shultz*

Director, DSAA *Don J. ...*

