

<b>DECLASSIFIED</b>	
Authority	EO 12958
By	MW NARA Date 10/16/03

Declassified  
A/ISS/IPS, Department of State  
E.O. 12958, as amended  
June 19, 2008

8761

## MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

~~SECRET~~

ACTION  
January 16, 1973

## MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *HK*

SUBJECT: Sale of Boeing Aircraft to Romania

The Boeing Company proposes to sell three 707-320C commercial jet aircraft to the Romanian national airline, at a cost of about \$45 million. To offset approximately 10 percent of the cost, Boeing would sub-contract for the manufacture in Romania of eight different components for 727 commercial jet aircraft.

The Department of Defense opposes the offset part of the deal. Originally, their opposition was based on the premise that we would be exporting advanced aircraft manufacturing technology to a Warsaw Pact country which could shift this capability from civilian to military uses. Boeing then restructured their proposal, deleting some of the more advanced manufacturing machinery from the equipment that would be sent to Romania. An interagency technical task group reviewed the revised Boeing proposal and the majority concluded that the flow of technology was no longer a security concern.

Despite the conclusion of the technical task group, DOD still opposes the offset arrangements because of the precedent it would set. DOD speculates that, if pressed, the Romanians might agree to delete the offset arrangement and Boeing could still sell the planes. Boeing, on the other hand, feels the arrangement is a "critical element" in a "delicately balanced" proposal.

State and Commerce favor granting approval because it might open the Eastern European market for the sale of U. S. commercial aircraft (an important potential market for U. S. exports). Both agencies feel that Boeing's proposed offset arrangements should be accepted and that we must recognize that this is the way of doing business with Eastern Europe.

~~SECRET~~

DECLASSIFIED	
Authority	EO 12958
By	NARA Date 10/16/03

Declassified  
A/ISS/IPS, Department of State  
E.O. 12958, as amended  
June 19, 2008

~~SECRET~~

2

They believe this approach can be managed in future deals so as to not erode a U. S. technological leadership. If Boeing loses the sale the U. S. will lose a \$45 million transaction, important to our balance of payments, and a net equivalent of 1,350 jobs for a year at Boeing's plant in Seattle.


A COCOM waiver will be required for only one piece of manufacturing equipment. This should not cause any difficulty, since a COCOM exemption was granted in the past for a larger model of the same equipment.

#### Recommendation

Our review of the various studies and analyses that have been prepared leads us to conclude that the manufacturing techniques and equipment that will be furnished by Boeing to Romania will not jeopardize our national security. Moreover, the DOD arguments opposing the offset arrangements, because they set a precedent, are not convincing in my view. Obviously, we must protect vital U. S. technological advantages but this can be done on a case-by-case basis as new deals are proposed.

I recommend we approve the sale including the offset arrangements. If you concur I will so advise State, Defense and Commerce.

#### Your Decision

 \* ~~Approve the sale~~ including the offset arrangements.  
(My recommendation)

\_\_\_\_\_ Approve the sale but without the offset arrangements.

\_\_\_\_\_ Disapprove the entire sale.

\*Flanigan, Weinberger, Ehrlichman and Shultz concur.

~~SECRET~~