

## WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#1 memo	NSAM 345 <i>reinitiated 9-9-93 NLJ 93-65</i> S 2 p <i>open NLJ 93-04</i>	4/22/66	A
#2a memo	"Response to NSAM 345" S 14 p <i>reinitiated 9-13-99 NLJ 93-05</i>	undated	A
<del>#3 memo</del>	<del>Acheson to Rostow</del> <del>S 1 p</del> <i>open 9-14-93 NLJ 93-05</i>	<del>5/11/66</del>	<del>A</del>
<del>#4a memo</del>	<del>Acheson to Rostow</del> , <del>S 1 p</del>	<del>6/8/66</del>	<del>A</del>
<del>#4b memo</del>	<del>NSAM draft</del> <del>S 2 p</del> <i>open 12-21-93 NLJ 93-04</i>	<del>6/10/66</del>	<del>A</del>
<del>#4c memo</del>	<del>NSAM draft</del> <i>open 12-16-99</i> <del>S 2 p</del>	6/10/66	A
<del>#5 memo</del>	<del>Keeny to Rostow</del> <del>S 4 p</del> <i>open 12-21-93 NLJ 93-04</i>	<del>5/18/66</del>	<del>A</del>
<del>#5a memo</del>	<del>Fisher to President</del> <i>open 1-7-93</i> <del>S 6 p</del> <i>NLJ 93-03</i>	<del>5/12/66</del>	<del>A</del>
#6 memo	Rusk and McNamara to President S 17 p <i>reinitiated 9-13-99 NLJ 93-05</i> [Duplicate of #54b]	5/28/66	A
<del>#7 memo</del>	<del>Vance and Ball to President</del> <i>open 9-13-99 NLJ 93-05</i> <del>S 30 p</del> [Duplicate of #54d, 54e, 66b] <i>#16-15</i>	<del>6/3/66</del>	<del>A</del>
<del>#8 memo</del>	<del>Bator to President</del> <i>open 12-16-99</i> <del>S 4 p</del> <i>+ 9a</i> [Duplicate of #54g and 66a]	<del>6/9/66</del>	<del>A</del>
<del>#9 memo</del>	<del>Rostow to President</del> <i>NLT</i> <del>S 1 p</del> <i>open 8-7-99; 10/5/92</i>	6/10/66	A
#9a memo	Duplicate of #8 <i>open 12-16-99</i>		

FILE LOCATION

NSF, NSAM, NSAM 345--Nuclear Planning

Box 8

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#10 memo	Duplicate of #7 <i>open 9-13-99 NLJ 93-05</i>		
#11 memo	Duplicate of #7 "		
#13 memo	Duplicate of #7 "		
#15 memo	Duplicate of #7 "		
#17 memo	Hornig to President S 2 p <i>open 2-14-96 NLJ 95-286</i>	6/7/66	A
#18 memo	NSAM 345 S 2 p <i>open 12-21-93 NLJ 93-04</i>	4/22/66	A
#19 memo	NSAM 345 draft S 3 p <i>open 12-21-93 NLJ 93-04</i>	4/18/66	A
#20 memo	NSAM 345 draft S 2 p <i>open 12-16-99</i>	4/18/66	A
#23a memo	Rostow to President S 3 p <i>open 12-21-93 NLJ 93-04</i>	4/17/66	A
#24 memo	Rostow to President S 1 p "	4/18/66	A
#24a memo	NSAM draft S 2 p <i>open 12-21-93 NLJ 93-04</i>	4/18/66	A
#25a memo	Duplicate of #23a <i>open 12-16-99</i>		
#25b memo	NSAM draft S 2 p "	4/18/66	A
#25c memo	NSAM draft S 2 p "	4/18/66	A
#26 memo	"Agenda for Foreign Policy..." S 2 p <i>open 12-8-09</i>	4/19/66	A

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#27 memo	Rostow to President <del>S</del> 3 p <i>open 12-16-99</i>	<del>4/21/66</del>	<del>A</del>
#27a memo	NSAM draft <del>S</del> 3 p	4/18/66	A
#27b memo	Duplicate of #23a		
#28 memo	Duplicate of #27		
#29b rpt	"France" <i>open 7-14-94 NLJ 94-166</i> <del>S</del> 6 p [Duplicate of #72e, NSF, Memos to Pres., Rostow, Vol. 3, Box 7]	<del>undated</del>	<del>A</del>
#31 cable	Paris 7962 <i>reinitiated 9-13-99 NLJ 93-05</i> <del>S</del> 9 p	5/18/66	A
#32 cable	Paris 7920 <i>open 9-13-99 NLJ 93-05</i> <del>S</del> 2 p	<del>5/19/66</del>	<del>A</del>
#33c-1 rpt	Duplicate of #29b <i>open 12-16-99</i>		
#35g-1 rpt	Duplicate #29b		
#36 memo	Duplicate of #23a		
#37 memo	President to Prime Minister <del>S</del> 4 p <i>open 12-21-93 NLJ 93-04</i>	<del>4/18/66</del>	<del>A</del>
#38 ltr	President to PM Wilson <del>S</del> 2 p <i>open NLJ 86-288; 10/5/92</i>	undated	A
#39 memo	NSAM draft <del>S</del> 2 p <i>open 12-16-99</i>	<del>4/18/66</del>	<del>A</del>
#40 memo	Bator to Rostow PCI 2 p [Duplicate in Bator Chron File]	<del>4/18/66</del>	<del>A</del>

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#41 memo	Wyle to Bator <del>S</del> 2 p <i>open 3-7-94 NLS 93-02</i>	<del>4/18/66</del>	<del>A</del>
#42 memo	French reply to German Aide Memoire C 4 p <i>exempt NLS 93-05</i>	5/3/66	A
#44a memo	Intelligence Memorandum S 2 p <i>exempt 6-22-93 NLS 93-01; + per RAC 6/04</i>	5/26/66	A
#44b memo <i>SA 11-12-68 2-310 NLS 0912A</i>	Intelligence Memorandum S 4 p <i>exempt 6-22-93 NLS 93-01</i>	5/26/66	A
#45 memo	Rostow to President, 11:15 a.m. <del>C</del> 1 p <i>open NLS 87-99; 10/5/92</i>	<del>5/31/66</del>	<del>A</del>
#48a memo	Kintner to President <del>C</del> 1 p <i>open 12-21-93 NLS 93-04</i>	<del>6/17/66</del>	<del>A</del>
#52a memo	Rostow and Bator to President, 7:15 p.m. <del>C</del> 1 p <i>dup of #54 open 12-16-99</i>	<del>6/22/66</del>	A
#54 memo	Partial duplicate of #52a		
#54b memo	Duplicate of #6		
#54d memo	Duplicate of #7 <i>open 9-13-99 NLS 93-05</i>		
#54e memo	Duplicate of #7 "		
#54g memo	Duplicate of #8 <i>open 12-16-99</i>		
#55a memo	Bator to President, 12:35 p.m. S 1 p [Duplicate of #29, NSF, Memos to the Pres., Rostow, Vol. 7, Box 8; Sanitized 1990]	6/27/66	A
#55b memo	Ball to President S 1 p <i>sanitized 9-13-99 NLS 93-05</i>	6/25/66	A
#56 cable	Intelligence Cable S 1 p	6/29/66	A

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PSAM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#57a memcon	"French Bilaterals" <i>[dup. # 191a, France, vol. 9, Box 172]</i> <del>S</del> 2 p <i>open 5-24-99 NLJ 93-05</i>	<del>7/5/66</del>	<del>A</del>
#61a memo	Jacobsen to President <del>1 p</del> <i>sanitized 3/17/93</i>	<del>7/14/66</del>	<del>C A</del>
#61b memo	<i>open 4/25/17 per NLJ 14-51</i> Smith to Jacobsen <del>1 p</del> <i>sanitized 3/17/93</i>	<del>7/14/66</del>	<del>C A</del>
#61c memo	Steadman to Smith <del>2 p</del> <i>sanitized 3/17/93</i>	<del>7/13/66</del>	<del>C A</del>
#63 memo	Johnson to Rostow <del>C</del> 2 p <i>open 2-11-94 NLJ 93-156</i>	<del>7/15/66</del>	<del>A</del>
#65 memo	Rostow to President, 12:15 p.m. <del>S</del> 1 p <i>open 2-11-94 NLJ 93-156</i>	<del>5/29/66</del>	<del>A</del>
#65a memo	Duplicate of #65 "		
#65b memo	Duplicate of #54b		
#66a memo	Duplicate of #8 <i>open 12-16-95</i>		
#66b memo	Duplicate of #7 "		
#67 rpt	"The case for a fresh start..." <i>open 5/23/01 NS 00-303</i> <del>S</del> 8 p <i>sanitized 2-11-94 NLJ 93-156</i> <i>(dup of # 57a, NSF, MTP, Bundy, Vol 16, Box 5)</i>	<del>10/18/65</del>	<del>A</del>
#67b rpt	"Draft plan for Atlantic..." <del>S</del> 2 p <i>sanitized 2-11-94 NLJ 93-156</i> <i>open 12-16-95</i> <i>(dup of # 57b, Bundy, see above)</i>	<del>10/18/65</del>	<del>A</del>
#67d rpt	"Annex B" <del>S</del> 3 p <i>(dup of # 57c, see above)</i>	<del>10/18/65</del>	<del>A</del>
#67f rpt	"Annex B" <del>S</del> 1 p <i>open 12-16-95</i> <i>(dup of # 57d, see above)</i>	<del>10/18/65</del>	<del>A</del>
#67h rpt	"Annex D" <del>S</del> 2 p <i>(dup. of # 57e, see above)</i>	<del>10/18/65</del>	<del>A</del>

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THE WHITE HOUSE  
WASHINGTON

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Brown Smith*  
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April 22, 1966

NATIONAL SECURITY ACTION MEMORANDUM NO. 345

MEMORANDUM FOR: The Secretary of State  
The Secretary of Defense

SUBJECT: Nuclear Planning

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NEJ 93-04  
By 110, NARA, Date 12-10-93

The President wishes to have developed recommendations for enlarging the participation in and understanding of nuclear planning by both the political and military authorities of our major NATO allies.

Two alternative approaches should be considered: one which assumes the creation of a "NATO Nuclear Force" and one which does not.

Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the direction of U.S. and U.K. nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in planning for the operation of existing forces and the development of future forces: intelligence, deployment, targeting, considerations affecting use at times of crisis, research, development, production and budgeting, etc.

The primary operational focus of these arrangements should be the defense of NATO territory.

For purposes of this exercise, it should be assumed that any "NATO Nuclear Force" Plan which later may be agreed upon will not include:

- a. Mixed-manning of submarines;
  - b. A surface fleet capable of delivering nuclear weapons.
- The following matters should be addressed, in addition to functions:

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1. participation or membership;
2. location;
3. financing;
4. probable U.K., German, French, other NATO, and Soviet reactions;
5. appropriate U.S. negotiating strategy and procedures for its execution.

The President also wishes to have developed other forward-looking proposals that would increase the cohesion of NATO and the North Atlantic community. These should embrace two kinds of measures:

- a. Military and non-military programs affecting primarily the affairs of the Free World;
- b. Constructive political, diplomatic, and economic initiatives addressed to Eastern Europe and the Soviet Union.

The President wishes to have these proposals ready for review by Thursday, May 12.

*W W Rostow*  
W. W. Rostow



1 Attached sent over 5/1/66 /  
by Robert Schaezel 2





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DEPARTMENT OF STATE  
WASHINGTON

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Rec'd 5/2/66

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MEMORANDUM

SUBJECT: Response to NSAM 345

NSAM 345 in requesting the development of recommendations on nuclear planning states: "Two alternative approaches should be considered; one which assumes the creation of a 'NATO Nuclear Force' and one which does not."

In framing these alternatives it is important to get away from the false and troublesome dichotomy between alliance consultation and hardware control as alternative and competing routes to increased allied participation in nuclear affairs.

1. Alliance consultation should be furthered by an institutionalized follow-up of the McNamara Committee itself, plus all the improvements in NATO machinery for defense planning, data exchange, improved communications and such consultation arrangements as can be agreed. Steps in this category should be considered as a sine qua non for a strong and effective alliance in the face of the French defection, and should be pushed to the limits of political acceptability whether or not there is a collective nuclear force. There is no need to hold back any politically feasible grant of authority within this framework depending upon the actions of negotiations of a collective nuclear force. The strength, the weakness, and the distinguishing feature of this category of machinery as opposed to a collective force is that it is alliance-wide in its responsibilities, embraces both SAC and theater forces, and operates in a way that associates in some way, if only in a final report to NAC, all NATO members in its activity.

GROUP 3

Downgraded at 12 year intervals;  
not automatically declassified.

**SANITIZED**

**E.O. 12958, Sec. 3.6**

**NLI 93-05**

By iso, NARA Date 8-31-99

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2. Control over a collective force (whether created by assignment or ownership), on the other hand, is a matter of stockholder's control in a nuclear corporation. It embraces a sphere of direct corporate control over a collective unified force comparable, in some ways, to that exercised by a Department of Defense over a national force. It involves contracting for research and development and production, budgeting and financing, modernizing, firing and possibly manning a corporate force.

These two distinct degrees of responsibility and control require different kinds of machinery - parallel, complementary, and non-competing. The US can participate in more effective machinery for coordination and consultation with regard to SAC, even possibly to the extent of making it subject to the general guidance of a NATO Strategic Targeting and Attack Policy or allowing it to operate on the basis of a NATO Target Data Inventory. This is the sphere of alliance consultation and coordination. The US cannot, however, because of its world wide responsibilities prudently share control over the firing of its national deterrent with European members of the alliance. The function of direct control to the point of veto over firing must be granted, if at all, to a smaller segment of the deterrent established and operating as a collective force under separate terms of assignment or ownership. Just as the machinery of the alliance as a whole is not appropriate to exercise the detailed essentially proprietary management of a corporate force whose operating or capital costs are paid for by a few members, so the corporate machinery of a collective force cannot, without severe political strains, arrogate to itself the task of policy determination for the NATO Alliance as such.

Several consequences flow from this distinction between the roles of an essentially corporate organization and the NATO alliance organization:

1. One is that a collective force proposal should not be considered as an alternative to institutionalizing the McNamara Committee and improving alliance consultation machinery. Steps of this general nature should be taken in any event.



2. Another is that, if accepted, this distinction may dispel the lingering suspicion of competition or rivalry between the collective force and consultative approaches which has inhibited the advancement of either.

3. A third is that the organization managing a collective force should not assume responsibility for decisions which fall in the province of the alliance as such.

4. And fourth, the machinery of NATO should not be distorted to serve the separate purposes of direct management and control of a nuclear corporation which directs a corporate force.

Consonant with this general approach, two parallel courses of action are set forth in Tabs A and B:

Tab A: Proposed Nuclear Defense Authority.

Tab B: A program for improving and extending allied participation in nuclear affairs.



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TAB A

PROPOSED NUCLEAR DEFENSE AUTHORITY

I. ORGANIZATION

1. Membership. Membership in the Authority would be open to all NATO countries which accept the functions and purposes described below, and agree to share in the common budget. (This will limit membership to those willing to share in the burdens, as well as responsibilities, of nuclear deterrence, and thus keep the group of manageable size.)

2. Governing Committee. The Authority would be directed and all its major decisions taken by a Governing Committee on which governments would be represented by appropriate Ministers, depending on the subject.

3. US and European Roles. Major decisions would be taken by two affirmative votes: that of the US and that of the European countries. The European vote would be cast under whatever procedures the European parties might agree to among themselves. The European members of the Governing Committee could form a European grouping, to reach a joint view on issues coming before that Committee and perform other functions, as indicated below.

4. Director General. The Authority would have a Director General, who would be responsible for:

(a) carrying out the Governing Committee's decisions, and

(b) executing studies for the Governing Committee, and making proposals, from time to time, to

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that Committee regarding further steps to fulfill the purposes of the Authority.

## II. FUNCTIONS AND PURPOSES

### A. Consultation

#### 5. Consultation About Planning and Development.

The Governing Committee would serve as a locus for consultations and exchange of information concerning the full range of activities involved in planning for the operation of existing forces coming under its direction, and for the development of future forces which might come under its direction. This would involve consultation about:

(i) threats posed by potential adversaries relevant to the forces under its direction (and for this purpose the Committee would have access to all relevant intelligence data collected by the members about this threat);

(ii) the present and future size and composition of other offensive and defensive forces designed to meet this threat, which had to be taken account in managing and developing forces under its direction;

(iii) the administration, targeting, deployment, and future evolution of forces under its direction;

(iv) technological trends which could affect the nature and effectiveness of these forces.

It would perform studies and make recommendations to member governments in these areas.

6. NATO Warhead Deployment. To give teeth to the consultation described under (ii), above, member

governments

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governments would agree not to withdraw nuclear delivery systems and warheads assigned to NATO without prior discussion and agreement in the Governing Committee.

7. Consultation About Use. Members would agree to supplement NATO consultation (described in Tab B) about the considerations and circumstances which could affect use of nuclear weapons anywhere in the world with consultation in the Governing Committee about implications of these considerations for the joint force.

8. Consultation About Relevant Arms Control. Disarmament, arms control, and non-proliferation proposals to be made or answered by members of the Governing Committee which could affect present or future forces under its direction could be reviewed by that Committee ahead of time. The Committee would also seek to develop collective disarmament and non-proliferation proposals relevant to forces under its direction.

B. Sharing of Technological Information and  
Production Responsibilities

9. Peaceful Technology. The Governing Committee would develop arrangements to insure that all members had access to peaceful technology knowledge gained by each of its members from nuclear, missile, and outer space production.

10. Joint R&D and Production. The Governing Committee would consider joint arrangements for research, development, and production of equipment and weapons for future components of the collective defense forces under its direction.

11. US cooperation. If the European members of the Governing Committee wished to undertake joint European programs for research, development, and production which were relevant to the forces under its direction, the US

would,

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would, if these programs seemed likely to be economic, undertake to cooperate with same.

### C. Collective Force

The Authority would manage and direct a collective nuclear force. Upon creation of that force, European members would commit themselves not to launch new national nuclear programs. Three alternative forms which that force might take are set forth below, beginning with assignment and progressing toward joint ownership of delivery systems and warheads.



1.5(a)

a) This force would be under the political (firing) control of the Governing Committee. Permissive links on warheads could only be activated by agreement of that Committee.

b) The force would have a common operating budget, to which all members would contribute.

c) The Governing Committee would be committed to consider, at some future time, the possibility of eventually moving from assignment to common ownership.

COMMENT:

[Redacted] It is one end of the spectrum of choice.

1.5(b) & (d)

13. Alternative #2. The joint force would have two components:

(a) There would be a jointly owned and manned force of aircraft and/or Pershings,--in numbers sufficient

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to cover nuclear strike targets now covered by French aircraft in Germany. The choice between aircraft and additional Pershings for this force would depend on which was considered most useful militarily in replacing French aircraft.

[REDACTED] 1.5(a)  
[REDACTED] (If the Europeans wanted, one squadron or wing of the jointly owned aircraft or Pershing force would be owned by the European members, and the other squadron or wing would be owned by the US. Both would remain under political control of the Governing Committee. There would be an integrated Atlantic headquarters.)

(b) The submarine component of the joint force would be set up in a way which split the difference between [REDACTED] positions: The ships and missiles would be placed under common ownership; the warheads would not. The terms of sale would provide, however, that the warheads could only be removed from commonly owned submarines with consent of the owners. (Failing agreement on this, submarines could either be left out of the initial force, as a matter for further study, or included via assignment, depending on which the FRG preferred.) 1.5(b) 4(d)

(c) The Governing Committee would consider possible eventual inclusion of follow-on systems for the joint force.

COMMENT:

(a) [REDACTED] 1.5(b) 4(d)

(b) Such a force would meet a need, which may arise out of the present crisis, to replace French aircraft in Germany. Even if these aircraft are not withdrawn from NATO, there would be advantage in thus "double covering" their nuclear "strike" targets, since their availability in hostilities is uncertain, to say the least.

(c) The

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(c) [REDACTED] 1.5(a)&(d)  
[REDACTED] A military sub-group has found common manning of Pershings, V-Bombers, and F-111 feasible.

(d) Since there would be no change in US ownership and custody of warheads, the Atomic Energy Act would not have to be amended, and neither the Joint Committee nor UK opponents of proliferation should get terribly excited about this proposition one way or another. There is good precedent for this in existing "two key" arrangements for tactical weapons, which place the delivery system under allied ownership but do not alter US custody and control of the warheads. The Soviets, the UK, and the Joint Committee have all indicated that they find these arrangements acceptable.

(e) Offering the opportunity to create a "European" component, if the European countries wished, would be responsive to pro-European concerns, and thus help to defuse pressures for a strong "European clause." It would help to link the UK closer to the Continent, place de Gaulle in the position of opposing a "European" venture, and run with the grain of our long-term policy re European unity. It would not point in a "third force" direction since the European component would be closely linked to a comparable US unit and placed under trans-Atlantic control.

14. Alternative #3: The submarines, aircraft, and warheads would be placed under common ownership -- with mixed manning in the degree feasible.

COMMENT: [REDACTED] 1.5(b)&(d)  
[REDACTED] It is the other end of the spectrum from alternative #1.

### III. Relation to NATO

15. Assignment. All collective nuclear forces coming under direction of the Joint Committee would:

(a) be

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(a) be assigned to NATO, with an understanding not to withdraw them during the life of the alliance;

(b) be placed under the operational command of SACEUR (or the NATO Supreme Commander, if one is created) who would have responsibility for targeting and execution of strikes.

16. Consultation. Consultation in the Governing Committee would:

(a) reflect the special interests of the members, in view of their powers of direction over a joint force;

(b) be paralleled by other NATO consultation procedures, as indicated in Tab B, to meet the needs of NATO countries more generally.

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TAB B

IMPROVING AND EXTENDING NATO PARTICIPATION  
IN NUCLEAR AFFAIRS

I. INTRODUCTION

This paper approaches the objective of extending and improving NATO participation in nuclear planning in terms of how the NATO Allies can (i) have access to more information about; (ii) participate in the analysis of; and/or (iii) have a greater influence over decision-making in four general areas:

a) intelligence about the enemy's capability (i.e., threat evaluation);

b) what types of nuclear systems and how many are needed to counter this capability (i.e., systems analysis);

c) how the nuclear systems we have are deployed and targeted (i.e., military planning), and

d) how, when, and in what circumstances they will be used (i.e., consultation).

Each of these is discussed below.

II. INTELLIGENCE

At present, the NATO Allies [redacted] 1.5(d)  
[redacted] must, in effect, accept the conclusions  
unilaterally reached by the US as to the enemy's capabilities.  
[redacted] 1.5(a)

Our  
Allies have little, if any, impression about the US' intelligence sources or reliability of our intelligence acquisition techniques. It can be argued that since our Allies could not bring to any sharing arrangement in this field capabilities which would enlarge or improve collective target intelligence acquisition, we should leave things as they are. However, intelligence is the

starting

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starting point for the threat assessment upon which all nuclear planning is based since our forces are designed to counter and provide protection against enemy forces. Furthermore, since the Soviets are undoubtedly quite well aware of our capabilities in sophisticated and advanced intelligence systems, there is no reason why this information should not be shared, on a safeguarded basis, within NATO. To do so would lay the basis for greater allied confidence in our judgments about the adequacy or inadequacy of the nuclear forces available to the West, and the mix of these forces.

#### Proposal:

To establish an internationally staffed NATO Defense Intelligence Group, operating under special security procedures, under the aegis of the MC or, perhaps, the NATO Nuclear Committee. The US should be prepared to share relevant intelligence data from all sources with this group, which would have the responsibility for drawing up a NATO TDI on the basis of information available to it from all sources.

### III. SYSTEMS ANALYSIS

NATO as an entity now has no systems analysis capability, except to the limited extent it exists in the DPWG framework. In the US, the DOD's Systems Analysis staff does a major part of the important groundwork and analysis which underlies US decisions about the specific types and number of weapons we build. We have made some effort bilaterally, as well as through the DPWG, to "export" some of our own capabilities. At best, however, this has been a haphazard and unsystematic effort.

#### Proposals:

1. Establish the DPWG on permanent basis as NATO's Systems Analysis staff.

2. Invite the DPWG to establish a liaison arrangement with the US Systems Analysis staff (similar to the SACEUR liaison arrangement at Omaha), which would put civilian

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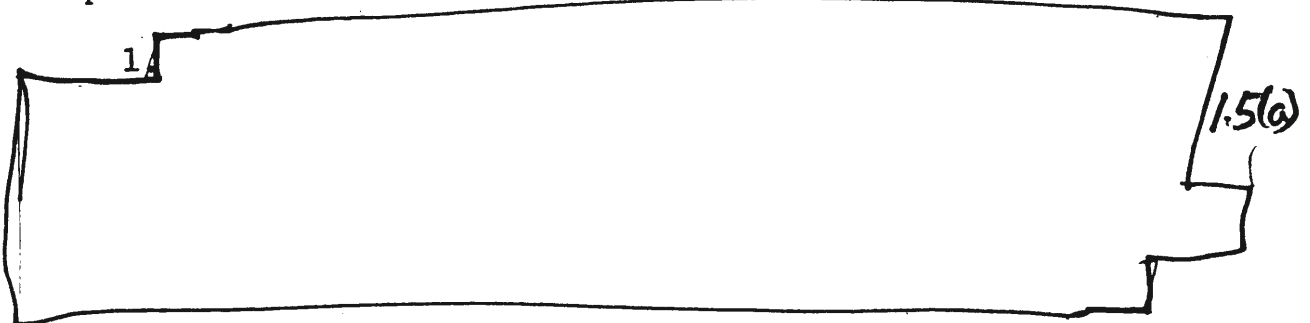
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defense analysts from NATO countries -- perhaps on a rotating basis -- in continuing an intimate contact with US counterparts. The experience thus gained would be useful in enhancing their own national capabilities over time, and improve the quality of national participation in the DPWG.

#### IV. DEPLOYMENT AND TARGETING

SACEUR's responsibility for deployment and targeting decisions is necessarily limited to forces under his command. Real European involvement in decision-making in this area can probably, therefore, only be secured by the augmentation of forces assigned to SACEUR's command. While the Europeans might be given confidence, through consultation procedures, that US strategic forces are properly deployed and targeted (and this is useful on its own merits), these will properly remain matters for unilateral US decision as long as these forces remain under exclusively US command and are paid for exclusively by the US.

Proposals:



2. Submit the US annual European nuclear dispersal plan for discussion in the DPWG framework prior to reaching final US decisions on European dispersals.

#### V. CONSULTATION

The purpose of the new consultative mechanism proposed below would be principally:

i) To

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i) To ensure that information which is available to international staff, is available also at governmental level.

ii) To lay the basis for agreement on how, when, and in what circumstances nuclear weapons will be used.

These were impliedly among the original purposes of the NATO Nuclear Committee set up at Athens. It was the purpose also of the US proposal of December 8, 1964, for periodic meetings of NATO Ministers of Defense to "consider targeting policy, new nuclear and conventional weapons developments, nuclear dispersal plans, future force structure, resource allocation, and strategy".

These objectives continue valid, but encounter a major tactical problem: How to keep any forum for consultation limited enough in membership to be an effective instrument for discussion and intimate exchange of views.

#### Proposal:

To revive the NATO Nuclear Committee as the body "to receive study on a permanent and systematic basis nuclear information relating to NATO defense". These terms of reference were approved by the NAC with French concurrence on May 5, 1962. Appropriate sub-committees would be established - with the object, if possible, of limiting membership.

No holds would be barred as to matters which could come before the group. It would have no "operational" responsibility, but would, for example, be free to inquire into and discuss all of the areas suggested by the Germans as relevant:

- a) threat evaluation;
- b) targeting principles, procedures and priorities;
- c) principles for selective use of weapons;
- d) principles for use of weapons;
- e) constraints.

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May 11, 1966

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The Honorable  
Walt W. Rostow  
Special Assistant to the  
President  
The White House

Dear Walt:

unnecessary

Would you be kind enough to explain to the President that our response to the NSAM 345 Memorandum will be slightly delayed. We are meeting on what I hope is a nearly complete text tomorrow. I expect to be able to send a completed draft to Secretaries Rusk and McNamara for their consideration some time on Friday, May 13. This would mean that an approved paper should be ready for the President early next week.

Sincerely yours,

Dean Acheson

Dean Acheson

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E.O. 12356, Sec. 3.4  
NLJ 93-05  
By sig, NARA, Date 8-24-93

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F. B.

Where are the NSAM's?

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Where are the  
NSAM's?  
w/

DEPARTMENT OF STATE  
WASHINGTON

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June 8, 1966

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MEMORANDUM FOR THE HONORABLE WALT W. ROSTOW  
SPECIAL ASSISTANT TO THE PRESIDENT  
THE WHITE HOUSE

Enclosed are two drafts which the President  
may wish to consider in preparing the NSAM 345.

The first deals with the nuclear aspects of the  
NATO problem. I suggest that it should be a sepa-  
rate memorandum for security reasons.

The second draft deals with East-West initiatives,  
the technology gap, the NATO Military Payments Union  
and a possible Presidential speech.



Dean Acheson

Enclosures

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E.O. 12356, Sec. 3.4  
NEJ 93-05  
By lig, NARA, Date 8-24-93

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DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NJ 93-04  
By 128, NARA, Date 12-10-93 June 10, 1966

NATIONAL SECURITY ACTION MEMORANDUM \_\_\_\_\_

MEMORANDUM FOR: The Secretary of State  
The Secretary of Defense

REFERENCE: State-Defense Memorandum for the  
President of May 28, 1966: "The  
Nuclear Problem in NATO"

The President wishes the following actions taken to  
implement recommendations in the referenced memorandum:

The Secretary of State and the Secretary of  
Defense will initiate tripartite discussions  
on the NATO nuclear problem with United Kingdom  
and Federal Republic authorities, with the  
objective of determining a program each country  
will support.

In the discussions, if a program satisfactory  
to the other two governments can be negotiated,  
the Secretary of State is authorized to agree  
to those elements of the "Consultation Arrange-  
ments" outlined in Enclosure I of the reference,  
and the additional "Assignment" provisions of  
Enclosure II of the reference, which both the  
United Kingdom and the Federal Republic will  
also agree to.

With regard to the "Collective Forces" discussed  
in Enclosure II of the reference, the Secretaries  
of State and Defense will take the position:  
(a) that decision regarding the further step to  
the "Collective Forces" discussed in Enclosure II  
of the reference should await experience gained

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and light thrown through the consultation and assignment arrangements during which study and discussion of such collective forces can continue, and (b) that meanwhile the U. S. will take no action which would prejudice later decision to create a collective force, or which would diverge from the concept of German equality with the other major European countries stated in the President's letter of May 21 to Prime Minister Wilson.

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June 8, 1966

NATIONAL SECURITY ACTION MEMORANDUM \_\_\_\_\_

MEMORANDUM FOR: The Secretary of State  
The Secretary of Defense  
The Special Assistant for Science  
and Technology

REFERENCE: (1) State-Defense Memorandum for the  
President of June 3, 1966,  
"Measures to Increase the Cohesion  
of NATO, Final Response to NSAM 345"

The President wishes the following actions taken to  
implement recommendations in the referenced memorandum:

- a) NATO-Political Function. The Secretary of State will explore on a continuing basis the 'Specific Proposals for Improving the Environment in Central Europe' contained in TAB 'A' of Reference (1), and any other similar measures which he may originate or receive, and make recommendations for action on individual proposals by the appropriate agency of the government.
- b) Technological Gap. The Special Assistant for Science and Technology will investigate possible measures to reduce the disparity in advanced technology and production between the United States and the countries of Western Europe, and will initiate those actions which the President wishes undertaken.
- c) NMPU. The Secretaries of State, Defense, and Treasury, under the guiding direction of the former, will proceed with the negotiation of a NATO Military Payments Union, generally as outlined in the reference.

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E.O. 12958, Sec. 3.5

NSC Memo, 1/6/66, State Dept. Guidelines

By 14 NARA, Date 12-14-91

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As a first step an approach should be made to the Federal Republic in order to prepare it for later discussions and to win its sympathetic response, to be followed by talks with the United Kingdom. It is likely that the proposal will involve participation by the Ministers of Finance or Presidents of the Central Banks of both countries before a tripartite agreement can be reached. The visit of the Secretary of Defense to Bonn in July should serve to present the matter further to Minister von Hassel. Negotiations should then be carried on in appropriate ways with the other members of NATO.

- d) Presidential Speech. The Secretary of State will submit to the President, by August 20, 1966, a draft of a Presidential speech, to be made in late summer.

The speech will express faith in U.S.-European partnership as the most effective system for maintaining peace and for healing the division of Europe, and faith in NATO as the effective agency for concerting policy in these areas and for eliminating the use of force in European settlements. It will call for specific measures which give renewed substance to the partnership and the Alliance.

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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May 18, 1966

MEMORANDUM FOR MR. ROSTOW

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NEJ 93-04  
By 128, NARA, Date 12-10-93

Subject: ACDA's Submission and Response to NSAM 345

In response to the request contained in NSAM 345, last paragraph, for constructive initiatives addressed to Eastern Europe and the Soviet Union, ACDA has submitted the attached Memorandum for the President outlining three major initiatives in the arms control area. I have given the original to Francis who has arranged for a copy to be delivered to Dean Acheson.

These proposals clearly present a lot of problems. I think, however, that on balance they are excellent ideas that deserve serious consideration by the President. The NSAM 345 exercise is probably the wrong forum to address these proposals. Nevertheless, I think it may prove very useful to have these ideas put before the Acheson Committee and the President in the context of the NSAM review in order to demonstrate the full spectrum of options available to us.

I. Non-Proliferation Agreement

There is little new I can add with regard to this proposal with which you are familiar. The prospects, if any, for such an agreement are clearly dependent at this time on the form of our decision with regard to a "hardware" solution to the nuclear sharing problem with NATO. This decision will and should be made primarily in terms of the needs of the NATO Alliance. In making the decision, however, we should be aware of its relation to the prospects for a non-proliferation agreement.

I think we could still get almost unanimous worldwide agreement on a non-proliferation agreement; however, the evolution of opinion in India, Japan, and Pakistan clearly shows that time is rapidly running

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out on the prospects for such an agreement. Nevertheless, I would note that as recently as January of this year the State Department concluded that if the US and the Soviets could find agreement now on this issue, all of the major countries of the world except China and Indonesia would adhere to the agreement. I think that Indonesia can now be added to the list of potential signers. This condition will not exist much longer.

I personally think it will be a great tragedy if we give up the possibility of a non-proliferation agreement now by delaying too long a decision to give up a "hardware" solution if we are going to make such a decision, or by maintaining the fiction of a future "hardware" solution after we have really decided that we would never allow it to occur.

## II. ABM and Missile Launcher Freeze

I have discussed the pros and cons of this proposal separately in my memorandum to you (dated May 2) on ACDA's proposed Pen Pal letter and my dialogue with Dick Bowman (my memo to you dated May 12). While I think this presents the President with a more difficult problem than the non-proliferation agreement or the threshold test ban, I think that on balance it is an acceptable proposal. As you might expect, the Chiefs have come out against this proposal. I understand, however, that McNamara has reviewed the matter and thinks that it should be discussed with the President. I have asked Ambassador Thompson to let us know what Rusk's views are on the substance of the proposal and the procedures for handling it. I understand that Ambassador Dobrynin returned yesterday but it will be at least several days before we know whether he has anything to add to the subject.

## III. Threshold Test Ban

Although I think this proposal is less significant than the non-proliferation treaty, I think that it probably has the highest chance of achievement in the short term of any of the new initiatives that we might make in the arms control area. With a clear indication of Presidential interest,

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I think that it could be staffed through the Government. With proper preparation with a Pen Pal letter, there is a reasonable chance that it might be acceptable to the Soviets unless they have decided not to have any agreement during this phase of the Vietnam conflict.

The comprehensive test ban represents an alternative approach to the non-proliferation problem. This proposal has remained on dead center for the past few years since we have made essentially no progress in resolving the central issue that divides the Soviet Union and ourselves -- namely, the necessity for on-site inspections. In order to find a way out of this deadlock, ACDA is now re-introducing an old proposal that we negotiate a treaty without on-site inspection that would ban all underground tests above a threshold that could be monitored adequately by our unilateral detection system. The problem with this proposal has been to make the threshold low enough to constitute a real technical barrier to weapons programs by potential new nuclear powers and high enough to permit one to monitor the agreement unilaterally without the use of on-site inspections. In the past, it has not been possible to close this gap. During the last month, however, AFTAC, the DOD organization responsible for the long-range detection of foreign nuclear explosions, has concluded on the basis of a very extensive empirical study of all the seismic events detected in the Soviet Union that our capabilities are considerably greater than they had previously believed. I think it is now clear that we can monitor externally with a very high degree of confidence a threshold treaty at Magnitude 4.75 (equivalent to 10 to 50 KT, depending on the medium in which the explosion occurs) and possibly as low as Magnitude 4.5 (equivalent to 5 to 20 KT).

This threshold will allow the US and the USSR, with their high degree of sophistication, to continue most of their work on the most important weapons and nuclear effects tests that are still a matter of interest but would make it difficult for a new nuclear power to undertake an initial test and extremely difficult, if not impossible, for a new nuclear power to contemplate an orderly weapons development program without violating or renouncing the agreement. While one can argue that this arrangement would be discriminatory against

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the non-nuclear powers, I think that an agreement on the part of the US and the Soviet Union at this point in time would still have a band-wagon effect of getting practically everyone except the Chinese to sign up.

*Spurgeon*  
Spurgeon Keeny

Attachment:

Copy of Memorandum for the President  
dated May 12, 1966, from Adrian Fisher.

cc: BDMoyers - w/cy att  
FMBator - w/cy att

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UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY  
WASHINGTON

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THE DIRECTOR

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E.O. 12356, Sec. 3.4  
NJ 93-03  
By isp, NARA, Date 1-5-93

May 12, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Constructive Initiatives Addressed to  
Eastern Europe and the Soviet Union.

In NSAM 345 you requested proposals for U.S. initiatives addressed to Eastern Europe and the Soviet Union. To this end, Mr. Foster and I would like to submit for your consideration the following suggestions in the field of arms control and disarmament.

Non-Proliferation Agreement

The subject that has received the greatest attention during recent negotiations is, of course, a non-proliferation agreement. Such an agreement is looked upon by many as the most logical and urgent next step forward in arms control and disarmament. An initiative on our part to break the present deadlock on this subject is dependent upon the decisions that are to be made on NATO nuclear sharing arrangements. If these decisions do not involve a "hardware solution", it may well prove possible to negotiate an agreement with the Soviet Union without sacrifice to any legitimate interest of any member of the NATO alliance. The United States should, we believe, avoid dismissing a non-proliferation agreement with the oversimplified arguments that since the Soviets do not intend to proliferate anyway, there is little value in an agreement with them; and that if other countries wish to go nuclear, this would be a matter of such supreme national interest that a treaty would not stand in their way. Without a non-proliferation agreement it is fair to say that we have

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no hope of stopping the spread of nuclear weapons on the basis of unilateral appeals. On the other hand, if we and the USSR were to agree to a non-proliferation treaty, probably all of the non-nuclear powers that are in danger of going nuclear would find it difficult not to adhere to such a treaty. Thus the issue would not be whether a treaty would stand in the way of the supreme national interest of such countries. The issue would rather be whether a US - Soviet sponsored international consensus, finalized in a treaty, would be a factor to be taken into account in determining what the supreme national interest of these countries was. Clearly it would be.

ABM and Missile Launcher Freeze

A second possible initiative would be the suggested letter from you to Chairman Kosygin proposing an eighteen-month "truce" in deployment of anti-ballistic missile launchers and strategic fixed land-based missile launchers. This proposal was outlined in the memorandum I submitted to you on May 2, 1966.

Threshold Test Ban

Recent significant improvements in seismic identification capabilities now make it possible for the US to verify through national means an extension of the Limited Test Ban agreement to cover all underground tests having a seismic magnitude of 4.75 or higher. Thus we are, with respect to underground tests of a magnitude of approximately 30 KT or higher, in a situation very similar to that of 1963 with regard to tests in the atmosphere, underwater and outer space. An agreement of this type would not be a complicated one since no international inspection machinery would have to be created. Moreover, the mere making of such a proposal would itself be highly regarded throughout the world as a constructive step forward.

Attached is a paper which deals with the threshold test ban proposal in greater detail. We plan to submit the proposal in the near future to the Committee of Principals but thought it advisable for you to be aware of this possible initiative in the context of NSAM 345.

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I am sending copies of this memorandum and its attachment to Secretaries Rusk and McNamara in the event that you may wish to discuss these suggestions with them



Adrian S. Fisher  
Acting

attachment

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1966 MAY 13 AM 9 49

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Threshold Test Ban as An  
Early East-West Initiative

An offer to extend the present limited test ban treaty to cover the larger underground nuclear tests could be a constructive political and diplomatic initiative addressed to the Soviet Union as part of the program carried under the penultimate paragraph of NSAM 345. Such an offer could serve as a public demonstration that we are concerned with improving our relations with the Soviet Union. If such an offer were accepted, it would be a real step forward in turning down the arms race. It would also be a significant step in the field of non-proliferation of nuclear weapons, without raising any of the problems presented to NATO by a formal non-proliferation agreement.

Recent technical developments have made it possible to verify a treaty banning larger underground tests -- those above a certain threshold -- without on-site inspections. These developments are described in studies of the Air Force Technical Applications Center.

These studies indicate that there are certain characteristics in the seismic signals received from underground explosions that are found in the case of all explosions. There is a false alarm rate in that the seismic signals which might be received at presently available stations from some earthquakes, are similar to those from all explosions. However, in the higher magnitudes, the false alarm rate becomes very low. In the case of events producing a seismic magnitude of 4.75 or larger there will be only 0 to 4 natural events a year in the Soviet Union which may produce signals similar to that produced by an explosion.

This means that a potential evader of a treaty banning underground tests above 4.75 would know that such a test would come under intensive U. S. scrutiny. The U. S. S. R., in

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particular, could be certain that the United States would bring all its intelligence resources to bear to see whether a prohibited test had taken place. This search would take place against the very low background noise of the 0 to 4 natural events which might produce a similar signal. The U. S. would be aided by the fact that the 0 to 4 annual earthquakes are located almost entirely in the Kurile - Kamchatka area, an area whose geology is such as to give the Soviets very little reason for conducting a clandestine underground test above 4.75 magnitude.

We are thus in a position to offer a ban on underground tests above 4.75 -- without on-site inspections. And presently planned improvements in seismic capabilities may make it possible to identify even smaller explosions in the future.

Under such a threshold treaty, the United States would be able to conduct underground tests in the vicinity of 30 KT without a significant risk of exceeding the threshold. The figure for the Soviets is probably comparable although they may not have as suitable geology for "low coupling" testing as the United States and they do not have as much experience in underground testing. For most Nth countries which have no prior experience in underground testing, the uncertainties are such that even a 5 - 10 KT test would run a substantial risk of violating a 4.75 threshold treaty.

A variety of technical studies have been completed, and some are scheduled for completion in the very near future, concerning many of the specifics of a threshold test ban. The basic issue to be decided, however, is whether the advantages which a threshold treaty would have in embodying a US - USSR agreement to turn down a major part of the arms race and in inhibiting the potential nuclear powers from making a decision to manufacture nuclear weapons outweighs any potential disadvantages to the United States that might be caused by the slight possibility of Soviet cheating and the real inhibitions placed on US testing.

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In the judgment of ACDA these advantages do outweigh any possible disadvantages.

If a treaty were to be agreed to by the U. S. and the U. S. S. R. most, if not all, of the potential nuclear powers would adhere to it. They would probably do so as part of a total program against proliferation, one in which the principal nuclear powers were accepting a major inhibition. They would probably not conduct their own first nuclear test -- even a small one -- unless they were prepared to say to their own people and to the world that they were withdrawing from the program.

It is, of course, true that a threshold test ban will not have quite as much of an inhibiting effect on proliferation as a comprehensive test ban. But a threshold ban bypasses the vexing problem of on-site inspection. It also guards against the dangers seen by some in the deterioration of weapons laboratories and even of weapons stockpiles which some say might result from a comprehensive test ban. Furthermore, it diminishes the importance of the issue advanced by some that we need further testing for ABM development and for assurance against warhead vulnerability.

It represents an offer that we can make now to reduce East - West tensions substantially by slowing down the arms race.

It is, of course, more probable than not that the Soviet Union's reaction would be to link our offer of a threshold test ban with a moratorium on all tests below the threshold. That would almost certainly be their initial reaction as it was in the case of the limited test ban. But the U. S. would have taken an initiative which, in and of itself, would have improved the U. S. posture. And the way would be cleared to a prompt agreement if the U. S. S. R. should see this in its long-range interest as it did with an earlier limited approach to the test ban problem in 1963.

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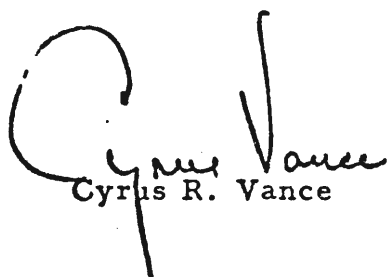
MEMORANDUM FOR THE PRESIDENT

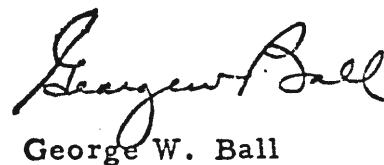
SUBJECT: Measures to Increase Cohesion of NATO, Final  
Response to NSAM 345

The measures covered in this memorandum are:

- I. NATO's Principal Political Function,  
Preparation for Settlement in Central Europe
- II. An Attack on the Technological Gap
- III. A NATO Military Payments Union
- IV. A Possible Presidential Speech

Respectfully submitted,

  
Cyrus R. Vance

  
George W. Ball

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E.O. 12958, Sec. 3.6  
NLJ 93-05  
By us, NARA Date 8-31-99

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## MEASURES TO INCREASE THE COHESION OF NATO AND THE NORTH ATLANTIC COMMUNITY

This paper responds to that part of NSAM 345 which directs the development of proposals to increase the cohesion of NATO and the North Atlantic community.

### Introduction

The most dangerous ultimate outcome of the disintegrating forces set in motion by French secession from NATO would be a similar shift of Germany from integration with the West to political and military unilateralism. Measures designed to deal with the French defection should therefore aim at or be consistent with enhanced German integration in NATO and the West; they should prove the worth of NATO, especially to the Germans, and strengthen the cooperative relations within and through the organization.

While the European Community is not the subject of this memorandum, its existence as a vital constructive force in Europe and its future prospects are closely related to the goals of this memorandum -- particularly the maintenance of an institutional framework within which Germany can live. The Common Market has withstood de Gaulle's assaults. In time England will surely become a part of this Community. In the meantime, while we defend and strengthen NATO we must also give continuing U. S. support to the European Community and the cause of a united Europe.

### I

#### NATO's Principal Political Function -- Preparation for Settlement in Central Europe

Since NATO military forces and U. S. nuclear support have greatly lessened the threat of military attack, NATO's cohesion will rest quite as much on its political basis. In short, NATO is not merely a military structure

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to prepare a collective defense against military aggression, but also a political organization to preserve the peace of Europe. More specifically, as long as the German problem remains the chief danger point, the basic political function of the alliance is the collective management of the German-Soviet relationship in the unsettled Central European setting that emerged from World War II. In this function the Federal Republic should participate as a confederate, and not a ward, of the other allies. A multilateral system of military integration in peacetime, embodying the whole of the German military forces, is a prerequisite for exercising this function.

Emphasizing, clarifying, and implementing NATO's political function is central to its cohesion during the present strains. The first step is to bring home to the NATO allies the need for an agreed NATO policy regarding the division of Europe and the division of Germany. Europe is full of demands for a political initiative, for not leaving the field of East-West relations to General de Gaulle, for a detente with Eastern Europe. But there is very little understanding that all this is meaningless unless action stems from an agreed policy for healing the division of Europe and Germany on a sound, equal, and lasting basis.

The object of policy should not be to devise a settlement. Fifteen years of meetings have proved that impossible. The object should be common action to improve the environment which could make discussion of settlement meaningful and not merely a move in a propaganda war. This suggests a look at the existing environment.

1) Present Situation in Eastern Europe and Soviet Union

The last ten years have been a period of change. But academic experts and governmental officials agree that the Eastern European countries are still Communist regimes,

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wedded to their political theology, unwilling to lose political control, and facing serious economic difficulties. These countries are filled with suspicion not only of the West but of one another. Thus, while undeniably there has been change, it is significant more in terms of what previously existed than in comparison with change in any of the Western nations.

Then there is the special problem of East Germany. The GDR has the highest standard of living of any of the Eastern European states. It is the Soviet Union's most important trading partner and supplies advanced industrial exports. The twenty Soviet divisions in East Germany, and their line of supply across Poland, are the keystone of Soviet political and military hegemony over Eastern Europe. In a word, the status quo in East Germany is a vital national interest of the USSR. An active U. S. and Western European policy towards Eastern Europe has both limitations and traps.

## 2) Cautions Regarding Approach

Approach to this complicated problem requires realistic appreciation within the United States and among our Allies of the probabilities and tempo of change in attitude of the East and, more particularly, of the narrow limits of change imposed by the facts of the situation.

In Eastern Europe certain individuals and groups are cautiously trying to loosen dictatorial controls, while each of the states is attempting with varying degrees of success to lessen dependence on the Soviet Union. Western fanfare or the spotlight of public approval turned on these individuals and groups, rather than helping them, is more likely to end their efforts. Furthermore, a more liberal Western policy ought not to be identified too closely with NATO. The NAT is a military treaty. A more flexible Western policy will be vulnerable to Soviet attack and Eastern European suspicion if this policy and NATO are tied together.

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At every stage in policy making and execution scrupulous attention must be paid to German interests and sensitivities. The Germans will be difficult, at times irrational, and slow to move. They are, after all, in the difficult position of being under attack by de Gaulle and feared by their weaker Western neighbors. To be insensitive to German views, or to override them, would sacrifice a vital Western interest. As we have - seen in the past, many of the Western nations (particularly the Scandinavians and the British) fail to see the intransigence of the East, look upon the Germans as the obstacle, and often seek solutions at the expense of German interests.

Finally, the dangers that detente will become the current foreign policy fad are considerable. To our allies it could be, at the beginning, an excuse for even more inadequate defense contributions, and, ultimately, a bitter and disillusioning let down. To the Soviet Union and the Eastern European states it might appear as a more suave attempt at "roll back" by dividing and weakening our opponents. This would be a misfortune since it would defeat the purpose of the policy and open us to an effective propaganda charge that the U. S. lags behind its allies in opening peaceful intercourse across the division in Europe.

### 3) Suggestions for Improving the Environment in Central Europe

Attached at Tab A are a series of suggested steps that may improve the Central European environment. They obviously vary in importance and merit. Their importance, after they have been culled over, may be, first, in the cumulative effect upon our NATO allies, and especially upon the Germans, as an earnest of an attempt to work seriously upon the Central European and German problem. This may help to offset the disruptive effect in Germany of the French-attitude following the Moscow visit. The more long-term effect may be in creating a

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better environment for a step-by-step approach to ending the division of Europe.

## II

### An Attack on the Technological Gap

Increased disparity in advanced technology and production between the United States and Europe is becoming a most serious and potentially divisive issue. In a number of fields (e.g. computers, large aircraft, weapons) the U. S. is either able to produce advanced items which the European countries cannot produce, or to produce more efficiently and thus take most of the market. The result is a European fear that their lag in the most advanced industries will lead to an ultimate status of economic backwardness or satellization. This fear may very well be justified, but definitive economic studies have not been carried out.

The causes of the problem are deep-seated and complicated. There is the basic problem of scale; European firms are of uneconomic size, their markets are restricted, the complex of national laws, tax rules and security requirements inhibits growth. European investment in technical, scientific and business education, and in research and development, is comparatively low. European management, marketing, and labor methods and habits are not competitive. These are problems the Europeans must solve -- they cannot be cured by any technological package that the U. S. can assemble and export. Ultimately they probably require a unified Europe.

Both to reduce European resentments and to release European capabilities, however, the U. S. should do what it can to advance European technology and to encourage those elements in Europe who are trying to deal with the problem.

The U. S. has made a number of efforts in this direction, but in this country, too, the problem is singularly intractable. Its elements are encompassing,

interdependent,

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interdependent, and in many cases conflicting, affecting military and industrial security, large governmental and commercial investments, and the responsibilities of many government departments and agencies.

#### Recommendation

The esoteric nature of the subject matter and the intractable character of some of the problems involved lead to the conclusion that any progress in this area will require policy decisions at the highest level, that is by the President. In order to begin the process, the President will need an investigation by someone familiar with the field to suggest those areas which may be suitable for collaboration with our allies. Such an investigation might suggest not only the areas but the methods of collaboration which might be most successful, i.e., working through multilateral organizations rather than bilaterally. If, after such an investigation, the President determines that certain areas should be explored in further detail, or that collaborative efforts should be initiated, the direction of this work should be centered in the office of the President. We, therefore, recommend that the President charge his Special Assistant for Science and Technology, Dr. Hornig, with the preparation of the preliminary studies. Such further work as the President may wish to have undertaken should also be under Dr. Hornig's supervision.

### III

#### NATO Military Payments Union

##### Purpose

The NATO Military Payments Union (NMPU) is designed to neutralize the impact of military expenditures on the balance of payments accounts of the participants.

##### Function

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### Function

Subject to further study of the technical aspects of the NMPU proposal, and to negotiation with other NATO members, the Payments Union might function as follows:

- 1) A member whose foreign exchange outlays for military expenditures exceeded its receipts would have an "NMPU military deficit". Conversely, a member who realized a net foreign exchange gain would have an "NMPU military surplus".
- 2) Net surplus countries would deposit in the Union an amount in their own currencies equal to the value of their surplus for a given period. Net deficit members would draw from the Union the amount of their deficit.
- 3) Thus, surplus countries would receive assets in the form of obligations of the Union, while deficit countries would incur obligations to the Union equal to the sum of their drawings.
- 4) To make assets desirable, interest would be paid on NMPU obligations by deficit countries in convertible currency.
- 5) Assets would be long-term, without fixed maturity. Members might agree that repayment would be effected when a deficit country achieved a surplus in its overall balance of payments. The debt to the Union would be settled only to the extent of this overall surplus. Creditors might encash assets in a corresponding amount.

### Effect of the NMPU

The NMPU would convert foreign exchange losses and gains to long-term obligations, thus alleviating balance of payments problems for both the United States and the United Kingdom.

Bilateral offset arrangements would remain in effect. But failure to meet offset obligations would be less

significant,

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significant, since the U. S. could draw on the NMPU to neutralize net military expenditures in member countries. Because no offset arrangements now exist with the Low Countries, the NMPU may be particularly important in neutralizing the deficit incurred in possible relocation of troops and bases. It might also encourage increased purchases of military equipment from the U. S., since surplus countries would, in this way, reduce the budgetary burden of acquiring NMPU assets.

#### Problems

The problems of negotiating the NMPU center on the surplus countries, principally the FRG, since they are asked to forego their foreign exchange gains by accepting NMPU long-term obligations. This means either a budgetary cost to the creditor, or additional outlays to procure military goods from other members.

The Senior Interdepartmental Group (SIG) has decided that the NMPU is to our advantage, provided it does not involve a net additional exchange cost. A more detailed description of the NMPU is at Tab B.

#### Recommendation

FRG acceptance of the NMPU is essential if it is to be of any value. Conversations should, therefore, be initiated with the Germans this summer to obtain their support for negotiating the subject in NATO. The timing and tactics of presenting the proposal to the FRG are now being considered by the SIG. The European IRG has recommended two alternatives: (1) an approach by Secretary McNamara at the time of his talks with Chancellor Erhard and Defense Minister von Hassel in late July. Ambassador McGhee might make preparatory approaches before the McNamara talks; (2) an earlier approach to the FRG by a special high-level mission to Bonn, perhaps supported by a Presidential letter.

During the past few days the press has apparently learned of our interest in an NMPU. This may make more

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urgent the need for early talks with the Germans.

The SIG will consider the negotiating tactics and schedule for the NMPU on June 7, and may reach a decision at that time. The SIG recommendation will, in that event, be available for consideration by the President at the time he is ready to discuss the issues raised in this memorandum.

#### IV

#### Presidential Speech in Late Summer

By Labor Day most of the decisions necessitated by the disruptive action of France will have been taken. "Damage Repair" and moving will have begun. Hopefully, some military payments plan may bring respite from the continuous friction caused by balance of payments consequences of our military position in Europe. The time will have come for the inauguration of a new chapter in the life of NATO, or more accurately, putting new life into NATO. It will be a critical time. As has been wisely observed:

"In the absence of violent events, international organizations do not dissolve. Members do not meet to declare them defunct. When the organization ceases to do business valuable to its members and is not replaced by a more effective one it becomes a collection of ritualistic obeisances. It inconveniences them least when it leads an innocuous life of its own, and most when it gets in the way of their policies. These degenerative tendencies are not new to NATO. They may become dominant if the desire to maintain NATO cannot be expressed in measures that give meaning to its business." \*

The new

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\* Mendershausen, Horst, From NATO To Independence: Reflections on de Gaulle's Secession. The Rand Corporation, 1966.

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The new life to be put into NATO must come from "measures that give meaning to its business". We have tried to suggest some of them in this memorandum. No one can forecast them with such authority as the President of the United States.

Even more important, no one but the President of the United States can express the continuing life force of NATO -- the partnership between a uniting Europe and the United States. The last ringing statement on this subject was made in 1963 by President Kennedy in Frankfurt. Since then an attempted death blow has been struck at the partnership. Nothing could so unite and inspire the remaining members of NATO, after the dreary work of the spring and summer, as a reaffirmation by the President of continued faith in partnership together with a call for new measures to give meaning to its business.

The speech should be well prepared for and put in a setting in which all Europe will listen. It should be followed by rapid implementation of the measures which the President may approve, both from the nuclear memorandum and from this one.

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## ANNEX A

### SPECIFIC PROPOSALS FOR IMPROVING THE ENVIRONMENT IN CENTRAL EUROPE

#### U. S. Initiatives

The most urgent and important step is for the United States to deal effectively and quickly with those aspects of our own behavior that set us apart and make us the most restrictive member of the Western community. A bill of particulars of possible Executive and Legislative Branch moves follows:

#### Presidential Initiatives

##### 1. COCOM

The COCOM selective embargo has little effect on the rate of economic growth or military capabilities of the Soviet Union or other Warsaw Pact nations. Our unwillingness in the past to agree to a selective application and downward revision of this list has been a source of irritation not only in Eastern Europe, but also among other COCOM countries. We should now propose that the list be re-examined and substantially revised.

##### 2. U.S. Export controls

U.S. export controls (covering some 2,284 items, of which 1,072 are either categorically or usually embargoed) aim at inhibiting defense related industrial capacity as distinguished from the direct military focus of COCOM controls. Our export controls are largely ineffective, since U.S. embargoed items not on the COCOM list are generally available elsewhere from Free World suppliers. In addition, the system itself is cumbersome and time-consuming and adversely affects our commercial relations with the East because of the uncertainty that an export license will be granted.

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Furthermore, our attempt to extend the scope of these controls through extraterritorial administration, i.e. through U.S. companies or subsidiaries abroad, is a nagging irritant in our relations with our Allies. An equally important irritant is the extraterritorial application of the Foreign Assets Control Regulations of the Treasury. We should reduce (at least to the COCOM level) the number of items under U.S. export controls and renounce extraterritorial application of Foreign Assets Control regulations within the Alliance.

### 3. Civil Air Agreement

The U.S.-U.S.S.R. Civil Air Agreement was initialed in 1961 but was not signed because of the Berlin crisis. Last April the Russians criticized our delay in ratifying the Consular Convention and in signing the Air Agreement. We should sign the Civil Air Agreement with the U.S.S.R. as soon as practicable.

### 4. Travel in the U.S.

In an effort to induce the Soviets to lessen or remove their severe restrictions on travel by Americans in the U.S.S.R. we have closed a number of areas in the United States to Soviet travelers. This effort has not been successful. We recommend that these areas be opened. This will remove the tarnish to our image abroad that results from adoption of the very practices we condemn. Sensitive installations in the U.S. can be protected by retaining the requirement for advance notification established in 1952. This will enable us to deny travel to sensitive areas.

In November 1963, we took the initiative in closing certain areas to travel by East European official personnel assigned in the U.S., although comparable restrictions on U.S. official personnel did not then exist in most of the Eastern European countries. We should return to the principle of bilateral reciprocity in applying travel restrictions to East European official personnel and should seek the mutual reduction or elimination of present restrictions which were established at our initiative in 1963.

### 5. Soviet Housing

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5. Soviet Housing in the U.S.

We have been unable to assist the Soviet Embassy in obtaining satisfactory property for a new Embassy in Washington. This has been an irritant in our relations, and has been used by the Soviet Union as an excuse for not meeting our own acute housing needs in Moscow. We should redouble our efforts to assist the Soviet Embassy in this matter, making clear that we will expect reciprocal treatment.

6. Port Facilities

We apply special port security procedures to ships from the U.S.S.R. and other Eastern European countries which are more severe than those applied to other European nations. If we take action -- consistent with our national security -- to ease these restrictions, it may open the way for regular visits to the United States by U.S.S.R. cruise ships.

7. Rumanian Power Reactor

In mid-1964 we agreed in principle with the Rumanians to sell them a nuclear power reactor. They are prepared to accept IAEA safeguards. We completed necessary consultations with COCOM a year ago, and various Senators and Representatives have been consulted. We should now authorize the Rumanians to deal directly with American suppliers.

8. Diplomatic Representation at Sofia

We are the only major NATO country that does not have a representative at the Ambassadorial level in Sofia. To enhance the position of our representative would be considered a positive initiative and cost us nothing.

9. Local Counterpart Funds in Poland

The Poles will face a major problem in 1967 when they must repurchase for dollars approximately \$40 million worth

of U.S. holdings



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of U.S. holdings of local currency generated by the sale of surplus agricultural commodities. The Poles are not inclined to cooperate in proposals for the use of local currency so long as we continue our current practice of drawing from the far end of the repayment schedule (30 or 40 years from now). A change in this practice might induce Polish agreement to embark on projects of mutual advantage. They might, for example, be willing to help support the East-West Foundation or University discussed below.

#### 10. U.S. Export Credit Guarantees

At present we grant export credit guarantees only to Yugoslavia and Rumania. A Presidential determination to afford similar treatment to Czechoslovakia, Poland, Hungary and Bulgaria would be a stimulus to U.S.-Eastern European trade and would remove what these countries look upon as a discriminatory practice.

#### Legislative Initiatives

##### 1. East-West Trade Bill

The discrimination against Communist exports is probably one of the most inhibiting political and economic obstacles to an improvement in U.S. relations with Eastern Europe. The East-West Trade Bill is designed to remedy this discrimination and to bring our trade practices more in line with those of Western Europe. The Administration should begin now to prepare the ground for consideration of this measure by the Congress after the 1966 elections.

##### 2. Consular Convention

Our Consular Convention with the Soviet Union, signed on June 1, 1965, was reported out by the Foreign Relations Committee in August of 1965. The Senate has not yet acted, and is not expected to act on the legislation this year. Once again, a Presidential request, at an appropriate time, for Congressional action might break the deadlock.

Multilateral

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## Multilateral Initiatives: Economic

### 1. OECD

We should propose in the OECD Council that the Organization study the possibilities for developing a policy aimed at reducing East-West tensions. Out of this might come an OECD proposal to invite Eastern European countries to establish some form of association with various OECD Committees. The initiative rests on the assumption that in a number of areas -- road research, protection of the environment (air, sea and water pollution), urban development, innovation in the institutions and structure of education, manpower and social affairs, fisheries and agriculture -- several of the Eastern European states might be interested in association with the OECD in one or more of these fields. A further virtue would be that the Organization is flexible and might be the framework within which additional contacts and more extensive arrangements in other fields could be established. It would also provide a neutral place for direct contacts between Western and Eastern officials.

### 2. An East-West Foundation or University

An East-West Foundation or University might be established in one of the Eastern European countries or Austria. The purpose would be to provide Western instruction in subjects of acute practical importance to the Eastern Europeans, e.g. agriculture, business administration and modern management techniques. Counterpart funds in Poland and Yugoslavia might be used for this purpose, though legislative barriers are formidable. We may well encounter resistance from the Poles and possibly the Yugoslavs. It might be feasible, however, to encourage the Ford Foundation, along with one or two of the major German foundations, to offer the capital necessary to institute such a project. Government support from the U.S. and other Western countries could then be used to help

defray operating

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defray operating costs. The past success of the Ford Foundation in Eastern Europe indicates that private sponsorship would be more likely to succeed, in any event, than a government initiative.

### 3. International Cooperation in Desalting

The U.S.-U.S.S.R. agreement of November 1964 provides the basis for wide scientific and technical cooperation in desalinization, including the use of atomic energy. We might propose a UN conference, perhaps under IAEA sponsorship, of government officials responsible for research and development in this field. Such a conference would be of interest to the technology exporting countries of Western Europe as well as to water short countries such as Israel, the Arab states, India, Greece, Spain, Chile, Argentina and Mexico. The U.S.S.R. and the Eastern European countries would have little basis to refuse such an invitation and would have strong incentives to participate.

### Multilateral Initiatives: Political

#### 1. Exchange of Military Observers

We should pursue the Soviet proposal of last October for an exchange of military observers, preferably on a bilateral basis, since the FRG fears that a NATO-Warsaw Pact exchange would lead to GDR involvement. It might be possible to overcome the FRG objection to a NATO-Warsaw Pact exchange if there was a firm understanding that East Germany would be excluded.

#### 2. The German Role in Disarmament Consultation

The FRG should be invited to be represented in multilateral disarmament consultations. This could be either in connection with the Five Power strategy sessions generally held here in Washington before resumption of the ENDC, or in connection with the Four Power sessions held

in Geneva.

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in Geneva. This would also resolve the present anachronistic practice whereby the French participate in the Western consultations in Washington while the Germans do not.

### 3. German Initiative Toward the East

It is highly desirable that the Germans themselves initiate moves which will bridge the gap now existing between Moscow and Eastern Europe on the one hand and the FRG on the other. Gently, subtly and through every channel, official and unofficial, we should encourage the FRG to remove the obstacles to progress in better relations. It should be relatively simple to get the Germans to make a completely unqualified, categorical renunciation of the Munich Agreement which would be helpful in improving relations with Czechoslovakia. It should next be possible to get the Germans to bend the Hallstein Doctrine sufficiently to establish diplomatic relations with Rumania, Czechoslovakia, and Hungary, to be followed by the other Eastern European states later. We should encourage the Germans to talk with the GDR, if not on a government level, at least on the order of the proposed SPD-SED talks upcoming in July.

The Oder-Neisse Line is a harder nut to crack. Nearly all West Germans are loath to surrender this legal and political argument, unless and until progress toward German reunification is visible.

Until Germany moves in these areas, hostilities and fears in Eastern Europe will persist, the FRG will be subject to attack and manipulation by the Soviet Union and the East, and these issues will divide the Western Allies.

### 4. The Exchange of Visits

An important policy that could be accepted by all NATO countries -- and one in which we could take the initiative --

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would be to encourage both official and unofficial exchanges of visits.

Visits by Soviet and American officials outside the framework of the Exchanges Agreement have been proposed and considered in the past. It might be possible to invite Soviet officials who rank just below Brezhnev and Kosygin to make unofficial visits. Visits by ranking military officers might also be considered. We doubt that invitations at these levels will be accepted at present, but we should indicate informally our willingness to move when the Soviets feel the time appropriate.

We should also consider encouraging local U.S. officials and private organizations to invite Soviet officials who are important in Party and Government ranks, yet who are not at the top levels. Such visits would expose influential Soviet individuals to the United States; and, if carefully and slowly introduced, might not be as vulnerable as visits by top leaders to chills in the overall atmosphere of our relations with the U.S.S.R.

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April 28, 1966

SUBJECT: A Proposal for a NATO Military Payments Union (NMPU)The Proposal

The NMPU would be designed to neutralize the effects of military expenditures on the balance of payments accounts of participating countries. It would give operational meaning to the concept that major alliance members should derive neither balance of payments advantages nor disadvantages from expenditures for the common defense. At present, balance of payments effects of defense expenditures are largely determined by geography - e.g., expenses of U.S. and U.K. forces in Europe - more or less offset by bilateral procurement arrangements.

I. Structure

The precise features of an NMPU would need to be negotiated with other NATO members. But the essential elements of an NMPU might be as follows:

- (1) There would be an agreed definition of military expenditures for NMPU purposes. Military procurement, including that covered by present offset arrangements, would be included in the definition.
- (2) A member of the Union whose foreign exchange outlays for military expenditures in other member countries exceeded its own foreign exchange receipts from the military expenditures by other members in a given period would have an "NMPU military deficit". Conversely, a member who made net foreign exchange gains in military transactions with other members would have an "NMPU military surplus".
- (3) To neutralize the balance of payments effects of this pattern of spending, net surplus countries would deposit in the Union an amount of their own currencies equal to the value of their surplus in a given period, and net deficit countries would draw from the Union the amount of their deficit. Deposits and withdrawals could be made monthly on the basis of projections, with periodic (say quarterly or semi-annual) adjustments.
- (4) In return for their deposits in the Union, surplus countries would receive assets in the form of obligations of the Union, and deficit countries would incur obligations to the Union in the amounts of their drawings.

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(5) Interest would be paid on the NMPU obligations by the deficit countries in convertible currency to make them more desirable assets for the surplus countries to hold.

(6) The NMPU obligations could be long-term assets without a fixed maturity. Countries in a persistent surplus position in the Union would continue to purchase and hold these obligations, while countries in a persistent debtor position would continue to draw on the Union and increase their debt. It might be agreed that when a member in debt to the Union achieved a surplus in its overall balance of payments, it would then settle its debt with the Union but only to the extent of its overall surplus. Creditor countries in the Payments Union would be able to encash their assets in a corresponding amount.

(7) Debts owed to the Union after the termination of NATO would be settled over an agreed period of time.

(8) Adherence to the NMPU would, in principle, be voluntary. France would presumably choose not to become a member of the Union, and we would probably not want Greece, Turkey, and Iceland - which are special cases - to become members.

The attached appendix illustrates the way the NMPU would operate.

## II. Effect of NMPU on U.S. Bilateral Offset Agreements

Bilateral offset arrangements could continue in force after the establishment of the NMPU. New offset arrangements could be negotiated, but they would not be as significant as formerly for U.S. short - and medium - term balance of payments reasons because the U.S. could offset any net military expenditures in member countries by drawing on the NMPU. However, the likelihood is that countries with which we now have offset arrangements would continue to purchase in the U.S. not only because we have a comparative advantage in modern military equipment but also because such purchases would reduce the investment that surplus countries would need to make in NMPU obligations. Surplus countries, like Germany, would have a budgetary incentive to procure military supplies from NMPU members rather than domestically or from non-members because such procurement would reduce their net creditor position and therewith the budgetary burden of acquiring NMPU assets. Surplus countries with which we do not have offset purchase arrangements, like the Low Countries, would help to neutralize our deficit by their financial contributions to the NMPU. This would be particularly important if troops and bases were redeployed from France to the Low Countries whose military exchange receipts would, in that event, substantially exceed their military expenditures in other member countries.

An NMPU would, at the minimum, be as effective in the short and medium term in neutralizing the balance of payments effects of our military spending as bilateral offsets alone, and without the frictions these generate. The military outlays of the Defense Department would be balanced not only by military sales but also by drawings on the NMPU. Such drawings would be considered as part of the Defense Department's contribution to balance in our external accounts.

### III. The U.S. Debt to the NMPU

The U.S. would be in debt to the NMPU to the extent that U.S. military sales to members fell short of U.S. military expenditures in member countries. It would pay interest on the debt so long as the NMPU held these claims.

Over time, our position in the Union might alter, either because our military outlays abroad were reduced or military spending by other members here increased, and we might move from a debtor to a creditor position. However, the U.S. would almost certainly continue for some time to be a debtor to the Union. Various arrangements would be possible for settlement of the debt. Thus, it might be agreed that debts to the NMPU would have no fixed maturity but would be settled when, and to the extent that, debtors come into overall balance of payments surplus. Then, the U.S. would not have to repay the debt until, and only to the extent that, it was in overall balance of payments surplus. As indicated above, alternative arrangements are possible, including making the obligations of fixed maturity.

We should not regard indebtedness to the NMPU and the corollary obligation to pay interest as an abnormal arrangement. It is entirely consistent with current U.S. policy to encourage foreign private investors to acquire equity claims in U.S. industry, and foreign governments to hold interest-bearing dollar claims and other debt instruments. At a time when our economy is at full employment and bottlenecks are appearing in defense industries, it may even be preferable to balance our accounts by the import of capital rather than the export of military goods.

Put another way, our balance of payments problem is a liquidity problem, not a problem of long-term debt. On long-term international account, we are far and away a substantial net creditor, and our creditor position is growing steadily stronger. What we wish to avoid for balance of payments or liquidity reasons is the further accumulation of dollars by foreign governments that can be presented to the U.S. for gold. We can, of course, attempt to avoid this by offsetting our military expenditures with military sales; we can equally well avoid this by ensuring that dollars acquired as a consequence of U.S.

military spending are "sterilized" for a long period so that they cannot be presented to us currently for gold or embarrass foreign governments by adding to their already substantial liquid dollar reserves. The conversion of these dollars from liquid balances into long-term obligations meets the liquidity problem. The charge on our balance of payments would be a modest annual interest charge with repayment of the principal postponed until the U.S. balance of payments was in overall surplus and then only to the extent of the surplus; or, alternatively, a somewhat larger but still relatively modest interest and amortization charge. The increase in U.S. long-term debt would have no other repercussions on our liquidity position or on confidence by others or by ourselves in the integrity of the dollar. Our long-term creditor position would continue to be solid. At the end of 1964, U.S. assets and investments abroad totaled \$99 billion whereas total foreign assets and investments in the U.S. amounted to \$57 billion.

#### IV. Financial Effect of NMPU on Other NATO Countries

Initially, Germany, the Benelux countries, and possibly Italy would be in surplus. The U.K. would be in deficit.

In the long term, the NMPU could encourage military procurement in the U.S. to the point of pushing the U.S. into a surplus position, which would mean that the U.S., by lending to the NMPU, would itself be financing these purchases through appropriated funds. Given the magnitude of the current U.S. deficit on military account, this would appear to be quite unlikely, although the Union should stimulate allied purchases on military account..

However, if this situation should occur, it would not necessarily be disadvantageous to the U.S. First of all, the achievement of an NMPU surplus would mean that an improvement of some \$500 million a year in the U.S. payments position would already have taken place. Secondly, depending on the countries primarily involved in large-scale military procurement from the U.S., it might well be in the U.S. national interest to lend on "soft" terms if this lending seemed likely to contribute to a strengthening of the economy of the recipient country and a consequent reduction in related U.S. commitments. This would be particularly true in the case of the U.K., where support of sterling is in the U.S. national interest. Finally, the direct effect on our balance of payments would continue to be neutral. That is, our long-term lending (capital outflow) would be balanced by our increased military exports.

#### V. Advantages of the NMPU

If the NMPU proposal could be successfully negotiated, it would be in the U.S. interest because:

1. It would substantially free NATO security policy formulation from balance of payments constraints.
2. It would relieve the U.S. of current gold and exchange losses arising from NATO military expenditures and of some of the indirect burden of supporting sterling.
3. It would multilateralize an important financial aspect of NATO relations, thereby reducing the political tensions associated with existing bilateral offset arrangements and strengthening the unified posture we and the thirteen have adopted toward France.
4. It would eliminate the economic uncertainties inherent in biennial offset negotiations with Germany.
5. It would provide full financial offset coverage for all our defense expenditures in the territory of participating countries including the costs of relocation.
6. It would provide an incentive to procure the best available military goods from the most advantageous source in the alliance. Given the U.S. comparative advantage in military equipment, procurement in the U.S. might rise.
7. It would relieve the U.K. of the balance of payments strains caused by its military expenditures in the NATO area and reduce pressures to cut force commitments in Germany.

#### VI. Negotiating and Other Possible Difficulties

It would be difficult to negotiate the NMPU because:

1. Surplus countries would have additional costs. In the case of Germany, these costs would be additional foreign exchange outlays to procure military goods from other members rather than domestically, or additional budgetary costs to purchase NMPU assets. In the case of the Low Countries, the costs would be a budgetary burden, to the extent they find themselves unable to reduce their surpluses through military procurement. Redeployment might inflate their NMPU surplus position by as much as, let us say, \$100 million per year in each country. For Belgium, such a figure would represent some 3 percent of current annual budgetary expenditures and, for the Netherlands, about 2.5 percent. We would be asking them, in effect, to sterilize their foreign exchange gains by equivalent budgetary outlays.

2. In present circumstances, the NMPU proposal might be viewed by continental Europeans as an Anglo-Saxon device designed to have Europe finance U.S. and U.K. deficits, thereby relieving the U.S. and U.K. of taking the measures necessary to restore balance to their accounts.

3. There would be a number of technical problems to be resolved in the negotiating process, for example: the definition of military expenditures and overall balance of payments positions, accounting techniques and other ground rules.

In the process of negotiating the NMPU we might encourage the Germans to delay even further the fulfillment of their present offset commitments and jeopardize the negotiation of new bilateral undertakings.

## VII. Conclusion

The question is not whether a successfully negotiated NMPU would be in our interest. Clearly, it would. Relief from current and growing strains on our balance of payments should reduce the need for new balance of payments measures harmful to U.S. foreign policy objectives. The accumulation of U.S. long-term debt to the NMPU should not be a matter of concern, given our strong and growing creditor position. And the short- and medium-term gain should outweigh any possibility that the NMPU would have the opposite effect of stimulating excessive allied procurement in the U.S.

Rather, the matter for decision is whether we should now attempt to negotiate the NMPU. Would proposal of a scheme which requires increased payments to the U.S. and Britain by non-French continentals help or hinder the restructuring of NATO at this juncture in alliance politics?

The risks of raising the proposal now are two-fold. We could, in the negotiating process, jeopardize the German offset. And we could reinforce reluctance in the Benelux countries to accepting redeployment of NATO's command and support apparatus on their territory. We would, in effect, be asking them not only to accept the presence of NATO forces but also to "invest" their resulting foreign exchange gains.

If we do not put the NMPU forward now, we will enter the negotiations for NATO restructuring in a position of great financial uncertainty. Not only is the German offset encountering increasing difficulties, but the financing of relocation is entirely unclear. And a range of constructive actions in NATO - proposals for new integrated forces as well as for joint procurement, increased trade in weapons, and co-development and co-production schemes - would be more difficult to pull off in the absence of a mechanism for handling the financial uncertainties inherent in them.

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In short, what we need to assess is whether the political appeal of multilateralism - and realization that failure to make an additional financial effort would make U.S. force withdrawals more likely - would bring European Foreign Ministers to override hesitant Ministers of Finance.

We can only make this judgment after discreet consultation with our allies. In order to minimize the risk both to relocation discussions with the Benelux and to the German offset, our first approach should be confined to Bonn.

#### Recommendation

That the proposal outlined above be presented to the German Government and its comments requested; the British Government should be informed of this action and that we will be consulting them further about it.

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Appendix

How the NMPU Would Work:

Suppose NATO consisted of four countries with the following yearly pattern of military expenditures:

<u>United States:</u>	<u>Expenditures</u> (\$ millions)	<u>Receipts</u>
Germany	750	700
Italy	200	50
U.K.	150	150
Balancing Item (Military Deficit)		<u>200</u>
T O T A L	<u>1100</u>	<u>1100</u>
 <u>United Kingdom:</u>		
U.S.	150	150
Germany	200	100
Italy	30	30
Balancing Item (Military Deficit)		<u>100</u>
T O T A L	<u>380</u>	<u>380</u>
 <u>Italy:</u>		
Germany	100	50
U.S.	50	200
U.K.	30	30
Balancing Item (Military Surplus)	<u>100</u>	
T O T A L	<u>280</u>	<u>280</u>
 <u>Germany:</u>		
U.S.	700	750
Italy	50	100
U.K.	100	200
Balancing Item (Military Surplus)	<u>200</u>	
T O T A L	<u>1050</u>	<u>1050</u>

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In the above example, the U.S. has a NATO military deficit of \$200 million and the U.K. has a NATO military deficit of \$100 million. Germany and Italy, on the other hand, have NATO military surpluses of \$200 and \$100 million respectively.

Under these circumstances the U.S. and the U.K. would be entitled to draw \$200 and \$100 million respectively from the Union, and Germany and Italy would be obliged to provide the Union with \$200 and \$100 million respectively. This would neutralize the direct balance of payments impact of NATO defense spending on these countries.

In return for providing their currencies to the NMPU, Italy and Germany would obtain corresponding assets in the form of obligations of the Union. The U.S. and the U.K. would incur obligations to the NMPU in the amounts of their drawings. Thus, after the first year the balance sheet of the NMPU would appear as follows (in \$ millions):

<u>NMPU Assets</u>		<u>NMPU Liabilities</u>	
Owed by U.S.	\$200	Owed to Germany	\$200
Owed by U.K.	<u>\$100</u>	Owed to Italy	<u>\$100</u>
Total Assets	<u>\$300</u>	Total Liabilities	<u>\$300</u>

If NATO spending patterns changed and countries formerly in surplus ran a NATO military deficit; NMPU obligations could be used to finance the deficit. Similarly, countries in deficit but now in surplus would repay their debt to the NMPU by providing it with their currency.

To illustrate, let us suppose that in year 2 the positions of the four NATO countries mentioned above were exactly reversed: the U.S. and the U.K. had NATO military surpluses of \$200 and \$100 million, respectively, and Germany and Italy had NATO military deficits of corresponding amounts. In this case the U.S. and the U.K. would provide their currency to the NMPU, and in return, their indebtedness to the Union would be cancelled. Germany and Italy could draw \$200 and \$100 million from the Union and in return would surrender their assets acquired in year 1. Therefore, at the end of year 2 all outstanding assets and liabilities arising from the drawings would cancel out, and the NMPU balance sheet would be completely clear.

A general idea of how the NMPU would have worked in 1963 may be obtained from the following rough estimates (in \$ millions):

NATO Military Surplus

Belgium	30
Canada	250
Denmark	20
France	200
Germany	270*
Iceland	10
Norway	30
Portugal	5
Turkey	<u>35</u>
	<u>850</u>

NATO Military Deficit

Greece	5
Italy -	60
Netherlands	5
U.K.	260
U.S.	520
	<u>850</u>

\* Includes German expenditures under offset arrangements.

The five countries in NATO military deficit would have been able to draw amounts from the Union corresponding to their deficits, and the nine countries in surplus would have been obliged to provide their currencies to the Union in amounts corresponding to their surpluses. The U.S., for example, would have been able to draw \$520 million from the Union, and its overall balance of payments position would have been improved by this amount.

The NMPU could operate even if one or several members of NATO elected not to participate. For example, suppose France did not choose to participate in the NMPU. In order to visualize the impact on the NMPU, let us suppose further that in 1963 France's NATO military surplus arose solely from military spending in France of \$100 million each by the U.S. and the U.K. In this event the total 1963 NATO military surplus and deficit would amount only to \$650 million, and the U.K. and the U.S. would be entitled to draw only \$160 and \$420 million respectively from the Union.

It is reasonable to assume that France would not participate in the NMPU. It might also be desirable to encourage non-participation by Greece and Turkey because of their relatively weak economies. Such changes in the number of participants would not vitiate the NMPU mechanism as described above. The figures would change, however, and if spending patterns remained the same, the absence of France would obviously reduce the direct balance of payments benefits to be derived from the NMPU by the United States.

If France, Greece and Turkey were eliminated from the above 1963 NMPU estimates, the NATO military surplus and deficit positions of the remaining countries for that year might appear as follows (in \$ millions):

NATO Military Surplus

Belgium	70
Canada	285
Denmark	20
Germany	235
Iceland	10
Norway	30
Portugal	5
	<u>655</u>

NATO Military Deficit

Italy	40
Netherlands	5
United Kingdom	285
United States	375
	<u>655</u>

If, as a result of a shift in the deployment of NATO forces from France to the low countries, the \$200 million French surplus for 1963 should be reflected in larger surplus positions of Belgium and the Netherlands, a larger NATO military deficit for the United States would appear likely.

Thursday, June 9, 1966

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Attached State-Defense Memo on Measures to Increase Cohesion of NATO (2nd Part of Response to NSAM 345)

Attached is a good memorandum -- signed by George Ball and Cy Vance on behalf of their principals -- on constructive steps for holding the Alliance together and giving it a forward look. Specifically:

Part I (pages 1-4 -- written by Mr. Acheson) suggests a general approach to NATO and European policy. You will wish to read it in its entirety. The central points are:

1. NATO's job is to provide for (i) effective military defense and deterrence; (ii) collective management of the German-Soviet relationship (and, specifically, a multilateral frame for the German military).
2. To succeed in the above, we must work for a consensus among the Allies on policy with respect to the central problem of Europe: the division of Germany and of Europe.
3. Such a policy should not now involve an attempt to blueprint a settlement -- the Russians are not yet ready to retrench. Rather it should aim at improving the East-West environment, so as to permit meaningful discussion of a settlement in the future.
4. Action to improve the environment should not be identified too closely with NATO as such.
5. In all matters of East-West policy, scrupulous attention should be paid to German concerns and interests.
6. We should give strong support to the European Economic Community, and to "the cause of a United Europe."

Bator comment: The interesting question raised by the above is whether we can maintain a consensus that "environment improvement" is all that is possible for the time being. At the moment we are doing pretty well in this respect -- the

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NSC Memo, 1/30/95, State Dept. Guidelines  
By 25, NARA, Date 12-16-99

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response to the Danish proposal for an East-West conference indicates that few of our Allies have illusions that the Russians are ready to pull out of Eastern Europe. However, over time we will have to deal with proposals for a settlement involving neutralization, military thin-out, etc. Further, I suspect that neither this line of policy, nor any other, will keep NATO at center stage. Deterrence -- NATO's natural business -- is still necessary, but it is inevitably a less engrossing preoccupation than in the early 50's. I would argue that as long as we manage to keep our collective allied defense in order, and keep the Germans built-in, some reduction in the importance of NATO as such in Western policy over the next several years is not something we should fear if we actively nurture relations among the key Allies and keep on working on the East-West front. But this is a controversial view.

\* \* \*

Part II (pages 5 and 6) deal with the European concern that they are on the short end of a growing technological gap vis-a-vis the United States. Many important Europeans worry about this (although some of their reasoning is foolish). The solution lies principally with them -- faster economic integration leading to larger markets, more money for research and development, etc. However, there may be some institutional arrangements through which we could help (e.g. a NATO computer center). The memo recommends that Don Hornig be charged with a preliminary study of the problem, and Don has already made some suggestions (at Tab ).

We recommend a committee chaired by Hornig, with membership from Budget, CEA, DOD, State and Commerce.

Work out appropriate instructions for Hornig plus committee \_\_\_\_\_

Speak to me \_\_\_\_\_

\* \* \*

Part III (pages 6-9) recommends that we propose to the Europeans a NATO Military Payments Union to supplement "offset", and put it on a multilateral basis. The scheme would be designed to see that no member of the Alliance suffers a balance of payments drain due to its contribution to the common defense. This is a first-rate idea, though it will be hard to negotiate. There has been some resistance from Defense and Treasury, but both Walt and I are convinced that something like this can be made to work and is worth a good try. A technical committee is now working out the details, and will be reporting to the SIG in two weeks. We will probably be asking for a Presidential letter to Chancellor Erhard as a first step.

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\* \* \*

Annex A (Tab A, pages 1-8) contains a long list of bridge-building proposals for "improving the environment in Central Europe." Three of these appear ready for you to announce right now. I would propose that you make them the action proposals in your Rose Garden statement to the Austrians on European and East-West policy (scheduled for next Wednesday, the 15th). I will do a separate memo on these which you will have tomorrow. If you approve, we will build them into the draft speech. They involve:

1. An East-West institute (perhaps located in Austria) which would bring together managers, administrators, economists, city planners, engineers -- professionals and students -- to study and consult and teach each other. The institute would focus on the practical problems of managing and applying modern techniques to the running of enterprises (small and large, public and private) on city planning, the design of urban transport systems, education, etc. It could be financed by private as well as public money (and some money from the East). In your Austrian statement next week you might simply announce that you have asked a leading citizen, perhaps McGeorge Bundy, to be your representative to explore the possibility of setting up such an institute. (Mac would be a natural, since the Ford Foundation might help with the organization and foot part of the bill. Kingman Brewster of Yale would be an alternative. We'll provide you with a list.)
2. A Presidential determination that Ex-Im Bank commercial credit guarantees should be available on exports to Czechoslovakia, Poland, Hungary and Bulgaria. You have already so determined with respect to Yugoslavia and Rumania. This would be a relatively painless but very useful bridge-building move which would even make us some balance of payments money. (You will recall John Gronouski urging this in connection with possible aircraft sales to Czechoslovakia.)
3. A third item in the action end of the Austrian statement might involve a suggestion that the OECD Council explore possibilities for further practical cooperation between East and West on problems of transport, education, power, etc. You might even hint that the OECD consider inviting some Eastern European countries to explore some forms of association with various OECD working committees.

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The rest of Annex A (Tab A), contains a list of other suggestions. Some will involve Presidential initiatives; others just changes in internal U.S. Government procedures; and some international negotiations. Most will need further staff work before they are ready for your decision. I would recommend that you instruct us to ask the appropriate departments to do this work and we will come back to you for later decisions.

Do staff work \_\_\_\_\_

Speak to me \_\_\_\_\_

Francis M. Bator

Attachments

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THE WHITE HOUSE  
WASHINGTON

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Friday, June 10, 1966  
1:00 p.m.

Mr. President:

Attached is Francis Bator's excellent covering memorandum to the equally excellent State-Defense paper in response to the second part of NSAM 345.

1. I am sending forward, separately, some observations on Francis' comment at the bottom of page 1 and the top of page 2.

2. The Rose Garden statement to the Austrians on the 15th is an excellent moment for some concrete bridge-building proposals, as Francis suggests. It comes before De Gaulle's Moscow trip. I do urge, however, that you personally run down the full list of proposals in Annex A and guide us as to which you believe would be politically easiest for you to take so that the staff work done in the wake of this paper can be geared to your own sense of priorities.

Walt. Rostow

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 87-99

By glp, NARA, Date 10/5/92

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PRESERVATION COPY

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

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Thursday, June 9, 1966

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Attached State-Defense Memo on Measures to Increase Cohesion  
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By 14 12-16-99

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Do staff work \_\_\_\_\_

Speak to me \_\_\_\_\_



Francis M. Bator

Attachments

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3 June 1966

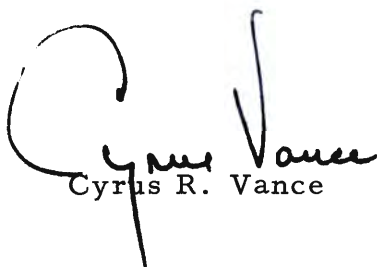
## MEMORANDUM FOR THE PRESIDENT

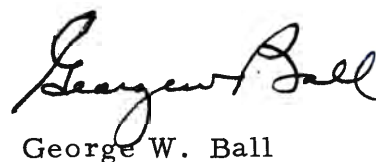
SUBJECT: Measures to Increase Cohesion of NATO, Final  
Response to NSAM 345

The measures covered in this memorandum are:

- I. NATO's Principal Political Function,  
Preparation for Settlement in Central Europe
- II. An Attack on the Technological Gap
- III. A NATO Military Payments Union
- IV. A Possible Presidential Speech

Respectfully submitted,

  
Cyrus R. Vance

  
George W. Ball

DECLASSIFIED  
E.O. 12958, Sec. 3.6  
NLJ 93-05  
By isa, NARA Date 8-31-99

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E.O. 12958, Sec. 3.6

NLJ 93-05

By isa, NARA Date 8-31-99

## MEASURES TO INCREASE THE COHESION OF NATO AND THE NORTH ATLANTIC COMMUNITY

This paper responds to that part of NSAM 345 which directs the development of proposals to increase the cohesion of NATO and the North Atlantic community.

### Introduction

The most dangerous ultimate outcome of the disintegrating forces set in motion by French secession from NATO would be a similar shift of Germany from integration with the West to political and military unilateralism. Measures designed to deal with the French defection should therefore aim at or be consistent with enhanced German integration in NATO and the West; they should prove the worth of NATO, especially to the Germans, and strengthen the cooperative relations within and through the organization.

While the European Community is not the subject of this memorandum, its existence as a vital constructive force in Europe and its future prospects are closely related to the goals of this memorandum -- particularly the maintenance of an institutional framework within which Germany can live. The Common Market has withstood de Gaulle's assaults. In time England will surely become a part of this Community. In the meantime, while we defend and strengthen NATO we must also give continuing U. S. support to the European Community and the cause of a united Europe.

### I

#### NATO's Principal Political Function -- Preparation for Settlement in Central Europe

Since NATO military forces and U. S. nuclear support have greatly lessened the threat of military attack, NATO's cohesion will rest quite as much on its political basis. In short, NATO is not merely a military structure

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to prepare a collective defense against military aggression, but also a political organization to preserve the peace of Europe. More specifically, as long as the German problem remains the chief danger point, the basic political function of the alliance is the collective management of the German-Soviet relationship in the unsettled Central European setting that emerged from World War II. In this function the Federal Republic should participate as a confederate, and not a ward, of the other allies. A multilateral system of military integration in peacetime, embodying the whole of the German military forces, is a prerequisite for exercising this function.

Emphasizing, clarifying, and implementing NATO's political function is central to its cohesion during the present strains. The first step is to bring home to the NATO allies the need for an agreed NATO policy regarding the division of Europe and the division of Germany. Europe is full of demands for a political initiative, for not leaving the field of East-West relations to General de Gaulle, for a detente with Eastern Europe. But there is very little understanding that all this is meaningless unless action stems from an agreed policy for healing the division of Europe and Germany on a sound, equal, and lasting basis.

The object of policy should not be to devise a settlement. Fifteen years of meetings have proved that impossible. The object should be common action to improve the environment which could make discussion of settlement meaningful and not merely a move in a propaganda war. This suggests a look at the existing environment.

1) Present Situation in Eastern Europe and Soviet Union

The last ten years have been a period of change. But academic experts and governmental officials agree that the Eastern European countries are still Communist regimes,

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wedded to their political theology, unwilling to lose political control, and facing serious economic difficulties. These countries are filled with suspicion not only of the West but of one another. Thus, while undeniably there has been change, it is significant more in terms of what previously existed than in comparison with change in any of the Western nations.

Then there is the special problem of East Germany. The GDR has the highest standard of living of any of the Eastern European states. It is the Soviet Union's most important trading partner and supplies advanced industrial exports. The twenty Soviet divisions in East Germany, and their line of supply across Poland, are the keystone of Soviet political and military hegemony over Eastern Europe. In a word, the status quo in East Germany is a vital national interest of the USSR. An active U. S. and Western European policy towards Eastern Europe has both limitations and traps.

## 2) Cautions Regarding Approach

Approach to this complicated problem requires realistic appreciation within the United States and among our Allies of the probabilities and tempo of change in attitude of the East and, more particularly, of the narrow limits of change imposed by the facts of the situation.

In Eastern Europe certain individuals and groups are cautiously trying to loosen dictatorial controls, while each of the states is attempting with varying degrees of success to lessen dependence on the Soviet Union. Western fanfare or the spotlight of public approval turned on these individuals and groups, rather than helping them, is more likely to end their efforts. Furthermore, a more liberal Western policy ought not to be identified too closely with NATO. The NAT is a military treaty. A more flexible Western policy will be vulnerable to Soviet attack and Eastern European suspicion if this policy and NATO are tied together.

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At every stage in policy making and execution scrupulous attention must be paid to German interests and sensitivities. The Germans will be difficult, at times irrational, and slow to move. They are, after all, in the difficult position of being under attack by de Gaulle and feared by their weaker Western neighbors. To be insensitive to German views, or to override them, would sacrifice a vital Western interest. As we have seen in the past, many of the Western nations (particularly the Scandinavians and the British) fail to see the intransigence of the East, look upon the Germans as the obstacle, and often seek solutions at the expense of German interests.

Finally, the dangers that detente will become the current foreign policy fad are considerable. To our allies it could be, at the beginning, an excuse for even more inadequate defense contributions, and, ultimately, a bitter and disillusioning let down. To the Soviet Union and the Eastern European states it might appear as a more suave attempt at "roll back" by dividing and weakening our opponents. This would be a misfortune since it would defeat the purpose of the policy and open us to an effective propaganda charge that the U. S. lags behind its allies in opening peaceful intercourse across the division in Europe.

3) Suggestions for Improving the Environment in Central Europe

Attached at Tab A are a series of suggested steps that may improve the Central European environment. They obviously vary in importance and merit. Their importance, after they have been culled over, may be, first, in the cumulative effect upon our NATO allies, and especially upon the Germans, as an earnest of an attempt to work seriously upon the Central European and German problem. This may help to offset the disruptive effect in Germany of the French attitude following the Moscow visit. The more long-term effect may be in creating a

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better environment for a step-by-step approach to ending the division of Europe.

## II

### An Attack on the Technological Gap

Increased disparity in advanced technology and production between the United States and Europe is becoming a most serious and potentially divisive issue. In a number of fields (e.g. computers, large aircraft, weapons) the U. S. is either able to produce advanced items which the European countries cannot produce, or to produce more efficiently and thus take most of the market. The result is a European fear that their lag in the most advanced industries will lead to an ultimate status of economic backwardness or satellization. This fear may very well be justified, but definitive economic studies have not been carried out.

The causes of the problem are deep-seated and complicated. There is the basic problem of scale; European firms are of uneconomic size, their markets are restricted, the complex of national laws, tax rules and security requirements inhibits growth. European investment in technical, scientific and business education, and in research and development, is comparatively low. European management, marketing, and labor methods and habits are not competitive. These are problems the Europeans must solve -- they cannot be cured by any technological package that the U. S. can assemble and export. Ultimately they probably require a unified Europe.

Both to reduce European resentments and to release European capabilities, however, the U. S. should do what it can to advance European technology and to encourage those elements in Europe who are trying to deal with the problem.

The U. S. has made a number of efforts in this direction, but in this country, too, the problem is singularly intractable. Its elements are encompassing,

interdependent,

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interdependent, and in many cases conflicting, affecting military and industrial security, large governmental and commercial investments, and the responsibilities of many government departments and agencies.

### Recommendation

The esoteric nature of the subject matter and the intractable character of some of the problems involved lead to the conclusion that any progress in this area will require policy decisions at the highest level, that is by the President. In order to begin the process, the President will need an investigation by someone familiar with the field to suggest those areas which may be suitable for collaboration with our allies. Such an investigation - might suggest not only the areas but the methods of collaboration which might be most successful, i.e., working through multilateral organizations rather than bilaterally. If, after such an investigation, the President determines that certain areas should be explored in further detail, or that collaborative efforts should be initiated, the direction of this work should be centered in the office of the President. We, therefore, recommend that the President charge his Special Assistant for Science and Technology, Dr. Hornig, with the preparation of the preliminary studies. Such further work as the President may wish to have undertaken should also be under Dr. Hornig's supervision.

## III

### NATO Military Payments Union

#### Purpose

The NATO Military Payments Union (NMPU) is designed to neutralize the impact of military expenditures on the balance of payments accounts of the participants.

#### Function

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### Function

Subject to further study of the technical aspects of the NMPU proposal, and to negotiation with other NATO members, the Payments Union might function as follows:

1) A member whose foreign exchange outlays for military expenditures exceeded its receipts would have an "NMPU military deficit". Conversely, a member who realized a net foreign exchange gain would have an "NMPU military surplus".

2) Net surplus countries would deposit in the Union an amount in their own currencies equal to the value of their surplus for a given period. Net deficit members would draw from the Union the amount of their deficit.

3) Thus, surplus countries would receive assets in the form of obligations of the Union, while deficit countries would incur obligations to the Union equal to the sum of their drawings.

4) To make assets desirable, interest would be paid on NMPU obligations by deficit countries in convertible currency.

5) Assets would be long-term, without fixed maturity. Members might agree that repayment would be effected when a deficit country achieved a surplus in its overall balance of payments. The debt to the Union would be settled only to the extent of this overall surplus. Creditors might encash assets in a corresponding amount.

### Effect of the NMPU

The NMPU would convert foreign exchange losses and gains to long-term obligations, thus alleviating balance of payments problems for both the United States and the United Kingdom.

Bilateral offset arrangements would remain in effect. But failure to meet offset obligations would be less

significant,

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significant, since the U. S. could draw on the NMPU to neutralize net military expenditures in member countries. Because no offset arrangements now exist with the Low Countries, the NMPU may be particularly important in neutralizing the deficit incurred in possible relocation of troops and bases. It might also encourage increased purchases of military equipment from the U. S., since surplus countries would, in this way, reduce the budgetary burden of acquiring NMPU assets.

### Problems

The problems of negotiating the NMPU center on the surplus countries, principally the FRG, since they are asked to forego their foreign exchange gains by accepting NMPU long-term obligations. This means either a budgetary cost to the creditor, or additional outlays to procure military goods from other members.

The Senior Interdepartmental Group (SIG) has decided that the NMPU is to our advantage, provided it does not involve a net additional exchange cost. A more detailed description of the NMPU is at Tab B.

### Recommendation

FRG acceptance of the NMPU is essential if it is to be of any value. Conversations should, therefore, be initiated with the Germans this summer to obtain their support for negotiating the subject in NATO. The timing and tactics of presenting the proposal to the FRG are now being considered by the SIG. The European IRG has recommended two alternatives: (1) an approach by Secretary McNamara at the time of his talks with Chancellor Erhard and Defense Minister von Hassel in late July. Ambassador McGhee might make preparatory approaches before the McNamara talks; (2) an earlier approach to the FRG by a special high-level mission to Bonn, perhaps supported by a Presidential letter.

During the past few days the press has apparently learned of our interest in the NMPU. This may make more

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urgent the need for early talks with the Germans.

The SIG will consider the negotiating tactics and schedule for the NMPU on June 7, and may reach a decision at that time. The SIG recommendation will, in that event, be available for consideration by the President at the time he is ready to discuss the issues raised in this memorandum.

#### IV

#### Presidential Speech in Late Summer

By Labor Day most of the decisions necessitated by the disruptive action of France will have been taken. "Damage Repair" and moving will have begun. Hopefully, some military payments plan may bring respite from the continuous friction caused by balance of payments consequences of our military position in Europe. The time will have come for the inauguration of a new chapter in the life of NATO, or more accurately, putting new life into NATO. It will be a critical time. As has been wisely observed:

"In the absence of violent events, international organizations do not dissolve. Members do not meet to declare them defunct. When the organization ceases to do business valuable to its members and is not replaced by a more effective one it becomes a collection of ritualistic obeisances. It inconveniences them least when it leads an innocuous life of its own, and most when it gets in the way of their policies. These degenerative tendencies are not new to NATO. They may become dominant if the desire to maintain NATO cannot be expressed in measures that give meaning to its business." \*

The new

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\* Mendershausen, Horst, From NATO To Independence: Reflections on de Gaulle's Secession. The Rand Corporation, 1966.

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The new life to be put into NATO must come from "measures that give meaning to its business". We have tried to suggest some of them in this memorandum. No one can forecast them with such authority as the President of the United States.

Even more important, no one but the President of the United States can express the continuing life force of NATO -- the partnership between a uniting Europe and the United States. The last ringing statement on this subject was made in 1963 by President Kennedy in Frankfurt. Since then an attempted death blow has been struck at the partnership. Nothing could so unite and inspirit the remaining members of NATO, after the dreary work of the spring and summer, as a reaffirmation by the President of continued faith in partnership together with a call for new measures to give meaning to its business.

The speech should be well prepared for and put in a setting in which all Europe will listen. It should be followed by rapid implementation of the measures which the President may approve, both from the nuclear memorandum and from this one.

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E.O. 12958, Sec. 3.6  
NLJ 93-05  
By iss, NARA Date 8-31-99

13

ANNEX A

SPECIFIC PROPOSALS FOR IMPROVING THE ENVIRONMENT IN  
CENTRAL EUROPE

U. S. Initiatives

The most urgent and important step is for the United States to deal effectively and quickly with those aspects of our own behavior that set us apart and make us the most restrictive member of the Western community. A bill of particulars of possible Executive and Legislative Branch moves follows:

Presidential Initiatives

1. COCOM

The COCOM selective embargo has little effect on the rate of economic growth or military capabilities of the Soviet Union or other Warsaw Pact nations. Our unwillingness in the past to agree to a selective application and downward revision of this list has been a source of irritation not only in Eastern Europe, but also among other COCOM countries. We should now propose that the list be re-examined and substantially revised.

2. U.S. Export controls

U.S. export controls (covering some 2,284 items, of which 1,072 are either categorically or usually embargoed) aim at inhibiting defense related industrial capacity as distinguished from the direct military focus of COCOM controls. Our export controls are largely ineffective, since U.S. embargoed items not on the COCOM list are generally available elsewhere from Free World suppliers. In addition, the system itself is cumbersome and time-consuming and adversely affects our commercial relations with the East because of the uncertainty that an export license will be granted.

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Furthermore, our attempt to extend the scope of these controls through extraterritorial administration, i.e. through U.S. companies or subsidiaries abroad, is a nagging irritant in our relations with our Allies. An equally important irritant is the extraterritorial application of the Foreign Assets Control Regulations of the Treasury. We should reduce (at least to the COCOM level) the number of items under U.S. export controls and renounce extraterritorial application of Foreign Assets Control regulations within the Alliance.

### 3. Civil Air Agreement

The U.S.-U.S.S.R. Civil Air Agreement was initialed in 1961 but was not signed because of the Berlin crisis. Last April the Russians criticized our delay in ratifying the Consular Convention and in signing the Air Agreement. We should sign the Civil Air Agreement with the U.S.S.R. as soon as practicable.

### 4. Travel in the U.S.

In an effort to induce the Soviets to lessen or remove their severe restrictions on travel by Americans in the U.S.S.R. we have closed a number of areas in the United States to Soviet travelers. This effort has not been successful. We recommend that these areas be opened. This will remove the tarnish to our image abroad that results from adoption of the very practices we condemn. Sensitive installations in the U.S. can be protected by retaining the requirement for advance notification established in 1952. This will enable us to deny travel to sensitive areas.

In November 1963, we took the initiative in closing certain areas to travel by East European official personnel assigned in the U.S., although comparable restrictions on U.S. official personnel did not then exist in most of the Eastern European countries. We should return to the principle of bilateral reciprocity in applying travel restrictions to East European official personnel and should seek the mutual reduction or elimination of present restrictions which were established at our initiative in 1963.

### 5. Soviet Housing

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5. Soviet Housing in the U.S.

We have been unable to assist the Soviet Embassy in obtaining satisfactory property for a new Embassy in Washington. This has been an irritant in our relations, and has been used by the Soviet Union as an excuse for not meeting our own acute housing needs in Moscow. We should redouble our efforts to assist the Soviet Embassy in this matter, making clear that we will expect reciprocal treatment.

6. Port Facilities

We apply special port security procedures to ships from the U.S.S.R. and other Eastern European countries which are more severe than those applied to other European nations. If we take action -- consistent with our national security -- to ease these restrictions, it may open the way for regular visits to the United States by U.S.S.R. cruise ships.

7. Rumanian Power Reactor

In mid-1964 we agreed in principle with the Rumanians to sell them a nuclear power reactor. They are prepared to accept IAEA safeguards. We completed necessary consultations with COCOM a year ago, and various Senators and Representatives have been consulted. We should now authorize the Rumanians to deal directly with American suppliers.

8. Diplomatic Representation at Sofia

We are the only major NATO country that does not have a representative at the Ambassadorial level in Sofia. To enhance the position of our representative would be considered a positive initiative and cost us nothing.

9. Local Counterpart Funds in Poland

The Poles will face a major problem in 1967 when they must repurchase for dollars approximately \$40 million worth

of U.S. holdings

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of U.S. holdings of local currency generated by the sale of surplus agricultural commodities. The Poles are not inclined to cooperate in proposals for the use of local currency so long as we continue our current practice of drawing from the far end of the repayment schedule (30 or 40 years from now). A change in this practice might induce Polish agreement to embark on projects of mutual advantage. They might, for example, be willing to help support the East-West Foundation or University discussed below.

#### 10. U.S. Export Credit Guarantees

At present we grant export credit guarantees only to Yugoslavia and Rumania. A Presidential determination to afford similar treatment to Czechoslovakia, Poland, Hungary and Bulgaria would be a stimulus to U.S.-Eastern European trade and would remove what these countries look upon as a discriminatory practice.

### Legislative Initiatives

#### 1. East-West Trade Bill

The discrimination against Communist exports is probably one of the most inhibiting political and economic obstacles to an improvement in U.S. relations with Eastern Europe. The East-West Trade Bill is designed to remedy this discrimination and to bring our trade practices more in line with those of Western Europe. The Administration should begin now to prepare the ground for consideration of this measure by the Congress after the 1966 elections.

#### 2. Consular Convention

Our Consular Convention with the Soviet Union, signed on June 1, 1965, was reported out by the Foreign Relations Committee in August of 1965. The Senate has not yet acted, and is not expected to act on the legislation this year. Once again, a Presidential request, at an appropriate time, for Congressional action might break the deadlock.

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## Multilateral Initiatives: Economic

### 1. OECD

We should propose in the OECD Council that the Organization study the possibilities for developing a policy aimed at reducing East-West tensions. Out of this might come an OECD proposal to invite Eastern European countries to establish some form of association with various OECD Committees. The initiative rests on the assumption that in a number of areas -- road research, protection of the environment (air, sea and water pollution), urban development, innovation in the institutions and structure of education, manpower and social affairs, fisheries and agriculture -- several of the Eastern European states might be interested in association with the OECD in one or more of these fields. A further virtue would be that the Organization is flexible and might be the framework within which additional contacts and more extensive arrangements in other fields could be established. It would also provide a neutral place for direct contacts between Western and Eastern officials.

### 2. An East-West Foundation or University

An East-West Foundation or University might be established in one of the Eastern European countries or Austria. The purpose would be to provide Western instruction in subjects of acute practical importance to the Eastern Europeans, e.g. agriculture, business administration and modern management techniques. Counterpart funds in Poland and Yugoslavia might be used for this purpose, though legislative barriers are formidable. We may well encounter resistance from the Poles and possibly the Yugoslavs. It might be feasible, however, to encourage the Ford Foundation, along with one or two of the major German foundations, to offer the capital necessary to institute such a project. Government support from the U.S. and other Western countries could then be used to help

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defray operating costs. The past success of the Ford Foundation in Eastern Europe indicates that private sponsorship would be more likely to succeed, in any event, than a government initiative.

### 3. International Cooperation in Desalting

The U.S.-U.S.S.R. agreement of November 1964 provides the basis for wide scientific and technical cooperation in desalinization, including the use of atomic energy. We might propose a UN conference, perhaps under IAEA sponsorship, of government officials responsible for research and development in this field. Such a conference would be of interest to the technology exporting countries of Western Europe as well as to water short countries such as Israel, the Arab states, India, Greece, Spain, Chile, Argentina and Mexico. The U.S.S.R. and the Eastern European countries would have little basis to refuse such an invitation and would have strong incentives to participate.

## Multilateral Initiatives: Political

### 1. Exchange of Military Observers

We should pursue the Soviet proposal of last October for an exchange of military observers, preferably on a bilateral basis, since the FRG fears that a NATO-Warsaw Pact exchange would lead to GDR involvement. It might be possible to overcome the FRG objection to a NATO-Warsaw Pact exchange if there was a firm understanding that East Germany would be excluded.

### 2. The German Role in Disarmament Consultation

The FRG should be invited to be represented in multilateral disarmament consultations. This could be either in connection with the Five Power strategy sessions generally held here in Washington before resumption of the ENDC, or in connection with the Four Power sessions held

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in Geneva. This would also resolve the present anachronistic practice whereby the French participate in the Western consultations in Washington while the Germans do not.

### 3. German Initiative Toward the East

It is highly desirable that the Germans themselves initiate moves which will bridge the gap now existing between Moscow and Eastern Europe on the one hand and the FRG on the other. Gently, subtly and through every channel, official and unofficial, we should encourage the FRG to remove the obstacles to progress in better relations. It should be relatively simple to get the Germans to make a completely unqualified, categorical renunciation of the Munich Agreement which would be helpful in improving relations with Czechoslovakia. It should next be possible to get the Germans to bend the Hallstein Doctrine sufficiently to establish diplomatic relations with Rumania, Czechoslovakia, and Hungary, to be followed by the other Eastern European states later. We should encourage the Germans to talk with the GDR, if not on a government level, at least on the order of the proposed SPD-SED talks upcoming in July.

The Oder-Neisse Line is a harder nut to crack. Nearly all West Germans are loath to surrender this legal and political argument, unless and until progress toward German reunification is visible.

Until Germany moves in these areas, hostilities and fears in Eastern Europe will persist, the FRG will be subject to attack and manipulation by the Soviet Union and the East, and these issues will divide the Western Allies.

### 4. The Exchange of Visits

An important policy that could be accepted by all NATO countries -- and one in which we could take the initiative --

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would be to encourage both official and unofficial exchanges of visits.

Visits by Soviet and American officials outside the framework of the Exchanges Agreement have been proposed and considered in the past. It might be possible to invite Soviet officials who rank just below Brezhnev and Kosygin to make unofficial visits. Visits by ranking military officers might also be considered. We doubt that invitations at these levels will be accepted at present, but we should indicate informally our willingness to move when the Soviets feel the time appropriate.

We should also consider encouraging local U.S. officials and private organizations to invite Soviet officials who are important in Party and Government ranks, yet who are not at the top levels. Such visits would expose influential Soviet individuals to the United States; and, if carefully and slowly introduced, might not be as vulnerable as visits by top leaders to chills in the overall atmosphere of our relations with the U.S.S.R.

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**E.O. 12958, Sec. 3.6**  
**NLJ 93-05**  
**By is, NARA Date 8-31-99**

April 28, 1966

15

SUBJECT: A Proposal for a NATO Military Payments Union (NMPU)The Proposal

The NMPU would be designed to neutralize the effects of military expenditures on the balance of payments accounts of participating countries. It would give operational meaning to the concept that major alliance members should derive neither balance of payments advantages nor disadvantages from expenditures for the common defense. At present, balance of payments effects of defense expenditures are largely determined by geography - e.g., expenses of U.S. and U.K. forces in Europe - more or less offset by bilateral procurement arrangements.

I. Structure

The precise features of an NMPU would need to be negotiated with other NATO members. But the essential elements of an NMPU might be as follows:

(1) There would be an agreed definition of military expenditures for NMPU purposes. Military procurement, including that covered by present offset arrangements, would be included in the definition.

(2) A member of the Union whose foreign exchange outlays for military expenditures in other member countries exceeded its own foreign exchange receipts from the military expenditures by other members in a given period would have an "NMPU military deficit". Conversely, a member who made net foreign exchange gains in military transactions with other members would have an "NMPU military surplus".

(3) To neutralize the balance of payments effects of this pattern of spending, net surplus countries would deposit in the Union an amount of their own currencies equal to the value of their surplus in a given period, and net deficit countries would draw from the Union the amount of their deficit. Deposits and withdrawals could be made monthly on the basis of projections, with periodic (say quarterly or semi-annual) adjustments.

(4) In return for their deposits in the Union, surplus countries would receive assets in the form of obligations of the Union, and deficit countries would incur obligations to the Union in the amounts of their drawings.

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(5) Interest would be paid on the NMPU obligations by the deficit countries in convertible currency to make them more desirable assets for the surplus countries to hold.

(6) The NMPU obligations could be long-term assets without a fixed maturity. Countries in a persistent surplus position in the Union would continue to purchase and hold these obligations, while countries in a persistent debtor position would continue to draw on the Union and increase their debt. It might be agreed that when a member in debt to the Union achieved a surplus in its overall balance of payments, it would then settle its debt with the Union but only to the extent of its overall surplus. Creditor countries in the Payments Union would be able to encash their assets in a corresponding amount.

(7) Debts owed to the Union after the termination of NATO would be settled over an agreed period of time.

(8) Adherence to the NMPU would, in principle, be voluntary. France would presumably choose not to become a member of the Union, and we would probably not want Greece, Turkey, and Iceland - which are special cases - to become members.

The attached appendix illustrates the way the NMPU would operate.

## II. Effect of NMPU on U.S. Bilateral Offset Agreements

Bilateral offset arrangements could continue in force after the establishment of the NMPU. New offset arrangements could be negotiated, but they would not be as significant as formerly for U.S. short - and medium - term balance of payments reasons because the U.S. could offset any net military expenditures in member countries by drawing on the NMPU. However, the likelihood is that countries with which we now have offset arrangements would continue to purchase in the U.S. not only because we have a comparative advantage in modern military equipment but also because such purchases would reduce the investment that surplus countries would need to make in NMPU obligations. Surplus countries, like Germany, would have a budgetary incentive to procure military supplies from NMPU members rather than domestically or from non-members because such procurement would reduce their net creditor position and therewith the budgetary burden of acquiring NMPU assets. Surplus countries with which we do not have offset purchase arrangements, like the Low Countries, would help to neutralize our deficit by their financial contributions to the NMPU. This would be particularly important if troops and bases were redeployed from France to the Low Countries whose military exchange receipts would, in that event, substantially exceed their military expenditures in other member countries.



An NMPU would, at the minimum, be as effective in the short and medium term in neutralizing the balance of payments effects of our military spending as bilateral offsets alone, and without the frictions these generate. The military outlays of the Defense Department would be balanced not only by military sales but also by drawings on the NMPU. Such drawings would be considered as part of the Defense Department's contribution to balance in our external accounts.

### III. The U.S. Debt to the NMPU

The U.S. would be in debt to the NMPU to the extent that U.S. military sales to members fell short of U.S. military expenditures in member countries. It would pay interest on the debt so long as the NMPU held these claims.

Over time, our position in the Union might alter, either because our military outlays abroad were reduced or military spending by other members here increased, and we might move from a debtor to a creditor position. However, the U.S. would almost certainly continue for some time to be a debtor to the Union. Various arrangements would be possible for settlement of the debt. Thus, it might be agreed that debts to the NMPU would have no fixed maturity but would be settled when, and to the extent that, debtors come into overall balance of payments surplus. Then, the U.S. would not have to repay the debt until, and only to the extent that, it was in overall balance of payments surplus. As indicated above, alternative arrangements are possible, including making the obligations of fixed maturity.

We should not regard indebtedness to the NMPU and the corollary obligation to pay interest as an abnormal arrangement. It is entirely consistent with current U.S. policy to encourage foreign private investors to acquire equity claims in U.S. industry, and foreign governments to hold interest-bearing dollar claims and other debt instruments. At a time when our economy is at full employment and bottlenecks are appearing in defense industries, it may even be preferable to balance our accounts by the import of capital rather than the export of military goods.

Put another way, our balance of payments problem is a liquidity problem, not a problem of long-term debt. On long-term international account, we are far and away a substantial net creditor, and our creditor position is growing steadily stronger. What we wish to avoid for balance of payments or liquidity reasons is the further accumulation of dollars by foreign governments that can be presented to the U.S. for gold. We can, of course, attempt to avoid this by offsetting our military expenditures with military sales; we can equally well avoid this by ensuring that dollars acquired as a consequence of U.S.

military spending are "sterilized" for a long period so that they cannot be presented to us currently for gold or embarrass foreign governments by adding to their already substantial liquid dollar reserves. The conversion of these dollars from liquid balances into long-term obligations meets the liquidity problem. The charge on our balance of payments would be a modest annual interest charge with repayment of the principal postponed until the U.S. balance of payments was in overall surplus and then only to the extent of the surplus; or, alternatively, a somewhat larger but still relatively modest interest and amortization charge. The increase in U.S. long-term debt would have no other repercussions on our liquidity position or on confidence by others or by ourselves in the integrity of the dollar. Our long-term creditor position would continue to be solid. At the end of 1964, U.S. assets and investments abroad totaled \$99 billion whereas total foreign assets and investments in the U.S. amounted to \$57 billion.

#### IV. Financial Effect of NMPU on Other NATO Countries

Initially, Germany, the Benelux countries, and possibly Italy would be in surplus. The U.K. would be in deficit.

In the long term, the NMPU could encourage military procurement in the U.S. to the point of pushing the U.S. into a surplus position, which would mean that the U.S., by lending to the NMPU, would itself be financing these purchases through appropriated funds. Given the magnitude of the current U.S. deficit on military account, this would appear to be quite unlikely, although the Union should stimulate allied purchases on military account.

However, if this situation should occur, it would not necessarily be disadvantageous to the U.S. First of all, the achievement of an NMPU surplus would mean that an improvement of some \$500 million a year in the U.S. payments position would already have taken place. Secondly, depending on the countries primarily involved in large-scale military procurement from the U.S., it might well be in the U.S. national interest to lend on "soft" terms if this lending seemed likely to contribute to a strengthening of the economy of the recipient country and a consequent reduction in related U.S. commitments. This would be particularly true in the case of the U.K., where support of sterling is in the U.S. national interest. Finally, the direct effect on our balance of payments would continue to be neutral. That is, our long-term lending (capital outflow) would be balanced by our increased military exports.

#### V. Advantages of the NMPU

If the NMPU proposal could be successfully negotiated, it would be in the U.S. interest because:

1. It would substantially free NATO security policy formulation from balance of payments constraints.
2. It would relieve the U.S. of current gold and exchange losses arising from NATO military expenditures and of some of the indirect burden of supporting sterling.
3. It would multilateralize an important financial aspect of NATO relations, thereby reducing the political tensions associated with existing bilateral offset arrangements and strengthening the unified posture we and the thirteen have adopted toward France.
4. It would eliminate the economic uncertainties inherent in biennial offset negotiations with Germany.
5. It would provide full financial offset coverage for all our defense expenditures in the territory of participating countries including the costs of relocation.
6. It would provide an incentive to procure the best available military goods from the most advantageous source in the alliance. Given the U.S. comparative advantage in military equipment, procurement in the U.S. might rise.
7. It would relieve the U.K. of the balance of payments strains caused by its military expenditures in the NATO area and reduce pressures to cut force commitments in Germany.

#### VI. Negotiating and Other Possible Difficulties

It would be difficult to negotiate the NMPU because:

1. Surplus countries would have additional costs. In the case of Germany, these costs would be additional foreign exchange outlays to procure military goods from other members rather than domestically, or additional budgetary costs to purchase NMPU assets. In the case of the Low Countries, the costs would be a budgetary burden, to the extent they find themselves unable to reduce their surpluses through military procurement. Redeployment might inflate their NMPU surplus position by as much as, let us say, \$100 million per year in each country. For Belgium, such a figure would represent some 3 percent of current annual budgetary expenditures and, for the Netherlands, about 2.5 percent. We would be asking them, in effect, to sterilize their foreign exchange gains by equivalent budgetary outlays.



2. In present circumstances, the NMPU proposal might be viewed by continental Europeans as an Anglo-Saxon device designed to have Europe finance U.S. and U.K. deficits, thereby relieving the U.S. and U.K. of taking the measures necessary to restore balance to their accounts.

3. There would be a number of technical problems to be resolved in the negotiating process, for example: the definition of military expenditures and overall balance of payments positions, accounting techniques and other ground rules.

In the process of negotiating the NMPU we might encourage the Germans to delay even further the fulfillment of their present offset commitments and jeopardize the negotiation of new bilateral undertakings.

## VII. Conclusion

The question is not whether a successfully negotiated NMPU would be in our interest. Clearly, it would. Relief from current and growing strains on our balance of payments should reduce the need for new balance of payments measures harmful to U.S. foreign policy objectives. The accumulation of U.S. long-term debt to the NMPU should not be a matter of concern, given our strong and growing creditor position. And the short- and medium-term gain should outweigh any possibility that the NMPU would have the opposite effect of stimulating excessive allied procurement in the U.S.

Rather, the matter for decision is whether we should now attempt to negotiate the NMPU. Would proposal of a scheme which requires increased payments to the U.S. and Britain by non-French continentals help or hinder the restructuring of NATO at this juncture in alliance politics?

The risks of raising the proposal now are two-fold. We could, in the negotiating process, jeopardize the German offset. And we could reinforce reluctance in the Benelux countries to accepting redeployment of NATO's command and support apparatus on their territory. We would, in effect, be asking them not only to accept the presence of NATO forces but also to "invest" their resulting foreign exchange gains.

If we do not put the NMPU forward now, we will enter the negotiations for NATO restructuring in a position of great financial uncertainty. Not only is the German offset encountering increasing difficulties, but the financing of relocation is entirely unclear. And a range of constructive actions in NATO - proposals for new integrated forces as well as for joint procurement, increased trade in weapons, and co-development and co-production schemes - would be more difficult to pull off in the absence of a mechanism for handling the financial uncertainties inherent in them.

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In short, what we need to assess is whether the political appeal of multilateralism - and realization that failure to make an additional financial effort would make U.S. force withdrawals more likely - would bring European Foreign Ministers to override hesitant Ministers of Finance.

We can only make this judgment after discreet consultation with our allies. In order to minimize the risk both to relocation discussions with the Benelux and to the German offset, our first approach should be confined to Bonn.

Recommendation

That the proposal outlined above be presented to the German Government and its comments requested; the British Government should be informed of this action and that we will be consulting them further about it.

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Appendix

How the NMPU Would Work:

Suppose NATO consisted of four countries with the following yearly pattern of military expenditures:

<u>United States:</u>	<u>Expenditures</u> (\$ millions)	<u>Receipts</u>
Germany	750	700
Italy	200	50
U.K.	150	150
Balancing Item (Military Deficit)		<u>200</u>
T O T A L	<u>1100</u>	<u>1100</u>

<u>United Kingdom:</u>		
U.S.	150	150
Germany	200	100
Italy	30	30
Balancing Item (Military Deficit)		<u>100</u>
T O T A L	<u>380</u>	<u>380</u>

<u>Italy:</u>		
Germany	100	50
U.S.	50	200
U.K.	30	30
Balancing Item (Military Surplus)	<u>100</u>	
T O T A L	<u>280</u>	<u>280</u>

<u>Germany:</u>		
U.S.	700	750
Italy	50	100
U.K.	100	200
Balancing Item (Military Surplus)	<u>200</u>	
T O T A L	<u>1050</u>	<u>1050</u>

~~CONFIDENTIAL~~

In the above example, the U.S. has a NATO military deficit of \$200 million and the U.K. has a NATO military deficit of \$100 million. Germany and Italy, on the other hand, have NATO military surpluses of \$200 and \$100 million respectively.

Under these circumstances the U.S. and the U.K. would be entitled to draw \$200 and \$100 million respectively from the Union, and Germany and Italy would be obliged to provide the Union with \$200 and \$100 million respectively. This would neutralize the direct balance of payments impact of NATO defense spending on these countries.

In return for providing their currencies to the NMPU, Italy and Germany would obtain corresponding assets in the form of obligations of the Union. The U.S. and the U.K. would incur obligations to the NMPU in the amounts of their drawings. Thus, after the first year the balance sheet of the NMPU would appear as follows (in \$ millions):

<u>NMPU Assets</u>		<u>NMPU Liabilities</u>	
Owed by U.S.	\$200	Owed to Germany	\$200
Owed by U.K.	<u>\$100</u>	Owed to Italy	<u>\$100</u>
Total Assets	<u>\$300</u>	Total Liabilities	<u>\$300</u>

If NATO spending patterns changed and countries formerly in surplus ran a NATO military deficit; NMPU obligations could be used to finance the deficit. Similarly, countries in deficit but now in surplus would repay their debt to the NMPU by providing it with their currency.

To illustrate, let us suppose that in year 2 the positions of the four NATO countries mentioned above were exactly reversed: the U.S. and the U.K. had NATO military surpluses of \$200 and \$100 million, respectively, and Germany and Italy had NATO military deficits of corresponding amounts. In this case the U.S. and the U.K. would provide their currency to the NMPU, and in return, their indebtedness to the Union would be cancelled. Germany and Italy could draw \$200 and \$100 million from the Union and in return would surrender their assets acquired in year 1. Therefore, at the end of year 2 all outstanding assets and liabilities arising from the drawings would cancel out, and the NMPU balance sheet would be completely clear.

A general idea of how the NMPU would have worked in 1963 may be obtained from the following rough estimates (in \$ millions):

NATO Military Surplus

Belgium	30
Canada	250
Denmark	20
France	200
Germany	270*
Iceland	10
Norway	30
Portugal	5
Turkey	<u>35</u>
	<u>850</u>

NATO Military Deficit

Greece	5
Italy	60
Netherlands	5
U.K.	260
U.S.	520
	<u>850</u>

\* Includes German expenditures under offset arrangements.

The five countries in NATO military deficit would have been able to draw amounts from the Union corresponding to their deficits, and the nine countries in surplus would have been obliged to provide their currencies to the Union in amounts corresponding to their surpluses. The U.S., for example, would have been able to draw \$520 million from the Union, and its overall balance of payments position would have been improved by this amount.

The NMPU could operate even if one or several members of NATO elected not to participate. For example, suppose France did not choose to participate in the NMPU. In order to visualize the impact on the NMPU, let us suppose further that in 1963 France's NATO military surplus arose solely from military spending in France of \$100 million each by the U.S. and the U.K. In this event the total 1963 NATO military surplus and deficit would amount only to \$650 million, and the U.K. and the U.S. would be entitled to draw only \$160 and \$420 million respectively from the Union.

It is reasonable to assume that France would not participate in the NMPU. It might also be desirable to encourage non-participation by Greece and Turkey because of their relatively weak economies. Such changes in the number of participants would not vitiate the NMPU mechanism as described above. The figures would change, however, and if spending patterns remained the same, the absence of France would obviously reduce the direct balance of payments benefits to be derived from the NMPU by the United States.

If France, Greece and Turkey were eliminated from the above 1963 NMPU estimates, the NATO military surplus and deficit positions of the remaining countries for that year might appear as follows (in \$ millions):

NATO Military Surplus

Belgium	70
Canada	285
Denmark	20
Germany	235
Iceland	10
Norway	30
Portugal	5
	<u>655</u>

NATO Military Deficit

Italy	40
Netherlands	5
United Kingdom	285
United States	375
	<u>655</u>

If, as a result of a shift in the deployment of NATO forces from France to the low countries, the \$200 million French surplus for 1963 should be reflected in larger surplus positions of Belgium and the Netherlands, a larger NATO military deficit for the United States would appear likely.

16

B.



MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

Tuesday, June 7, 1966  
7:30 PM

MEMORANDUM FOR

THE PRESIDENT

1770  
17  
**DECLASSIFIED**  
E.O. 12356, Sec. 3.4  
NEJ 95-286  
By ing, NARA, Date 1-19-96

Subject: Measures to Attack the "Technological Gap" between  
the United States and Europe

At Walt Rostow's suggestion, I am reporting for your information a number of measures that I believe could be helpful in attacking the "technological gap" between the United States and Europe. Dean Acheson discussed this problem with me last week in connection with his study for NSAM 345. We agreed that the basic problem of the "technological gap" relates to such fundamental issues as the size of European markets, European management procedures, and policies toward capital investment in industry, research and development and education, and that these problems could not be cured by any package of technological proposals that we might offer.

At the same time, I do believe that there are specific proposals that would point the Europeans in the right direction toward solving these problems, would have a unifying effect on Europe, and would help remove the widespread impression in Europe that the United States was trying to perpetuate the "technological gap."

I have given some preliminary thought to the following specific proposals on which we could move relatively quickly:

1. NATO Computer Center. Europe is considerably behind this country in the use of modern computers which are fundamental to advanced technology, business management, economic planning, etc. Although these computers are on the open market, the required investment is too great for the smaller European

Excluded from automatic downgrading and declassification.

S&T Control No. 950.  
This doc. consists of 2 pgs.  
Cy / of 9 cys, Series A.

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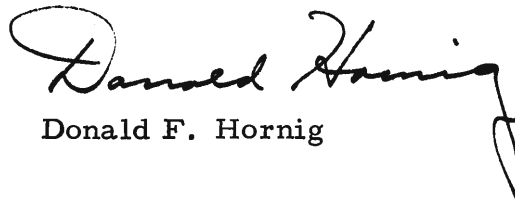
~~SECRET~~

-2-

countries and most industrial concerns. We could therefore propose that a very advanced computation center, using both US and European hardware, be established and operated by NATO. This center, which could be remotely connected with other facilities by existing telephone lines, could serve NATO governmental and industrial enterprises directly in solving military, commercial, and research problems. We would offer our assistance in organizing the operation and in introducing Europeans to the full range of possibilities involving the best modern computer equipment.

2. Technological Information Service. The Europeans are very concerned that they do not have access to the advanced technology emerging from our advanced military and space projects. We have tried to make such information available to domestic concerns through such programs as the NASA Technology Utilization Program and the State Technical Service Program of the Department of Commerce. To help overcome this problem in Europe, we could propose a NATO technological information service that would perform similar services there. The participating governments would pool the relevant technological information available to them in this organization.

These are examples of the kind of proposals that we could make in this area. On the basis of my preliminary look, I think that it will be possible to put together a reasonably good package that would ease the political tensions resulting from the "technological gap" problem even though it would not solve it.



Donald F. Hornig

cc: WWRostow  
FMBator

~~SECRET~~

18

THE WHITE HOUSE  
WASHINGTON

~~SECRET~~

April 22, 1966

## NATIONAL SECURITY ACTION MEMORANDUM NO. 345

MEMORANDUM FOR: The Secretary of State  
The Secretary of Defense

SUBJECT: Nuclear Planning

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NEJ 93-04  
By 128, NARA, Date 12-10-93

The President wishes to have developed recommendations for enlarging the participation in and understanding of nuclear planning by both the political and military authorities of our major NATO allies.

Two alternative approaches should be considered: one which assumes the creation of a "NATO Nuclear Force" and one which does not.

Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the direction of U.S. and U.K. nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in planning for the operation of existing forces and the development of future forces: intelligence, deployment, targeting, considerations affecting use at times of crisis, research, development, production and budgeting, etc.

The primary operational focus of these arrangements should be the defense of NATO territory.

For purposes of this exercise, it should be assumed that any "NATO Nuclear Force" Plan which later may be agreed upon will not include:

a. Mixed-manning of submarines;

b. A surface fleet capable of delivering nuclear weapons.  
The following matters should be addressed, in addition to functions:

~~SECRET~~

~~SECRET~~

- 2 -

1. participation or membership;
2. location;
3. financing;
4. probable U.K., German, French, other NATO, and Soviet reactions;
5. appropriate U.S. negotiating strategy and procedures for its execution.

The President also wishes to have developed other forward-looking proposals that would increase the cohesion of NATO and the North Atlantic community. These should embrace two kinds of measures:

- a. Military and non-military programs affecting primarily the affairs of the Free World;
- b. Constructive political, diplomatic, and economic initiatives addressed to Eastern Europe and the Soviet Union.

The President wishes to have these proposals ready for review by Thursday, May 12.

*W W Rostow*  
W. W. Rostow

Dispatched 4/22/66 - Rcpts. Nos. 114-115

1 cy ea: C. Johnson  
F. Bator  
NSC Files

*Thomas A. Parrot, NIPE, Rm 7E22, CIA 4/26*  
*Bill Mayhew, 4/29/66 ret'd*

~~SECRET~~

~~DRAFT~~ April 18, 1966

~~SECRET~~

NATIONAL SECURITY ACTION MEMORANDUM NO. 345

MEMORANDUM FOR: Secretary of State  
Secretary of Defense

19  
DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NIJ 93-04  
By LLP, NARA, Date 12-10-93

~~HP~~ The President wishes to have developed recommendations for enlarging the participation in and understanding of nuclear planning by both the political and military authorities of our major NATO allies.

Two alternative approaches should be considered: one which assumes the creation of a "NATO Nuclear Force" and one which does not. ~~PR~~ Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the direction of U.S. and U.K nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in planning for the operation of existing forces and the development of future forces: intelligence, deployment, targeting, considerations affecting use at times of crisis, research, development, production and budgeting, etc.

The primary operational focus of these ~~operational~~ arrangements should be the defense of NATO territory.

For purposes of this exercise, it should be assumed that any "NATO Nuclear Force" Plan which later may be agreed upon will not include:

~~\*a. European clause;~~

~~a.b.~~ mixed-manning of submarines;

~~SECRET~~

Tab A



~~SECRET~~

- 2 -

1. a surface fleet capable of delivering nuclear weapons.

The following matters should be addressed, in addition to functions:

- (i) participation or membership;
- (ii) location;
- (iii) financing;
- (iv) probable U.K., German, French, other NATO, and Soviet reactions;
- (v) appropriate U.S. negotiating strategy and procedures for its execution.

The President wishes to *have these proposals ready for review* ~~review this proposal~~ by \_\_\_\_\_.

*by Thursday, May 12.*

W. W. Rostow

*Insert P 2*

~~SECRET~~

~~ST~~ The President <sup>also</sup> wishes to have developed ~~promptly~~ other forward-looking proposals that would increase the cohesion of NATO and the North Atlantic community. These should embrace two kinds of measures:

a. Military and non-military programs affecting primarily the affairs of the Free World;

b. Constructive political, diplomatic, and economic initiatives addressed to Eastern Europe and the Soviet Union.

SENT VIA LDX TO SEC of DEF

~~SECRET~~

DRAFT NSAM -- April 18, 1966

TO: Secretary of State  
Secretary of Defense

The President wishes to have promptly developed concrete recommendations for enlarging the participation in and understanding of nuclear planning by the political as well as military authorities of our major NATO allies. Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the possibility of executive control over U.S. and U.K. nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in managing existing forces and programming future forces: intelligence, deployment, targeting, operations at times of crisis, research, and development, production and Gadgeting.

The primary <sup>operational focus</sup> ~~concern~~ of these consultative arrangements should be the nuclear defense of NATO territory.

For purposes of this exercise, the following should be excluded from the arrangement:

- a. a European clause; — Ball (UK) (P2) (w/)
- b. mixed-manning of submarines;
- c. a surface fleet capable of delivering nuclear weapons.

The following matters should be addressed, in addition to functions:

- (i) participation or membership;
- (ii) location;

~~SECRET~~

DECLASSIFIED  
E.O. 12958, Sec. 3.5 INLT93-04  
NSC Memo, 1/30/95, State Dept. Guidelines  
By ag, NARA, Date 12-16-99

~~SECRET~~

(iii) financing;

(iv) probable U.K., German, French, other NATO, and Soviet

reactions.

NEGOTIATING STRATEGY & PROCEDURES FOR ITS EXECUTION.

(v) Appropriate US negotiating strategy & procedures for its execution.

The President wishes to review this proposal by \_\_\_\_\_

For Sect. McNamara from Ritz:

George Ball objects to our taking initiative on European Council.  
It will give handle to De Gaulle; and, in any case, UK  
will knock it out. Let them do it.

~~SECRET~~

NATO. AT. Policy + Nuc NSAM (34)

29-3

LBJ LIBRARY Processing Note:

Following documents were contained in  
folder with above title.



MEMORANDUM

37  
THE WHITE HOUSE  
WASHINGTON

22

~~SECRET/SENSITIVE~~

Wednesday, May 18, 1966, 5:55 p.m.

MR. PRESIDENT:

This is about tomorrow's 6:00 p.m. meeting on NATO.

You ought to know:

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NLJ 86-288  
By plp, NARA, Date 2/11/92

-- Acheson is sensitive about a big meeting. And although he is working like a great soldier, since our NSAM, there are some ruffled feathers to smooth.

-- Francis Bator is sensitive about his old struggles with State. He feels State might be happier if he is not there. He is our man on Europe. He should be there. Francis is working -- and I am encouraging him to work -- more congenially with State.

Once clear Presidential guidance is given, the town can be pulled together fine.

Unless I hear to the contrary, I will assume Francis should come to the meeting.

\* \* \*

I shall not distribute a formal agenda, but you may wish to guide the meeting along the following lines:

1. Thank Acheson for his work on what you know is a tough and critical problem. De Gaulle is trying to gut us; but we have to hold the club together and move forward. You are aware of the difficulty of dealing with the French and the amount of hard laborious work he has done and organized.

2. You know the response to NSAM 345 will be along soon; and, therefore, this meeting will be devoted to the negotiating issue.

3. You might then put the following series of questions (all of which Francis and I tried to answer in our memo to you). The first three may take a little time, but they will give State its day in court.

-- What are our objectives in this crisis?

-- What is DeGaulle after?

~~SECRET/SENSITIVE~~

May 18, 1966

- What should our negotiating stance be?
  - What is the next step in negotiating about French troops in Germany?
  - Is the Aide Memoire the best way to put our questions to the French?
4. You might then give your guidance on negotiation. Page 7 of our memorandum (attached) has our suggestions for what they may be worth.
5. Budget for another meeting soon on NSAM 345.

*Walt* R.

~~SECRET~~

1. In our public position you want to minimize any suggestion of a direct Washington/Paris confrontation.
2. If public exposition of our differences is required, it should be in terms of an integrated military alliance versus bilateralism or fragmentation of the West.
3. You do not wish the U. S. to be in a position of begging anything of the French.
4. We should proceed with the Allies to plan the prompt movement of people and equipment out of France.
5. On French troops in Germany, you wish us to be exactly as sturdy as Erhard, but we should not push him into positions that are costly in terms of his domestic politics unless he is pressured by his Gaullists into positions which would endanger the security of our troops, or the integrity of NATO command arrangements.
6. With respect to Allied overflights and French access to Allied communications and intelligence, we should indicate our hope that both can be maintained; but our planning should be based on the possibility that we shall have to operate without overflights; we should make clear to the French that we regard these two as an inextricable package.
7. With respect to the NATO oil pipeline, we should plan for a capability sufficient to help defend Western Europe without reliance on the French, while seeing what we can negotiate after de Gaulle's return from Moscow.
8. Without public acknowledgment, our plans and actions should convey that we are moving to maintain an effective collective defense without France, while trying to make fair and even-handed arrangements to keep France in a close working relationship with the Alliance.

Our willingness to do without the French -- and our actions which indicate our preparedness to do without them -- constitute our best negotiating cards, given de Gaulle's sensitivity to "isolation"; but in fact as well as in posture there is enough ambiguity in de Gaulle's commitment so that it would be imprudent to be dependent on France, during his time, in a period of crisis or conflict.

~~SECRET~~

April 18, 1966 - 11:00 a. m.

MEMORANDUM FOR THE PRESIDENT

We should have for you a draft NSAM to guide the proposal in paragraph 3a for tomorrow's (Tuesday) lunch; that is, the proposal for organized nuclear consultation.

W. W. Rostow

*Atlantic Policy*

~~SECRET~~

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NEJ 93-04  
By 128, NARA, Date 12-18-93

23a  
Sunday, April 17, 1966 11:15 a.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Atlantic Policy

On the basis of State Department papers you have been considering the issue of French troops in Germany and the framework for our response to Wilson on the nuclear question.

You have also had available Francis Bator's observations.

At the moment, I can, perhaps, be most helpful by setting down a few fundamental ideas which I believe are relevant to these matters in particular and the Atlantic crisis in general.

1. The maintenance of an integrated NATO capable of continuing to deter Moscow is fundamental. Given Soviet missile and conventional capabilities, it is truly a mortal issue. Here I believe Mr. Acheson is wholly correct. It is not a question of clinging to outmoded ideas of the late 1940's: it is a question of whether we and the Europeans have learned the lesson of two world wars and the whole sweep of modern history.

2. In order to maintain the political base for this deterrent -- under French attack -- the U.K. and Germany must be brought closer together. This is the way to look at the nuclear issue. We need to sit down with the U.K. and Germany and quietly guide them to a well-balanced package. The first requirement is tripartite talk; but we should not deceive ourselves that anything will emerge unless we push them tactfully towards a package, including, in particular, the nuclear issue and the defense of the pound.

3. On the nuclear issue I have no pet formula. I am clear, however, on two things:

a. at the moment the Germans do not have the political and psychological base to foreclose a hardware option once and for all, without a major concession from Moscow in the direction of German unity;

~~SECRET~~



~~SECRET~~

-2-

b. we ought to put our best thought and imagination into designing a lively nuclear consultation club, hardware or no hardware. The design and negotiation of this consultation club are first priority business on which the whole town agrees.

4. We ought to do nothing that need not be done to make Franco-German relations worse than de Gaulle has made them. We ought to understand with sympathy the German desire to keep as much going as possible between France and Germany. But we also ought to be clear about two other matters, to the Germans as well as among ourselves:

a. It is Paris, not Washington, that is pressing on the Germans a choice between France and the U. S. ;

b. Franco-German friendship can only thrive in larger clubs -- like the European Common Market and NATO. It will not work on a bilateral basis, except student exchanges, etc.

5. We ought to accompany the NATO reorganization with as many forward-looking measures in the Atlantic as possible. The case for keeping NATO is widely understood. But there is also a correct feeling that we need:

a. More partnership in the Atlantic on issues like money, aid, space, modern technology, Great Society issues, political consultation, etc. ;

b. More East-West bridge-building by Atlantic nations: trade, cultural contacts, etc.

*more military integration*

We should not become so overwhelmed with the difficult details of moving NATO, negotiating with the French, facing the issue of French troops in Germany, that we fail to give the whole enterprise a new forward look. Planning is under way; but, unless you insist on its being given a priority equal to other matters, it may be pushed aside as window-dressing. It is more than that. It may determine how positively European parliaments and public opinion react to the new NATO package as a whole. Indeed, the same may be true in the U. S.

6. I shall, of course, be prepared to comment on specific points and issues as they come forward for your decision. At this time, I thought these broad observations might be helpful.

~~SECRET~~

~~SECRET~~

-3-

7. My only operational proposal is this: that you budget for a small, carefully prepared meeting on the nuclear question shortly after your return to Washington. The town needs your guidance. I believe I can lay it out for discussion in an orderly way.

W. W. Rostow

WWRostow:rlh

~~SECRET~~

~~SECRET~~

April 18, 1966  
Monday, 4:45 p.m.

*Pres. file*  
*file* 24

Mr. President

Herewith a draft NSAM that all hands agree is necessary to get on with our work on the nuclear issue; that is, Secretary McNamara, Mr. Ball, Francis Bator and myself. Secretary Rusk was not involved in the NSAM because he was leaving. But he believes staff work along these lines should proceed. Only one point is disagreed - the European clause\*. I shall explain to you the nature of the disagreement.

W. W. Rostow

cc: Bill Moyers

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NEJ 93-04  
By WJ, NARA, Date 12-10-93

~~SECRET~~

DRAFT - April 18, 1966

24a

~~SECRET~~

NATIONAL SECURITY ACTION MEMORANDUM NO. \_\_\_\_\_

MEMORANDUM FOR: Secretary of State  
Secretary of Defense

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NJ 93-04  
By ig, NARA, Date 12-10-93

The President wishes to have developed recommendations for enlarging the participation in and understanding of nuclear planning by both the political and military authorities of our major NATO allies.

Two alternative approaches should be considered: one which assumes the creation of a "NATO Nuclear Force" and one which does not. Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the direction of U.S. and U.K nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in planning for the operation of existing forces and the development of future forces: intelligence, deployment, targeting, considerations affecting use at times of crisis, research, development, production and budgeting, etc.

The primary operational focus of these consultative arrangements should be the defense of NATO territory.

For purposes of this exercise, it should be assumed that any "NATO Nuclear Force" Plan which later may be agreed upon will not include:

- \*a. European clause;
- b. mixed-manning of submarines;

~~SECRET~~

- 2 -

c. a surface fleet capable of delivering nuclear weapons.

The following matters should be addressed, in addition to functions:

- (i) participation or membership;
- (ii) location;
- (iii) financing;
- (iv) probable U.K., German, French, other NATO, and Soviet reactions;
- (v) appropriate U.S. negotiating strategy and procedures for its execution.

The President wishes to review this proposal by \_\_\_\_\_.

W. W. Rostow

~~SECRET~~



*President* 4/18/66

*file*

25

April 18, 1966 - 11:00 a.m.

MEMORANDUM FOR THE PRESIDENT

We should have for you a draft NSAM to guide the proposal in paragraph 3a for tomorrow's (Tuesday) lunch; that is, the proposal for organized nuclear consultation.

W. W. Rostow

*Atlantic Policy*

*Secret*



25a

SECRET

Sunday, April 17, 1966, 11:15 a.m.

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SUBJECT: Atlantic Policy

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2. In order to maintain the political base for this deterrent -- under French attack -- the U.K. and Germany must be brought closer together. This is the way to look at the nuclear issue. We need to sit down with the U.K. and Germany and quietly guide them to a well-balanced package. The first requirement is tripartite talk; but we should not deceive ourselves that anything will emerge unless we push them tactfully towards a package, including, in particular, the nuclear issue and the defense of the pound.

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a. at the moment the Germans do not have the political and psychological base to foreclose a hardware option once and for all, without a major concession from Moscow in the direction of German unity;

SECRET

DECLASSIFIED

Authority NSA 3-04

By esp/5 NARA, Date 12-16-89



~~SECRET~~

-2-

b. we ought to put our best thought and imagination into designing a lively nuclear consultation club, hardware or no hardware. The design and negotiation of this consultation club are first priority business on which the whole town agrees.

4. We ought to do nothing that need not be done to make Franco-German relations worse than de Gaulle has made them. We ought to understand with sympathy the German desire to keep as much going as possible between France and Germany. But we also ought to be clear about two other matters, to the Germans as well as among ourselves:

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We should not become so overwhelmed with the difficult details of moving NATO, negotiating with the French, facing the issue of French troops in Germany, that we fail to give the whole enterprise a new forward look. Planning is under way; but, unless you insist on its being given a priority equal to other matters, it may be pushed aside as window-dressing. It is more than that. It may determine how positively European parliaments and public opinion react to the new NATO package as a whole. Indeed, the same may be true in the U. S.

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~~SECRET~~

-3-

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W. W. Rostow

WWRostow:rlh

~~SECRET~~

SECRET

DRAFT NSAM -- April 18, 1966

TO: Secretary of State  
Secretary of Defense

→ 77 Two alternative approaches should be considered: one which assumes the creation of a "Nato Nuclear Force" and one which does not.

256

The President wishes to have promptly developed concrete recommendations for enlarging the participation in and understanding of nuclear planning by the political <sup>with</sup> and <sup>and</sup> as well as military authorities of our major NATO allies. Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the <sup>direction</sup> possibility of executive control over U.S. and U.K. nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in <sup>planning for the operation</sup> managing existing forces and programming future forces: intelligence, deployment, targeting, <sup>considerations affecting</sup> operations at times of crisis, research, and development, production, and <sup>budgetary</sup> etc.

The primary <sup>operational focus</sup> concern of these consultative arrangements should be the nuclear defense of NATO territory.

For purposes of this exercise, the following should be excluded from the arrangement: <sup>it should be assumed that any "Nato Nuclear Force" Plan which later may be agreed upon will not include</sup>

- <sup>TOT</sup> <sup>Excluded</sup>
- a. a European clause; — Ball
  - b. mixed-manning of submarines;
  - c. a surface fleet capable of delivering nuclear weapons.

The following matters should be addressed, in addition to functions:

- (i) participation or membership;
- (ii) location;

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By 5, NARA, Date 12-16-95

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(iii) financing;

(iv) probable U.K., German, French, other NATO, and Soviet

reactions.

NEGOTIATING STRATEGY & PROCEDURES FOR ITS EXECUTION.

(v) Approp. US negotiating strategy & procedure for its execution.

The President wishes to review this proposal by \_\_\_\_\_

For Sec. McManis. From Retow:

George Ball objects to our taking initiative in Eisenhowerism.  
I will give Dandke to Dr. Brundage; and, in any case, UK  
will knock it out. Let them do it.

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DRAFT NSAM -- April 18, 1966

25c

TO: Secretary of State  
Secretary of Defense

The President wishes to have promptly developed concrete recommendations for enlarging the participation in and understanding of nuclear planning by the political as well as military authorities of our major NATO allies. Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the possibility of executive control over U.S. and U.K. nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in managing existing forces and programming future forces: intelligence, deployment, targeting, operations at times of crisis, research, and development, production and Gadgeting.

The primary <sup>operational focus</sup> ~~concern~~ of these consultative arrangements should be the nuclear defense of NATO territory.

For purposes of this exercise, the following should be excluded from the arrangement:

- a. a European clause; — Ball (UK) (Do. Guide)
- b. mixed-manning of submarines;
- c. a surface fleet capable of delivering nuclear weapons.

The following matters should be addressed, in addition to functions:

- (i) participation or membership;
- (ii) location;

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(iii) financing;

(iv) probable U.K., German, French, other NATO, and Soviet

reactions.

NEGOTIATING STRATEGY & PROCEDURES FOR ITS EXECUTION.

(v) Appropriate US negotiating strategy & procedures for its execution.

The President wishes to review this proposal by \_\_\_\_\_

For Sect. McNamara from Rusk:

George Ball objects to our taking initiative on European channel.  
IT will give handle to De Gaulle; and, in any case, UK  
will knock it out. Let them do it.

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MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

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Agenda for Foreign Policy  
Discussion with the President  
Tuesday, April 19, 1966

1. Vietnam.

- a) Raising force ceiling from 260,000 to 325,000. McNamara.  
Decision required soon.
- b) Vietnam options and fall-backs.

- (i) Situation and Prospects in Coming Months.  
(ii) Options A, B, and C.  
(iii) Decision on Vietnam meeting for about ~~Thursday~~ Saturday (see. back back) when Ball group will be ready.  
(iv) Issues that will then require decision: military; economic, political; diplomatic.

- (v) Vietnam Advisory Group: Milton Eisenhower, Arthur Dean, etc.  
Dillon, McCone, [McCloy], Callahan, Palmer, Lovett.

2. NATO

- a) NSAM and preparations for reply to Wilson. Decision required soon.  
European clause issue between Secretary McNamara and Ball.
- b) McCloy talks. Report.
- c) NATO relocation issues. Secretary McNamara now staffing out JCS recommendations with purpose of cutting costs. He will report in fourth week of April. International negotiations begin during May. Report.
- d) NATO forward-looking proposals. Rostow memo. Comment.

Indian and Pak Aid Decisions.

- a) Should we resume negotiation on four Indian project loans totalling \$85 million already authorized? Briefing. Decision required.
- b) Forthcoming Pakistan Aid Package. Briefing on what is about to arrive from State-AID. Information. Decision required.
- c) Will you see Shoaib? Briefing. Decision required this week.

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4. Cabriolet (Plowshare shot). Secretary Rusk and Seaborg wish a meeting with you after Secretary Rusk's return (Friday). They have concluded that the issues involved in a postponement are sufficiently political -- one way or another -- to require your decision.  
Decision on meeting required.
5. Black mission. Letter to Black requires signature.
6. Latin America.
  - a) Dominican Republic. Briefing. Do you wish to see Bunker and Bennett today?
  - b) Initial reactions to your Mexican trip. Briefing.
  - c) Mexican trip follow-up. Briefing.
  - d) Chilean copper. Briefing.
  - e) Ecuador, Guatemala. Quiet. Briefing.
7. Rhodesia. U.K. gropes towards an uncertain negotiating track in wake of U.N. resolution. U.S. will support. Briefing.
8. Indonesia. Indonesians move slowly towards rejoining U.N.; encouraging private enterprise; looking for foreign assistance; ending confrontation. 50,000 tons rice under PL-480 Title IV signed April 17. Communist-sympathizing Ambassadors purged. Briefing.
9. Oxcart Deployment (A-12 aircraft). Admiral Raborn will raise with you whether these new reconnaissance aircraft should now be deployed to Okinawa to increase our reconnaissance capacity. Raborn says yes. Defense and State say: not now. Briefing. Decision required on meeting.
10. Other.

Argentina: Non-permitted work.  
Orthodox permitted did better than break-away permitted.

W. W. Rostow

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Thursday, April 21, 1966, 9:30 a.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Attached Draft NSAM

Before our meeting today on the foreign policy agenda, I should like to explain to you why I propose a National Security Action Memorandum covering staff work on the nuclear issue and on forward looking proposals that would increase the cohesion of NATO in the North Atlantic Community (drafts attached).

1. Secretary McNamara, Secretary Rusk, George Ball, Mr. Acheson, Francis Bator and I all agree that we must concentrate urgently on the design of arrangements for nuclear consultation. This is an item on which there is general agreement in the town. Because of the endless hardware debate, work on improved nuclear consultation and how to conduct it has not crystallized and been brought before you for examination.

2. You will recall that this is an element on which we, the Germans, and the British all agree. One purpose of this NSAM is to make sure that what we all agree about in the U.S. Government is staffed out and made as effective an item in our policy as can be done. We can then cautiously feel our way on the hardware issue.

3. Secretary McNamara, George Ball, Mr. Acheson, Francis Bator and I all agree that the NSAM would set the framework for constructive work which would unite not divide the town. Secretary McNamara believes there is no other way to get the town moving except by the NSAM.

4. Within the NSAM there is only one point of disagreement: Secretary McNamara believes a European clause should be explicitly excluded from consideration in examining a "NATO nuclear force." Mr. Ball believes this would be politically dangerous. If word got out, it would give a powerful handle to de Gaulle: the U.S. is trying to dominate Europe. Ball is confident that the British will oppose, in any case, a European clause. We would leave it to them. For what it is worth, I side in this case with Mr. Ball, but for a different reason. The European

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By 18, NARA, Date 12-16-99

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impulse remains strong; and it is rising even in Britain. I am confident that, at the end of the day, the Europeans may conceivably group themselves together within an Atlantic nuclear force; but I doubt that they will claim, in anything like the foreseeable future, a European right to fire. I, therefore, believe that we should not explicitly exclude the European clause but have an understanding in the government that we would quietly work against it in our negotiations.

5. I also attach a second paragraph which I believe will command the support of everyone. It would direct that constructive measures be presented to you in this package -- measures that would both pull the Atlantic Community together and exploit such opportunities as there may be for constructive initiatives addressed to Eastern Europe and the Soviet Union.

6. My reasoning is as follows: under the best of circumstances, a NATO reorganized without France is going to be somewhat weakened. Moreover, there will be significant expenses involved in transferring NATO headquarters and installations. If the European Parliaments and our Congress are to back our policy of maintaining an integrated NATO, they will need to believe that we are not simply defending our ideas of the late 1940's but recognizing two real factors on the present scene and looking to the future:

-- The desire in Europe for greater equality of partnership with the U.S.;

-- The potentialities offered by changes in the Soviet Union and Eastern Europe for moving in the direction of normalizing East-West relations.

7. As I indicated in a memorandum to you of April 17 on Atlantic Policy (paragraph 5), I believe the staff work on these constructive measures needs your stimulus and emphasis.

8. As I told Bill Moyers at lunch yesterday, I have been looking at this problem from the point of view of the kind of speech I would like you to be able to give during the summer when, hopefully, the NATO crisis is resolved. That speech would have three components:



-- We have demonstrated that the Atlantic Community as a whole has read the lesson of the history of this century as meaning that in matters of defense we must hang together or we will hang separately; therefore, we have successfully reorganized NATO on the basis of integrated defense. (On this aspect of the job JCS has produced a plan; Secretary McNamara is working over it to cut costs. He will complete his recommendations by the end of April. International negotiations can begin in May.)

-- We have provided in this reorganization for enlarged participation in nuclear planning by both political and military authorities of our NATO allies, plus whatever collective hardware arrangements emerge. (The heart of this is, of course, our leading Britain and Germany to agreement on the nuclear question.)

-- We have been looking not backwards but forwards. The new NATO we have designed provides for the common defense; but it also moves forward in many areas of Atlantic partnership and is the base from which we shall pursue the normalization of relations between the East and the West in Europe and the peaceful pursuit of German unity and an East-West European security agreement. (It is to provide the materials for this dimension of the strategy that I suggest paragraph 2 should be included in the proposed NSAM.)

\*\*\*\*\*

When the town responds to this NSAM we shall be in shape to reply to Wilson's letter.

W. W. Rostow

cc: Bill Moyers

**Attachments**

Tab A - Draft NSAM

Tab B - Draft Para. 2

Tab C - April 17 Memo

SECRET

DRAFT - April 18, 1966

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NATIONAL SECURITY ACTION MEMORANDUM NO. \_\_\_\_\_

MEMORANDUM FOR: Secretary of State  
Secretary of Defense

1. The President wishes to have developed recommendations for enlarging the participation in and understanding of nuclear planning by both the political and military authorities of our major NATO allies.

Two alternative approaches should be considered: one which assumes the creation of a "NATO Nuclear Force" and one which does not. Among the possibilities examined should be the creation of a permanent body of restricted membership within NATO with functions including both intensified consultation and the direction of U.S. and U.K nuclear weapons and delivery vehicles assigned to NATO and/or collectively owned. The proposals should cover the full range of activities involved in planning for the operation of existing forces and the development of future forces: intelligence, deployment, targeting, considerations affecting use at times of crisis, research, development, production and budgeting, etc.

The primary operational focus of these ~~consultative~~ arrangements should be the defense of NATO territory.

For purposes of this exercise, it should be assumed that any "NATO Nuclear Force" Plan which later may be agreed upon will not include:

- \*a. European clause;
- b. mixed-manning of submarines;

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E.O. 12958, Sec. 3.5

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NSC Memo, 1/30/95, State Dept. Guidelines

By 4 NARA, Date 12-16-95

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c. a surface fleet capable of delivering nuclear weapons.

The following matters should be addressed, in addition to functions:

- (i) participation or membership;
- (ii) location;
- (iii) financing;
- (iv) probable U.K., German, French, other NATO, and Soviet reactions;
- (v) appropriate U.S. negotiating strategy and procedures for its execution.

The President wishes to review this proposal by \_\_\_\_\_.

W. W. Rostow

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2. The President wishes to have developed promptly other forward-looking proposals that would increase the cohesion of NATO and the North Atlantic community. These should embrace two kinds of measures:

a. Military and non-military programs affecting primarily the affairs of the Free World;

b. Constructive political, diplomatic, and economic initiatives addressed to Eastern Europe and the Soviet Union.

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Sunday, April 17, 1966, 11:15 a.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Atlantic Policy

On the basis of State Department papers you have been considering the issue of French troops in Germany and the framework for our response to Wilson on the nuclear question.

You have also had available Francis Bator's observations.

At the moment, I can, perhaps, be most helpful by setting down a few fundamental ideas which I believe are relevant to these matters in particular and the Atlantic crisis in general.

1. The maintenance of an integrated NATO capable of continuing to deter Moscow is fundamental. Given Soviet missile and conventional capabilities, it is truly a mortal issue. Here I believe Mr. Acheson is wholly correct. It is not a question of clinging to outmoded ideas of the late 1940's: it is a question of whether we and the Europeans have learned the lesson of two world wars and the whole sweep of modern history.

2. In order to maintain the political base for this deterrent -- under French attack -- the U.K. and Germany must be brought closer together. This is the way to look at the nuclear issue. We need to sit down with the U.K. and Germany and quietly guide them to a well-balanced package. The first requirement is tripartite talk; but we should not deceive ourselves that anything will emerge unless we push them tactfully towards a package, including, in particular, the nuclear issue and the defense of the pound.

3. On the nuclear issue I have no pet formula. I am clear, however, on two things:

a. at the moment the Germans do not have the political and psychological base to foreclose a hardware option once and for all, without a major concession from Moscow in the direction of German unity;

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By usp/3 NABA, Date 12-16-99

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b. we ought to put our best thought and imagination into designing a lively nuclear consultation club, hardware or no hardware. The design and negotiation of this consultation club are first priority business on which the whole town agrees.

4. We ought to do nothing that need not be done to make Franco-German relations worse than de Gaulle has made them. We ought to understand with sympathy the German desire to keep as much going as possible between France and Germany. But we also ought to be clear about two other matters, to the Germans as well as among ourselves:

a. It is Paris, not Washington, that is pressing on the Germans a choice between France and the U. S. ;

b. Franco-German friendship can only thrive in larger clubs -- like the European Common Market and NATO. It will not work on a bilateral basis, except student exchanges, etc.

5. We ought to accompany the NATO reorganization with as many forward-looking measures in the Atlantic as possible. The case for keeping NATO is widely understood. But there is also a correct feeling that we need:

a. More partnership in the Atlantic on issues like money, aid, space, modern technology, Great Society issues, political consultation, etc. ;

b. More East-West bridge-building by Atlantic nations: trade, cultural contacts, etc.

We should not become so overwhelmed with the difficult details of moving NATO, negotiating with the French, facing the issue of French troops in Germany, that we fail to give the whole enterprise a new forward look. Planning is under way; but, unless you insist on its being given a priority equal to other matters, it may be pushed aside as window-dressing. It is more than that. It may determine how positively European parliaments and public opinion react to the new NATO package as a whole. Indeed, the same may be true in the U. S.

6. I shall, of course, be prepared to comment on specific points and issues as they come forward for your decision. At this time, I thought these broad observations might be helpful.



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7. My only operational proposal is this: that you budget for a small, carefully prepared meeting on the nuclear question shortly after your return to Washington. The town needs your guidance. I believe I can lay it out for discussion in an orderly way.

W. W. Rostow

WWRostow:rla

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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Thursday, April 21, 1966, 9:30 a.m.

MEMORANDUM FOR THE PRESIDENT

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E.O. 12958, Sec. 3.5

NSC Memo, 1/30/92, State Dept. Guidelines

By 28, NARA, Date 12-16-99

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- 3 -

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\*\*\*\*\*

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*Walt* Rostow

cc: Bill Moyers

Attachments

- Tab A - Draft NSAM
- Tab B - Draft Para. 2
- Tab C - April 17 Memo

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THE SECRETARY OF STATE  
WASHINGTON

May 13, 1966

Dear Mr. President:

At the suggestion of Mr. Rostow, Mr. Acheson prepared a memorandum on the issues which might be raised in negotiations with France over NATO. The Secretary of Defense and I have been over this and agreed that it furnishes a good basis for a meeting with you to receive further guidance. Pending matters include the draft Aide Mémoire which I submitted for your consideration, and the probable French reply next week to the Germans regarding French troops in Germany.

May we have a meeting with you?

Respectfully yours,



Dean Rusk

The President,  
The White House.

DEPARTMENT OF STATE  
SPECIAL ASSISTANT TO THE SECRETARY

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May 13, 1966

MEMORANDUM FOR THE SECRETARY

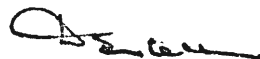
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E.O. 12356, Sec. 3.4  
NJ 86-290  
By gip, NARA, Date 2/11/92

Dear Dean:

A month or more ago I sent you a paper dealing with methods of approach to problems presented by the French demands on NATO and priorities among them. You sent this to the President for his information.

In the weeks which have gone by many things have become clearer and, perhaps, a paper may be timely on subjects to be discussed with the French by NATO as an organization and by the USG bilaterally.

If you wish to discuss this paper with me, or the President with both of us, your guidance would be most appreciated.



Dean Acheson

Attachment

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BROAD LINES OF APPROACH TOWARD NEGOTIATIONS WITH  
FRANCE IN NATO CRISIS

In approaching any negotiation it is important to understand clearly the relationship of the parties. Are they seeking a common object and sparring for compatible individual advantage -- as in a horse trade? If so, bargaining is the avenue to agreement. If, however, one has taken a position from which it will not recede, and from which it cannot be forced to recede, there is small room for negotiation.

In the past weeks the French government has been at pains to demonstrate the latter is its attitude towards NATO. It will not discuss its decisions that French troops must be withdrawn from commitment to NATO command and French officers from service in NATO commands. Similarly its demands that all NATO and U.S. command headquarters and all U.S. troops, facilities and supplies must be withdrawn from France are not subject to negotiation. All that can be discussed are "practical measures" for carrying out these decisions, a deadline for which the French government has arbitrarily set. Even the French Ministry of Defense admits that so far as NATO facilities and headquarters are concerned these dates cannot be met.

The USG has responded that its troops and facilities will be withdrawn from French territory as soon as this can be done without prejudice to military security. There are no negotiations required about withdrawal.

The USG has offered to negotiate the amendment or cancellation of the agreements under which the facilities were established. It has not been thought compatible with the dignity of the USG to accept unilateral cancellation of agreements made for the life of NATO. Nor has acceptance of unilateral cancellation seemed appropriate when the GOF simultaneously offered to discuss new agreements about reentry into France in time of war. The French government

has not

**DECLASSIFIED****E.O. 12356, Sec. 3.4****NJ 94-166****By ing, NARA, Date 7-14-94**~~SECRET~~

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- 2 -

has not answered the offer to negotiate the agreements. The draft aide-memoire submitted by you to the President seeks to make the record clear on this important point, without haggling about our withdrawal.

#### What Can Be Negotiated and Its Importance

The impressive fact is how little of any real importance is open to negotiation in the France-NATO crisis.

The indisputable fact is that France wants everything French out of NATO, and everything NATO -- especially everything American -- out of France. This, if one may say so, poses a rather clear cut issue.

In the political field it is paralleled by another equally clear cut difference. As was made clear to Senator Church in Paris recently, the French government wants a European settlement by Europeans, i.e., by "the underlying reality of Europe ... Russia in Eastern Europe and France, England and to a lesser extent Italy in Western Europe ... the other countries of Europe were so much dust ...." The agreement would seek a "reunited Germany without nuclear arms and the withdrawal of foreign forces from such a Germany, including, of course, military forces of the United States." To most Western Europeans simple mathematics makes this appear as Soviet domination of Europe. Our allies have not seen this issue of policy as a misunderstanding which can be talked out. The parties are not separated by details. They are poles apart.

The NATO Fourteen, to be sure, have matters which must be talked out with the French; but they are of relatively minor importance. How insistent will the French be in pushing a hurried evacuation of NATO establishments? In limiting NATO overflights? In pinching off the flow of oil across France? Is it in the interest

of NATO

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of NATO to cloak the withdrawal of France from the Alliance? How valuable is French liaison with the NATO commands, and how much reliance can be placed on an agreement to use French facilities in time of conflict?

The matters which stand out from the mechanics of leaving France are:

- 1) The presence of French troops in Germany.
- 2) Allied overflights through French air space.
- 3) Continued transportation of oil across France.
- 4) Reentry rights into facilities in France in case of war.

There is also a matter which concerns chiefly the United States -- the termination of valid bilateral agreements.

1) The presence of French troops in Germany

The presence of all foreign troops in Germany is governed by a series of agreements of 1954, one of which requires their being committed to NATO command in case of conflict. The French government has given notice of the cancellation of this commitment so far as their forces are concerned (two and one-third divisions and some air units) on July 1st.

Both the Germans and the other allies have seen the issues raised here by the French as primarily political rather than military. The Germans have accordingly informed the French, with the unanimous concurrence of the other thirteen allies, that the continued presence of

French

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French troops in Germany would be welcomed provided a new agreement was reached regarding their mission and their commitment to SACEUR command in time of conflict. To make this specific the note proposed that the transfer of command take place when all other troops in Germany should have come under SACEUR's command. This proposal was to resolve the ambiguity introduced by the French interpretation of the NAT as committing them to defend against "unprovoked" attack. Both French and German positions may be negotiable.

Despite dialectical form the heart of the allied position is that unless troops in Germany are unequivocally there on a joint allied defense mission under the treaty, their status reverts to occupation forces in what General de Gaulle described to Senator Church as a defeated and divided country. The divisive effect of such a result is a net loss to the Alliance.

On the basis of current intelligence, the GOF is discussing this week whether or not to negotiate this matter. Apparently it would wish in any event to withdraw the troops after the February-March French elections. It may decide to do so during the summer.

## 2) Allied overflights through French air space

The right to conduct military overflights in France is of very substantial importance to us and the Alliance. Without the use of French air space NATO air communications between Northern Europe and the Mediterranean area are possible only by following a long and wasteful route over the Atlantic. The right to continue training flights over France is equally important, since air space over Germany, the UK and the Benelux countries is not as suited for such flights because of traffic congestion and recurrent bad weather. Aware of this, the French have reduced overflight agreements with the U.S. and other NATO countries to a month-to-month basis.

French

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French need to overfly other NATO countries and to have access to information from the early warning system should provide the Alliance with strong bargaining position in negotiating continued overflight rights. Without such information and overflight rights the Force de Frappe would lose whatever credibility it now has.

However, reports of General de Gaulle's discussion of this matter indicate he rules out the possibility of a Soviet attack on Europe, and hence regards of little immediate value French access to air defense information and foreign air space. Nevertheless, the situation itself puts some pressure on the GOF. To take an extreme position would be inconsistent with that of an ally. It would suggest more neutrality or hostility. This together with the keener appreciation of the situation held by the French military may maintain tolerable overflight rights.

3) Continued transportation of oil across France

The last French aide-memoire, while contemplating ending the flow of oil across France through our pipeline to U.S. forces in Germany, indicated some realization of the high-handedness of this action. It suggested France might not insist upon terminating use in one year. This action is so outrageous as to warrant a rather full and public exploration of the grounds put forward as justification for it and a claim for just compensation for the nationalization of the facility. The aide-memoire recently forwarded to the President lays the foundation for this.

4) Reentry rights into facilities in France  
in case of war

The GOF has offered to discuss this subject with the interesting qualification that it cover only situations in which both nations are at war. Since the only wars concerned are those which involve action under Article 5

of the NAT,

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of the NAT, the qualification indicates awareness of the possibility that the U.S. might be at war in Europe when France might not be. This qualification ought to be plumbed to see how firmly it is held and what it may mean.

If significance is attached to it, the value of reentry rights obtainable is much diminished. One would certainly not be justified in placing much reliance on them in planning for the security of our large forces in Germany. Nevertheless, they would be worth negotiating to have a framework of agreement regarding, and possibly custodial forces maintaining, some facilities which another French government might make really useful.

The exercise of negotiating the agreement, therefore, could well be worthwhile, as was the negotiation of the Austrian State Treaty. One can never tell when a document of this sort can come in handy. The United States would not be justified in making any concessions of importance to get it.

Dean Acheson

~~SECRET~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

30

~~SECRET~~

Wednesday, May 18, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: NATO

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NJ 86-288  
By gdy, NARA, Date 2/11/92

NATO is the next big item on the foreign policy agenda:

-- Erhard will be seeing Wilson on May 23, and we should decide whether you should reply to Wilson's long letter before then;

-- On June 6-8, NATO foreign ministers will be meeting as a group for the first time since de Gaulle made his move. We have been working with Thomson on a draft joint statement you should see before it becomes final. In the meantime,

-- Bob McNamara will be sending you his recommendations on relocation of NATO and U. S. facilities in a few days.

-- On French troops in Germany (the hottest near-term political issue), the U.S. -UK-German working group in Bonn has circulated to the Fourteen its report on how we should negotiate. It suggests a fairly tough initial line, and we shall have to decide what fallback position to take and when, in the light of a French reply which will come soon.

-- On other defense arrangements with France (overflights, the oil pipeline, wartime re-entry) we have a draft Aide Memoire which we have held at State's request until we could get your guidance on the general negotiating position.

-- Under Dean Acheson's chairmanship, State and Defense have been working hard on the nuclear issue, and on constructive proposals for the Alliance, in response to NSAM 345. The nuclear part of the package will be ready at the end of the week.

-- You should consider a major speech on European policy before de Gaulle goes to Moscow (June 20). Many Europeans (including Lecanuet) have suggested its wisdom at this stage.

How we play our hand during the next several weeks will not only help determine the future shape of the Alliance, but will seriously affect German and European politics, and might even affect our own.

~~SECRET~~

5/18/66

We will need Presidential guidance specifically on: (1) our negotiating position on French troops in Germany, (2) whether to send another Aide Memoire on defense arrangements to the French, and (3) our overall negotiating stance.

There is a further reason for early Presidential involvement. Some of your advisers -- notably Acheson and Ball -- are a bit shellshocked from newspaper stories suggesting that they are at odds with you. This is bad business for us and makes the Europeans, particularly the Germans, uneasy. Your giving them a day in court, and then your personal guidance, should permit us to be -- and appear to be -- a united and purposeful government.

### Procedure

At Tab A is a tight, crisp memo by Dean Acheson which Secretaries Rusk and McNamara have agreed should serve as a basis for discussion with you. It covers all the major issues, but does not attempt to lay out negotiating strategy or tactics. After reading it -- you will wish to read it in full -- and perhaps an in-house session with the two of us, we recommend an early extended meeting with Secretaries Rusk and McNamara, Ball, Acheson, et al. (One topic for discussion would be the draft Aide Memoire at Tab B)

\* \* \*

The rest of this memo contains our thoughts on what might be the agenda for such a meeting: (1) U. S. objectives in the NATO crisis; (2) de Gaulle's objectives; (3) our public position vis-a-vis de Gaulle; (4) our negotiating position on French troops in Germany; (5) whether to send an Aide Memoire or communicate our response in some other way; and (6) general negotiating instructions.

### 1. U. S. Objectives

There is little disagreement on essential U. S. interests. We must try to:

- maintain an effective integrated deterrent, providing for the security of U. S. and Allied forces in Europe;

- maintain solidarity among the Fourteen. (This requires that our position vis-a-vis the French appear to the others as reasonable on its merits, while generating sufficient realism and determination among the Fourteen to face the expensive problem posed for us by de Gaulle's high-handed and disruptive decisions. It also requires that we continue to make clear our commitment to an evolving constructive NATO, which can serve as a base for a policy of bridge-building to the East.)

5/18/66

-- minimize the strain on German politics by (1) helping Erhard resolve the French troops issue along lines most acceptable in terms of long-run German politics, and (2) by making generally clear that they can count on U.S. support when they want to be firm, and on U.S. understanding for any efforts to keep the Franco-German rift to a minimum;

-- impose a price on de Gaulle, while leaving an empty chair for France. (Punishing de Gaulle verbally is not serious or useful business. But it is essential for our security -- and for the negotiation -- that we be (and appear to be) capable of mounting an effective integrated deterrent without France. He remains, despite his stance, politically vulnerable in his domestic politics to isolation from the rest of the West.)

## 2. What de Gaulle is after

How he actually will play his hand we don't know. He evidently wants maximum freedom of action and yet appear to the French people to have the protection of the Alliance. Much depends on what he gets or doesn't get in Moscow, and on the unity of the Fourteen. His operational goals in relation to NATO are probably somewhere on a spectrum bounded by:

- (a) a neutralist position: with French troops out of Germany; France out of NATO; and no special defense arrangements with the U.S. or other Allies; and
- (b) a diluted NATO: where France keeps her troops in Germany; maintains her membership in NATO planning groups and early warning network; permits allied overflights; and NAC remains in Paris.

During his Moscow trip, it is a fair bet that he will try to get the Russians to hold out just enough of a promise of movement toward German unity to bedevil German political life without cutting the ground from under Ulbricht. If the Russians don't play, he is more likely to opt for a diluted NATO and against a neutralist position.

What is clear, irrespective of what happens in Moscow, is that as a negotiator he will go to great lengths to be in a position of granting favors and not asking them.

## 3. The importance of how we look

The safest bet is that except on overflights, the French will be unreasonable and negotiations will be unsuccessful. The issue which is not addressed in the Acheson memo is what posture we strike in testing de Gaulle's intentions.

5/18/66

Here there is a difference of emphasis among your advisers:

-- Sect. Rusk, Ball, and Acheson believe that we must, both in public and private, talk about the serious consequences of de Gaulle's unilateral decisions, and to take a fairly hard line. Their reasons are: this is an expensive, difficult business he has imposed on us, and if we fudge over what he has done, the European (and perhaps U.S.) public, parliaments, and Congress will not put up the resources to maintain an integrated deterrent. The Italians and Danes, for example, might slide away towards detached positions; and the Germans might move towards bilateralism vis-a-vis both Paris and Washington.

-- Sect. McNamara doesn't want to argue with de Gaulle much, but simply get on with the job of building an integrated, streamlined deterrent without France, negotiating in the quietest way possible.

-- Bator has (in Rostow's view, correctly) emphasized for some time the need for us to take positions which (1) do not get beyond what Erhard can manage in domestic politics, and which (2) do not unduly strain political life in other NATO countries. He wants to be sure that, if de Gaulle will not accept those minimum conditions which we and the Germans must really insist upon, it will be clear to the world that de Gaulle alone is responsible for the breakdown -- that the monkey is on his back.

The State Department has tended to take positions a bit harder than those we could live with and let others water them down in negotiation.

The other way to play it is to state positions closer to the minimum; hold to them; and avoid the charge of being unreasonable with de Gaulle.

The State Department should be heard attentively, because they are on the firing line. But Rostow's net view (in which Bator concurs) is:

-- We probably will not be able to avoid some public discussion of de Gaulle's position, given Church, Fulbright, etc.; but that discussion and statements of our differences should be precise and temperate.

-- The key to the negotiation is action to put NATO in a position where it can live and operate with or without France.

-- We are strong enough to state moderate positions and hold to them in negotiations with both France and our Allies.

The balance here is so delicate that each key issue must be looked at separately.



4. French troops in Germany -- how we negotiate

As you know, until now the French troops (2-1/3 divisions and some air units) have been committed to NATO command in time of crisis. De Gaulle has said that this commitment will end on July 1. The Germans maintain that de-commitment destroys the legal basis for keeping French troops on German soil. Whatever the legal case, French presence without a new agreement is unacceptable as a matter of German politics -- it would smell of occupation.

The Germans -- with our full support -- have told the French that their troops are welcome to stay "provided a new agreement is reached regarding their mission and their commitment to SACEUR command in time of conflict." This condition is subject to several interpretations -- the key is what we mean by "commitment" and whether we really mean SACEUR command (as opposed to some face-saving, common but two-hat command arrangement).

The joint U. S. /UK/German negotiating paper (which is now in the hands of the Fourteen) takes a tough initial line -- insisting that the French publicly undertake a commitment to assign these troops to NATO when those members of the Alliance with troops in Germany agree that a state of emergency exists. He is thus asked to give up a veto which he now holds as a full member of NATO and to undertake a commitment formally tougher than, for example, ours. On the other hand, the question is posed because of the unilateral actions he has taken.

Nobody thinks de Gaulle will agree to this; it is meant as an opening tactic from which we are willing to retreat. The question is how and when. (The "when" is critical because it was agreed between McCloy and the Germans in Bonn that a new German-French agreement must be under negotiation by July 1, or the French must begin withdrawing their troops.)

The outlines of a reasonable fall-back position are fairly clear. We would ask de Gaulle to commit France:

- (1) to a meaningful military mission for the two divisions;
- (2) to join in peacetime planning and joint maneuvers;
- (3) to place her forces under common command in time of crisis;
- (4) to reaffirm Article V of the Treaty (the mutual security provision) without any qualification.

The ball is now in the French court. Our intelligence indicates that de Gaulle will ignore our maximum conditions and inform the Germans he will remove his troops by July 1, 1967. He will try to blame the Germans -- and us -- for not making an agreement, and strengthen rising domestic pressures on Erhard to soften his line.

Whatever he does, we must avoid being subject to the charge that we presented impossible conditions to the French and that de Gaulle's negative response is justified. It must be understood that our initial offer is just that. The operational questions are:

-- whether we let a confrontation build in this matter between now and July 1; or

-- whether we indicate to the French that we could live with something short of the initial proposal;

-- and, if so, by what route we put on the record that our proposal was not a final proposal, and that it is de Gaulle (and not the Germans, U.S., UK) who is being unreasonable.

Operationally, we must await the French reply and then consult closely with the Germans and others.

5. Whether to send the Aide Memoire

The Aide Memoire is a formal list of sharply stated specific questions and legal positions having to do with overflights, wartime re-entry, use of our oil pipeline across France, etc. The issue is not whether these questions get asked, but how -- whether we ask them in a formal Aide Memoire, which will be in the papers the next day, or through private Rusk/Lucet or Bohlen/Couve conversations based on an informal list of questions.

The status of these defense issues varies. On overflights, we may be able to strike a straightforward bargain: overflights in return for continued French access to NATO air defense information and air space. The pipeline issue is tougher (and is discussed in detail in the Aide Memoire). However we handle it, we will probably want to make our own separate alternative arrangements. The question of access to French facilities in wartime is also cloudy, but probably worth trying to negotiate. (In each case -- and whatever bargain we strike -- our military planning will have to be hedged for the possibility that the French will not perform.)

The issue of whether to send the Aide Memoire comes down to whether we want another public show of our legal position or a quiet clarification -- knowing throughout that we are unlikely to be satisfied whichever tack we take. The two of us would vote for the quiet approach; but before making up your mind, you should hear the case for the Aide Memoire from Sect. Rusk, Ball, and Acheson.

5/18/66

6. General negotiating instructions

After going through these papers and hearing the arguments, you will wish to give marching orders on our general negotiating position.

We would suggest that, in a Rusk/McNamara, et al, meeting, you make clear that:

(1) in our public position you want to minimize any suggestion of a direct Washington/Paris confrontation;

(2) if public exposition of our differences is required, it should be in terms of an integrated military alliance versus bilateralism or fragmentation of the West;

(3) you do not wish the U.S. to be in a position of begging anything of the French;

(4) we should proceed with the Allies to plan the prompt movement of people and equipment out of France;

(5) on French troops in Germany, you wish us to be exactly as sturdy as Erhard, but we should not push him into positions that are costly in terms of his domestic politics unless he is pressured by his Gaullists into positions which would endanger the security of our troops, or the integrity of NATO command arrangements;

(6) with respect to Allied overflights and French access to Allied communications and intelligence, we should indicate our hope that both can be maintained; but our planning should be based on the possibility that we shall have to operate without overflights; we should make clear to the French that we regard these two as an inextricable package;

(7) with respect to the NATO oil pipeline, we should plan for a capability sufficient to help defend Western Europe without reliance on the French, while seeing what we can negotiate after de Gaulle's return from Moscow;

(8) without public acknowledgment, our plans and actions should convey that we are moving to maintain an effective collective defense without France, while trying to make fair and even-handed arrangements to keep France in a close working relationship with the Alliance.

Our willingness to do without the French -- and our actions which indicate our preparedness to do without them -- constitute our best negotiating cards, given de Gaulle's sensitivity to "isolation"; but in fact as well as in posture there is enough ambiguity in de Gaulle's commitment so that it would be imprudent to be dependent on France, during his time, in a period of crisis or conflict.

*Walt* Rostow

*Francis* Francis M. Bator

# INCOMING TELEGRAM Department of State

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**E.O. 12958, Sec. 3.6**  
**NLJ 93-05**

**By is, NARA Date 8-31-99**

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EMBASSY REALIZES THAT SUBJECT OF US RELOCATION FROM FRANCE IS UNDER ACTIVE CONSIDERATION IN WASHINGTON AND BASIC POLITICAL DECISIONS WILL HAVE TO BE MADE THERE. NONETHELESS, WE WISH OFFER OUR VIEWS ON WHAT APPEAR TO US TO BE THE MAJOR TOPICS FOR BILATERAL SETTLEMENT, OUR ASSESSMENT OF THE PRESENT SITUATION, AND SUGGESTIONS FOR ACTIONS THAT CAN AND SHOULD BE TAKEN NOW.

RSR

IT APPEARS THAT THE BILATERAL NEGOTIATIONS RELATING TO OUR

PAGE 2 RUFNCR 952 ~~SECRET~~

RELOCATION WILL BE CONDUCTED BY THE EMBASSY AND FONOFF WITH TECHNICAL MILITARY ADVISERS ON BOTH SIDES. THE FOLLOWING LIST OF TOPICS TO BE DISCUSSED IS OF COURSE, NOT EXHAUSTIVE.

1. TIMING. AS NEARLY AS CAN BE FORESEEN NOW, THE MAJOR PORTION OF THE RELOCATION CAN BE ACCOMPLISHED BY 1 APRIL 1967. NONETHELESS, IT WILL BE DIFFICULT TO MOVE ALL OF THE STOCKS AND INSTALLATIONS BY THAT TIME IN AN ORDERLY FASHION. IT IS OUR ASSESSMENT THAT PROVIDED A) THE RELOCATION IS MOVING FORWARD IN A RAPID AND OBVIOUS FASHION AND B) IT IS CLEAR THAT ALL OF THE FACILITIES WE HAVE IN FRANCE WILL HAVE CEASED TO BE OPERATIONAL BY THE FRENCH-IMPOSED DEADLINE, THERE WILL BE NO DIFFICULTY IN OBTAINING FRENCH AGREEMENT OF SOME ADDITIONAL TIME TO COMPLETE THE MOVE. IT MAY WILL BE, OF COURSE, THAT THERE WILL BE CERTAIN INSTALLATIONS SUCH AS TOUL-ROSIERES AND POSSIBL VERDUN-NANCY

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-2- 7962, May 18, From Paris SECTION ONE OF THREE

THAT THE FRENCH WILL WISH TO REPOSSESS AS QUICKLY AS POSSIBLE FOR THEIR OWN PURPOSES. BY AND LARGE, HOWEVER, WE FEEL WE CAN OBTAIN SOME ADDITIONAL TIME WITHOUT ADOPTING THE POSITION OF SUPPLICANTS AND THEREBY GIVING THE FRENCH A BARGAINING ADVANTAGE.

2. STORAGE IN FRANCE. A) IT APPEARS THAT FROM A MILITARY STANDPOINT IT MIGHT BE DESIRABLE TO ATTEMPT TO ARRANGE FOR SOME TYPE OF STORAGE FACILITIES FOR CERTAIN NON-ESSENTIAL STOCKS IN FRANCE. SUCH AN ARRANGEMENT

PAGE 3 RUFCR 952 S E C R E T

COULD BE IN THE FORM OF CONTRACT ARRANGEMENTS WITH EITHER CIVILIAN CONTRACTORS OR WITH THE FRENCH MILITARY.

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-3- 7962, May 18, From Paris SECTION ONE OF THREE

15(a)  
4(g)

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-4- 7962, May 18, From Paris SECTION ONE OF THREE

WE DO NOT, HOWEVER, SEE HOW IN LOGIC WE CAN CLAIM BOTH. IN EITHER EVENT, OUR CHANCES OF COLLECTING ANYTHING ARE EXTREMELY LOW.

B) THE CHOICE OF ALTERNATIVES, THEREFORE, MUST DEPEND UPON THE RELATIONSHIP OF THIS QUESTION WITH THE OVERALL NEGOTIATING PACKAGE, THE ASSESSMENT OF ITS POLITICAL IMPACT IN FRANCE, AND OUR FUTURE RELATIONS WITH FRANCE. THERE IS ALSO, OF COURSE, THE QUESTION OF THE CONSISTENCY OF OUR ACTIONS IN THE BILATERAL CONTEXT WITH OUR POSITION IN THE MULTILATERAL NATO CONTEXT. WHILE WE AGREE WITH THE DESIRABILITY OF AS MUCH  
GP-3 BOHLEN

NOTE: PASSED DOD 10:40 P.M. 5/18/66

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# INCOMING TELEGRAM *Department of State*

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~~SECRET~~ MAY 13 (SEC TWO OF THREE)

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US-FRANCE AND NATO

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CONSISTENCY AS POSSIBLE, WE DO NOT FEEL THAT THIS PRINCIPLE CAN BE OVERRIDING.

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C) THERE MAY WELL BE INTERNATIONAL ADVANTAGES TO CONTINUED ADHERENCE TO THE PRINCIPLE THAT ADEQUATE COMPENSATION MUST BE PAID WHEN CONTRACTS HAVE BEEN UNILATERALLY ABROGATED. THIS PREMISE SHOULD HAVE MEANING TO THE FRENCH WHO WERE ON THE OTHER END OF THE PROBLEM AFTER SUEZ AND MORE RECENTLY AFTER THE ALGERIAN NATIONALIZATIONS.

RSR

1.5(a)  
7(g)

D) WITH RESPECT TO RESIDUAL VALUE, AS THE DEPARTMENT IS AWARE,

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-2- 7962, MAY 18 (SECTION II OF III), FROM PARIS

THERE IS NO AGREEMENT BETWEEN THE UNITED STATES AND FRANCE AS TO THE PRINCIPLES ON WHICH RESIDUAL VALUE IS TO BE CALCULATED. (IN FACT, AS FAR AS THE EMBASSY IS AWARE, THERE IS NO AGREED UNITED STATES GOVERNMENT POSITION ON THIS POINT.) WE ARE CERTAIN THE FRENCH WILL HOLD TO THE PRINCIPLE OF NEGATIVE RESIDUAL VALUE. IT SEEMS LIKELY, THEREFORE, THAT IF THERE IS EVER ANY AGREEMENT ON RESIDUAL VALUE, THE AMOUNTS TO BE PAID WILL BE MINIMAL.

E) THERE ARE, HOWEVER, CERTAIN CHARGES WHICH SHOULD PROPERLY BE PAID BY THE FRENCH OR REIMBURSED TO US. WE HAVE IN MIND SUCH ITEMS AS SEPARATION PAYMENTS FOR LOCAL WAGE RATE PERSONNEL, COSTS ARISING FROM HOUSING CONTRACT TERMINATIONS AND THE LIKE.

PAGE THREE RUFNCR 952/2 ~~SECRET~~

ON THESE ITEMS, WE SHOULD PAY IF NECESSARY, AND CLAIM REIMBURSEMENT; THE ESSENTIAL POINT IS THAT THE FRENCH WORKER OR SMALL CONTRACTOR NOT SUFFER AS A RESULT OF OUR POSITION. THE UNITED STATES MILITARY IN FRANCE HAVE BEEN GOOD EMPLOYERS AND GOOD TENANTS, WE CAN SEE NO VALUE IN SPOILING THIS RECORD.

F) IN SUMMARY, THEN, WE FAVOR AN INITIAL POSITION OF MAINTAINING THAT THE TERMS OF THE BILATERALS SHOULD REMAIN IN FORCE; THAT THE FRENCH ACTION CONSTITUTES FORCE MAJEURE AND IS ILLEGAL, HENCE THERE ARE CERTAIN COSTS THAT ARE PROPERLY CHARGEABLE TO THEM? BEGINNING A NON-ACRIMONIOUS DISCUSSION ON RESIDUAL VALUE, BUT RESERVING OUR RIGHT TO REVERT TO COMPENSATION SHOULD THE COURSE OF THE NEGOTIATIONS SO INDICATE.

5. MAP EQUIPMENT. THIS IS AN ITEM WE THINK WE SHOULD HOLD IN RESERVE. WE MIGHT WISH TO RENEW OUR OFFER TO SELL THE REVERSIONARY RIGHTS TO IT, WHICH WOULD PROBABLY BE THE BEST SOLUTION. IF, OF COURSE, DE GAULLE GOES SO FAR AS TO DENOUNCE THE NORTH ATLANTIC TREATY ITSELF WE MIGHT WISH TO CONSIDER ASKING FOR THE RETURN OF THE EQUIPMENT. WE FEEL, HOWEVER, THIS QUESTION MUST BE TREATED WITH THE UTMOST CARE. WHAT, FOR EXAMPLE, WOULD WE DO IF WE ASKED FOR IT BACK AND DE GAULLE REFUSED TO GIVE IT TO US. OR WHAT WOULD WE DO IF WE ASKED FOR IT BACK AND HE GAVE IT TO US. THE PHYSICAL PROBLEM OF

PGE 4 RUFNCR 952/2 ~~SECRET~~

TRANSPORTING OUT OF FRANCE IN ANY REASONABLE TIME PERIOD WOULD

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-3- 7962, MAY 18 (SECTION II OF III), FROM PARIS

BE DIFFICULT. FURTHER, THIS IS A QUESTION THAT ONCE RAISED WILL NOT QUICKLY DISAPPEAR. RETURN OF ALL MAP EQUIPMENT WOULD EFFECTIVELY EMASCULATE THE FRENCH MILITARY FORCES. WE WONDER WHETHER IT IS REALLY IN OUR INTEREST TO FORECLOSE THE POSSIBILITY OF THE FRENCH FIGHTING AT OUR SIDE IN THE EVENT OF A WAR IN EUROPE. WE CONTINUE TO FEEL, HOWEVER, THAT THERE ARE CERTAIN PUBLIC RELATIONS ADVANTAGES TO BE GAINED BY PUBLICIZING BOTH THE AMOUNT WE HAVE GIVEN IN THE PAST AND THE EXTENT TO WHICH THE FRENCH ARMED SERVICES ARE STILL DEPENDENT UPON OUR MAP AID. IN SUMMARY, WE AGREE WITH VIEWS SET FORTH DEPTTEL 5845.

6.

1.5(a)  
4(g)

7. OTHER ITEMS. THERE WILL BE A HOST OF TECHNICAL ITEMS TO BE DISCUSSED, SUCH AS ACCESS TO HIGHWAYS FOR CONVOYS, DATES OF TERMINATION OF CONTRACTS, ETC. THESE, IT WOULD SEEM ARE PROPER SUBJECTS FOR DISCUSSION BETWEEN THE AMERICAN MILITARY AND THE CENTRAL LIAISON MISSION.

8. CHATEAUROUS. IT APPEARS BECAUSE OF LABOR PROBLEMS, AND THE FRENCH CONCERN OVER ENGINE RE-BUILD FACILITIES FOR THEIR F-100 S AND CRUSADERS. THE FRENCH WOULD PREFER US TO KEEP CHATEAUPOUX

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-4- 7962, MAY 18 (SECTION II OF III), FROM PARIS

IN OPERATION FOR SOME TIME BEYOND THE APRIL 1, 1967 DEADLINE. IN OTHER WORDS, THE FRENCH OFFER OF SPECIAL TREATMENT FOR CHATEAUROUX WAS NOT PROMPTED BY ALTRUISM. UNLESS THERE ARE COMPELLING MILITARY REASONS TO THE CONTRARY, WE SEE NO REASON TO ACCOMMODATE THEM IN THE MATTER-ESPECIALLY SINCE SO DOING WOULD SIMPLY PROVIDE DE GAULLE WITH ANOTHER OPPORTUNITY TO DEMONSTRATE TO THE FRENCH PUBLIC THAT HIS POSITION WAS REASONABLE.

9. PIPELINE. IT SEEMS REASONABLY CERTAIN THAT WE CAN OBTAIN FRENCH CONCURRENCE TO CONTINUE OPERATION OF THE PIPELINE BY TRAPIL, THOUGH WE MUST ACCEPT THAT WE CAN HAVE NO ASSURANCE THAT THE PIPELINE MIGHT NOT BE DENIED TO US IN TIME OF EMERGENCY.

10. ACTIONS TO BE TAKEN NOW. WE RECOGNIZE (DEPTEL 6002) THAT GP-3 BOHLEN  
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NOTE: PASSED DEFENSE AT 10:40 P.M., 5/18/66.

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# INCOMING TELEGRAM *Department of State*

47

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NATUS

SUBJECT: NEGOTIATIONS WITH FRANCE ON NATO

REF: DEPTTEL 6002

1. LINE TAKEN BY DEPARTMENT IN REFTTEL, AS IT APPLIES TO MULTILATERAL NEGOTIATIONS WITH THE FRENCH, SEEMS TO US JUST RIGHT.

2. AS NOTED REFTTEL, GIVE-AND-TAKE IS ALREADY UNDERWAY BETWEEN FRENCH AND OTHERS ON A NUMBER OF MATTERS. ON THE CRUCIAL ISSUE OF FRANCE'S FUTURE RELATIONSHIP TO NATO, THE BELLWETHER IS CLEARLY THE DECISIONS ON FRENCH FORCES IN GERMANY, WHICH ARE

PAGE 2 RUFNCR 892 ~~SECRET~~

ALREADY IN THE EARLY STAGES OF NEGOTIATION. FROM THE PRELIMINARY INDICATIONS OF WHAT THE FRENCH WILL SAY IN THEIR REPLY TO THE GERMAN NOTE, THE PROSPECT SEEMS LESS LIKELY TO BE ONE OF FORMAL NEGOTIATION ACROSS A TABLE, THAN OF VARIOUS PRIVATE AND PUBLIC PLOYS TO DEFINE NEGOTIATING ASSUMPTIONS IN THE MOST FAVORABLE WAY.

3. ON SUCH ISSUES AS REORGANIZATION OF NATO AND RELOCATIONS OF SOME OF ITS PARTS, NEGOTIATIONS WILL BE ONLY INCIDENTAL TO THE DECISIONS OF THE FOURTEEN AS TO HOW THEY CARRY ON THE ALLIANCE. THERE WILL BE NO REAL BASIS FOR DETAILED DISCUSSIONS WITH THE FRENCH ON RELOCATION MATTERS UNTIL THE MINISTERS AT BRUSSELS HAVE TAKEN A SERIES OF DECISIONS WHICH ARE NOW IN AN ADVANCED STAGE OF PREPARATION IN THE GROUP OF FOURTEEN HERE. ONCE THESE DECISIONS ARE TAKEN, SOME OF THE DETAILED ARRANGEMENTS CAN PROBABLY BE HANDLED BETWEEN SHAPE AND THE FRENCH ETAT-MAJOR, BUT ANY ISSUES OF PRINCIPLE, INCLUDING DEADLINES, WILL HAVE TO BE NEGOTIATED IN NAC FRAMEWORK AS WAS CASE WITH ISSUE OF FRENCH SUPPORT PERSONNEL IN SHAPE AND AFCENT).

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E.O. 12958, Sec. 3.6

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-2- 7920, MAY 17, FROM PARIS

4. AS FAR AS MULTILATERAL NEGOTIATIONS ARE CONCERNED, FRENCH CONTINUE TO SHOW SOME IMPATIENCE, AND TO ENCOURAGE NEWSPAPER

PAGE 3 RUFNCR 892 ~~SECRET~~

CHARGES THAT ALLIES ARE DRAGGING THEIR FEET ON CARRYING OUT THE "DECISIONS" HANDED DOWN BY GENERAL DE GAULLE. THESE THEMES SUGGEST A DEGREE OF FRENCH EAGERNESS TO DEMONSTRATE THAT FRENCH DECISIONS HAVE BEEN ACCEPTED AND THAT FRANCE'S PARTNERS ARE TREATING HER AS ALLY WITH WHOM THEY ARE WILLING TO WORK OUT NEW SATISFACTORY COMMON DEFENSE ARRANGEMENTS. THE FOURTEEN ARE, OF COURSE, TAKING FRENCH INTENTIONS SERIOUSLY, AND MOVING IN QUITE AND ORDERLY WAY TOWARD RE-ARRANGING THE ALLIANCE SO THAT IT CAN PERFORM ITS FUNCTIONS NO MATTER WHAT DEGREE OF FRENCH COOPERATION TURNS OUT TO BE AVAILABLE. IF FRENCH POLITICAL LEADERS FIND THIS PERIOD OF PLANNING AND PRE-NEGOTIATION UNCOMFORTABLE, AND FEEL FRUSTRATED AND ISOLATED BY THE WAY THINGS ARE MOVING, WE SEE NO SPECIAL VALUE IN RELIEVING THEIR ANXIETIES.

5. WHEN THE MOMENT COMES TO OPEN US-FRENCH BILATERAL TALKS, WHETHER WITH ANOTHER DIPLOMATIC NOTE OR JUST BY BEGINNING TO TALK ABOUT SPECIFIC ISSUES ARISING FROM DEPARTURE US MILITARY INSTALLATIONS, IT WILL, OF COURSE, BE IMPORTANT TO GIVE OUR ALLIES ADVANCE NOTICE: AT THE MOMENT THE OTHER MEMBERS OF THE FOURTEEN HAVE CLEARLY IN THEIR MINDS THAT WE HAVE OFFERED THE FRENCH A LEGAL ESCAPE HATCH VIA THE TWO-YEAR RULE FOR ALL

PAGE 4 RUFNCR 892 ~~SECRET~~

OUR BILATERAL AGREEMENTS, AND THAT THE FRENCH HAVE NOT YET RISEN TO THIS LEGALIZING BAIT. IF WE CHANGE THIS POSTURE, AND DECIDE TO START TALKS, IN EFFECT, UNDER LEGAL PROTEST, WE SHOULD EXPLAIN THE NEW RATIONALE TO THE FOURTEEN BEFORE STARTING IN WITH THE FRENCH.

GP-3 CLEVELAND

NOTE: MESSAGE DELAYED IN TRANSMISSION.

~~SECRET~~

THE WHITE HOUSE  
WASHINGTON

33

Wednesday  
May 18, 1966 -- 10:00 a.m.

MR. PRESIDENT:

I regret this memorandum is so long;  
but the NATO issues have backed up in the  
pipeline and we wished to give you:

- the flavor of thought in the town;
- our own reflections;
- the materials for the first of  
several meetings that will be  
required.

*Walt*  
Walt. Rostow

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

33a

~~SECRET~~

Wednesday, May 18, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: NATO

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NJ 86-288  
By plup, NARA, Date 2/10/92

NATO is the next big item on the foreign policy agenda:

-- Erhard will be seeing Wilson on May 23, and we should decide whether you should reply to Wilson's long letter before then;

-- On June 6-8, NATO foreign ministers will be meeting as a group for the first time since de Gaulle made his move. We have been working with Thomson on a draft joint statement you should see before it becomes final. In the meantime,

-- Bob McNamara will be sending you his recommendations on relocation of NATO and U. S. facilities in a few days.

-- On French troops in Germany (the hottest near-term political issue), the U.S. -UK-German working group in Bonn has circulated to the Fourteen its report on how we should negotiate. It suggests a fairly tough initial line, and we shall have to decide what fallback position to take and when, in the light of a French reply which will come soon.

-- On other defense arrangements with France (overflights, the oil pipeline, wartime re-entry) we have a draft Aide Memoire which we have held at State's request until we could get your guidance on the general negotiating position.

-- Under Dean Acheson's chairmanship, State and Defense have been working hard on the nuclear issue, and on constructive proposals for the Alliance, in response to NSAM 345. The nuclear part of the package will be ready at the end of the week.

-- You should consider a major speech on European policy before de Gaulle goes to Moscow (June 20). Many Europeans (including Lecanuet) have suggested its wisdom at this stage.

How we play our hand during the next several weeks will not only help determine the future shape of the Alliance, but will seriously affect German and European politics, and might even affect our own.

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5/18/66

We will need Presidential guidance specifically on: (1) our negotiating position on French troops in Germany, (2) whether to send another Aide Memoire on defense arrangements to the French, and (3) our overall negotiating stance.

There is a further reason for early Presidential involvement. Some of your advisers -- notably Acheson and Ball -- are a bit shellshocked from newspaper stories suggesting that they are at odds with you. This is bad business for us and makes the Europeans, particularly the Germans, uneasy. Your giving them a day in court, and then your personal guidance, should permit us to be -- and appear to be -- a united and purposeful government.

### Procedure

At Tab A is a tight, crisp memo by Dean Acheson which Secretaries Rusk and McNamara have agreed should serve as a basis for discussion with you. It covers all the major issues, but does not attempt to lay out negotiating strategy or tactics. After reading it -- you will wish to read it in full -- and perhaps an in-house session with the two of us, we recommend an early extended meeting with Secretaries Rusk and McNamara, Ball, Acheson, et al. (One topic for discussion would be the draft Aide Memoire at Tab B)

\* \* \*

The rest of this memo contains our thoughts on what might be the agenda for such a meeting: (1) U. S. objectives in the NATO crisis; (2) de Gaulle's objectives; (3) our public position vis-a-vis de Gaulle; (4) our negotiating position on French troops in Germany; (5) whether to send an Aide Memoire or communicate our response in some other way; and (6) general negotiating instructions.

### 1. U. S. Objectives

There is little disagreement on essential U. S. interests. We must try to:

-- maintain an effective integrated deterrent, providing for the security of U. S. and Allied forces in Europe;

-- maintain solidarity among the Fourteen. (This requires that our position vis-a-vis the French appear to the others as reasonable on its merits, while generating sufficient realism and determination among the Fourteen to face the expensive problem posed for us by de Gaulle's high-handed and disruptive decisions. It also requires that we continue to make clear our commitment to an evolving constructive NATO, which can serve as a base for a policy of bridge-building to the East.)

5/18/66

-- minimize the strain on German politics by (1) helping Erhard resolve the French troops issue along lines most acceptable in terms of long-run German politics, and (2) by making generally clear that they can count on U.S. support when they want to be firm, and on U.S. understanding for any efforts to keep the Franco-German rift to a minimum;

-- impose a price on de Gaulle, while leaving an empty chair for France. (Punishing de Gaulle verbally is not serious or useful business. But it is essential for our security -- and for the negotiation -- that we be (and appear to be) capable of mounting an effective integrated deterrent without France. He remains, despite his stance, politically vulnerable in his domestic politics to isolation from the rest of the West.)

## 2. What de Gaulle is after

How he actually will play his hand we don't know. He evidently wants maximum freedom of action and yet appear to the French people to have the protection of the Alliance. Much depends on what he gets or doesn't get in Moscow, and on the unity of the Fourteen. His operational goals in relation to NATO are probably somewhere on a spectrum bounded by:

- (a) a neutralist position: with French troops out of Germany; France out of NATO; and no special defense arrangements with the U.S. or other Allies; and
- (b) a diluted NATO: where France keeps her troops in Germany; maintains her membership in NATO planning groups and early warning network; permits allied overflights; and NAC remains in Paris.

During his Moscow trip, it is a fair bet that he will try to get the Russians to hold out just enough of a promise of movement toward German unity to bedevil German political life without cutting the ground from under Ulbricht. If the Russians don't play, he is more likely to opt for a diluted NATO and against a neutralist position.

What is clear, irrespective of what happens in Moscow, is that as a negotiator he will go to great lengths to be in a position of granting favors and not asking them.

## 3. The importance of how we look

The safest bet is that except on overflights, the French will be unreasonable and negotiations will be unsuccessful. The issue which is not addressed in the Acheson memo is what posture we strike in testing de Gaulle's intentions.



5/18/66

Here there is a difference of emphasis among your advisers:

-- Sect. Rusk, Ball, and Acheson believe that we must, both in public and private, talk about the serious consequences of de Gaulle's unilateral decisions, and to take a fairly hard line. Their reasons are: this is an expensive, difficult business he has imposed on us, and if we fudge over what he has done, the European (and perhaps U.S.) public, parliaments, and Congress will not put up the resources to maintain an integrated deterrent. The Italians and Danes, for example, might slide away towards detached positions; and the Germans might move towards bilateralism vis-a-vis both Paris and Washington.

-- Sect. McNamara doesn't want to argue with de Gaulle much, but simply get on with the job of building an integrated, streamlined deterrent without France, negotiating in the quietest way possible.

-- Bator has (in Rostow's view, correctly) emphasized for some time the need for us to take positions which (1) do not get beyond what Erhard can manage in domestic politics, and which (2) do not unduly strain political life in other NATO countries. He wants to be sure that, if de Gaulle will not accept those minimum conditions which we and the Germans must really insist upon, it will be clear to the world that de Gaulle alone is responsible for the breakdown -- that the monkey is on his back.

The State Department has tended to take positions a bit harder than those we could live with and let others water them down in negotiation.

The other way to play it is to state positions closer to the minimum; hold to them; and avoid the charge of being unreasonable with de Gaulle.

The State Department should be heard attentively, because they are on the firing line. But Rostow's net view (in which Bator concurs) is:

-- We probably will not be able to avoid some public discussion of de Gaulle's position, given Church, Fulbright, etc.; but that discussion and statements of our differences should be precise and temperate.

-- The key to the negotiation is action to put NATO in a position where it can live and operate with or without France.

-- We are strong enough to state moderate positions and hold to them in negotiations with both France and our Allies.

The balance here is so delicate that each key issue must be looked at separately.

4. French troops in Germany -- how we negotiate

As you know, until now the French troops (2-1/3 divisions and some air units) have been committed to NATO command in time of crisis. De Gaulle has said that this commitment will end on July 1. The Germans maintain that de-commitment destroys the legal basis for keeping French troops on German soil. Whatever the legal case, French presence without a new agreement is unacceptable as a matter of German politics -- it would smell of occupation.

The Germans -- with our full support -- have told the French that their troops are welcome to stay "provided a new agreement is reached regarding their mission and their commitment to SACEUR command in time of conflict." This condition is subject to several interpretations -- the key is what we mean by "commitment" and whether we really mean SACEUR command (as opposed to some face-saving, common but two-hat command arrangement).

The joint U. S. /UK/German negotiating paper (which is now in the hands of the Fourteen) takes a tough initial line -- insisting that the French publicly undertake a commitment to assign these troops to NATO when those members of the Alliance with troops in Germany agree that a state of emergency exists. He is thus asked to give up a veto which he now holds as a full member of NATO and to undertake a commitment formally tougher than, for example, ours. On the other hand, the question is posed because of the unilateral actions he has taken.

Nobody thinks de Gaulle will agree to this; it is meant as an opening tactic from which we are willing to retreat. The question is how and when. (The "when" is critical because it was agreed between McCloy and the Germans in Bonn that a new German-French agreement must be under negotiation by July 1, or the French must begin withdrawing their troops.)

The outlines of a reasonable fall-back position are fairly clear. We would ask de Gaulle to commit France:

- (1) to a meaningful military mission for the two divisions;
- (2) to join in peacetime planning and joint maneuvers;
- (3) to place her forces under common command in time of crisis;
- (4) to reaffirm Article V of the Treaty (the mutual security provision) without any qualification.

The ball is now in the French court. Our intelligence indicates that de Gaulle will ignore our maximum conditions and inform the Germans he will remove his troops by July 1, 1967. He will try to blame the Germans -- and us -- for not making an agreement, and strengthen rising domestic pressures on Erhard to soften his line.

Whatever he does, we must avoid being subject to the charge that we presented impossible conditions to the French and that de Gaulle's negative response is justified. It must be understood that our initial offer is just that. The operational questions are:

- whether we let a confrontation build in this matter between now and July 1; or
- whether we indicate to the French that we could live with something short of the initial proposal;
- and, if so, by what route we put on the record that our proposal was not a final proposal, and that it is de Gaulle (and not the Germans, U.S., UK) who is being unreasonable.

Operationally, we must await the French reply and then consult closely with the Germans and others.

#### 5. Whether to send the Aide Memoire

The Aide Memoire is a formal list of sharply stated specific questions and legal positions having to do with overflights, wartime re-entry, use of our oil pipeline across France, etc. The issue is not whether these questions get asked, but how -- whether we ask them in a formal Aide Memoire, which will be in the papers the next day, or through private Rusk/Lucet or Bohlen/Couve conversations based on an informal list of questions.

The status of these defense issues varies. On overflights, we may be able to strike a straightforward bargain: overflights in return for continued French access to NATO air defense information and air space. The pipeline issue is tougher (and is discussed in detail in the Aide Memoire). However we handle it, we will probably want to make our own separate alternative arrangements. The question of access to French facilities in wartime is also cloudy, but probably worth trying to negotiate. (In each case -- and whatever bargain we strike -- our military planning will have to be hedged for the possibility that the French will not perform.)

The issue of whether to send the Aide Memoire comes down to whether we want another public show of our legal position or a quiet clarification -- knowing throughout that we are unlikely to be satisfied whichever tack we take. The two of us would vote for the quiet approach; but before making up your mind, you should hear the case for the Aide Memoire from Sect. Rusk, Ball, and Acheson.

5/18/66

6. General negotiating instructions

After going through these papers and hearing the arguments, you will wish to give marching orders on our general negotiating position.

We would suggest that, in a Rusk/McNamara, et al, meeting, you make clear that:

(1) in our public position you want to minimize any suggestion of a direct Washington/Paris confrontation;

(2) if public exposition of our differences is required, it should be in terms of an integrated military alliance versus bilateralism or fragmentation of the West;

(3) you do not wish the U.S. to be in a position of begging anything of the French;

(4) we should proceed with the Allies to plan the prompt movement of people and equipment out of France;

(5) on French troops in Germany, you wish us to be exactly as sturdy as Erhard, but we should not push him into positions that are costly in terms of his domestic politics unless he is pressured by his Gaullists into positions which would endanger the security of our troops, or the integrity of NATO command arrangements;

(6) with respect to Allied overflights and French access to Allied communications and intelligence, we should indicate our hope that both can be maintained; but our planning should be based on the possibility that we shall have to operate without overflights; we should make clear to the French that we regard these two as an inextricable package;

(7) with respect to the NATO oil pipeline, we should plan for a capability sufficient to help defend Western Europe without reliance on the French, while seeing what we can negotiate after de Gaulle's return from Moscow;

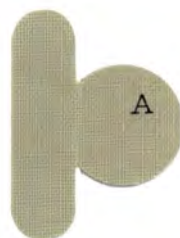
(8) without public acknowledgment, our plans and actions should convey that we are moving to maintain an effective collective defense without France, while trying to make fair and even-handed arrangements to keep France in a close working relationship with the Alliance.

Our willingness to do without the French -- and our actions which indicate our preparedness to do without them -- constitute our best negotiating cards, given de Gaulle's sensitivity to "isolation"; but in fact as well as in posture there is enough ambiguity in de Gaulle's commitment so that it would be imprudent to be dependent on France, during his time, in a period of crisis or conflict.

*Walt* Rostow

*Francis* Francis M. Bator

33a-1



THE SECRETARY OF STATE  
WASHINGTON

May 13, 1966

Dear Mr. President:

At the suggestion of Mr. Rostow, Mr. Acheson prepared a memorandum on the issues which might be raised in negotiations with France over NATO. The Secretary of Defense and I have been over this and agreed that it furnishes a good basis for a meeting with you to receive further guidance. Pending matters include the draft Aide Mémoire which I submitted for your consideration, and the probable French reply next week to the Germans regarding French troops in Germany.

May we have a meeting with you?

Respectfully yours,



Dean Rusk

The President,  
The White House.



DEPARTMENT OF STATE  
SPECIAL ASSISTANT TO THE SECRETARY

SECRET

May 13, 1966

MEMORANDUM FOR THE SECRETARY

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 86-290

By gip, NARA, Date 2/11/92

Dear Dean:

A month or more ago I sent you a paper dealing with methods of approach to problems presented by the French demands on NATO and priorities among them. You sent this to the President for his information.

In the weeks which have gone by many things have become clearer and, perhaps, a paper may be timely on subjects to be discussed with the French by NATO as an organization and by the USG bilaterally.

If you wish to discuss this paper with me, or the President with both of us, your guidance would be most appreciated.



Dean Acheson

Attachment

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330-1

BROAD LINES OF APPROACH TOWARD NEGOTIATIONS WITH  
FRANCE IN NATO CRISIS

In approaching any negotiation it is important to understand clearly the relationship of the parties. Are they seeking a common object and sparring for compatible individual advantage -- as in a horse trade? If so, bargaining is the avenue to agreement. If, however, one has taken a position from which it will not recede, and from which it cannot be forced to recede, there is small room for negotiation.

In the past weeks the French government has been at pains to demonstrate the latter is its attitude towards NATO. It will not discuss its decisions that French troops must be withdrawn from commitment to NATO command and French officers from service in NATO commands. Similarly its demands that all NATO and U.S. command headquarters and all U.S. troops, facilities and supplies must be withdrawn from France are not subject to negotiation. All that can be discussed are "practical measures" for carrying out these decisions, a deadline for which the French government has arbitrarily set. Even the French Ministry of Defense admits that so far as NATO facilities and headquarters are concerned these dates cannot be met.

The USG has responded that its troops and facilities will be withdrawn from French territory as soon as this can be done without prejudice to military security. There are no negotiations required about withdrawal.

The USG has offered to negotiate the amendment or cancellation of the agreements under which the facilities were established. It has not been thought compatible with the dignity of the USG to accept unilateral cancellation of agreements made for the life of NATO. Nor has acceptance of unilateral cancellation seemed appropriate when the GOF simultaneously offered to discuss new agreements about reentry into France in time of war. The French government

has not

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DECLASSIFIED  
Authority NLT 94-166  
By 44/4 NARA, Date 12-16-99

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- 2 -

has not answered the offer to negotiate the agreements. The draft aide-memoire submitted by you to the President seeks to make the record clear on this important point, without haggling about our withdrawal.

#### What Can Be Negotiated and Its Importance

The impressive fact is how little of any real importance is open to negotiation in the France-NATO crisis.

The indisputable fact is that France wants everything French out of NATO, and everything NATO -- especially everything American -- out of France. This, if one may say so, poses a rather clear cut issue.

In the political field it is paralleled by another equally clear cut difference. As was made clear to Senator Church in Paris recently, the French government wants a European settlement by Europeans, i.e., by "the underlying reality of Europe ... Russia in Eastern Europe and France, England and to a lesser extent Italy in Western Europe ... the other countries of Europe were so much dust ...." The agreement would seek a "reunited Germany without nuclear arms and the withdrawal of foreign forces from such a Germany, including, of course, military forces of the United States." To most Western Europeans simple mathematics makes this appear as Soviet domination of Europe. Our allies have not seen this issue of policy as a misunderstanding which can be talked out. The parties are not separated by details. They are poles apart.

The NATO Fourteen, to be sure, have matters which must be talked out with the French; but they are of relatively minor importance. How insistent will the French be in pushing a hurried evacuation of NATO establishments? In limiting NATO overflights? In pinching off the flow of oil across France? Is it in the interest

of NATO

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- 3 -

of NATO to cloak the withdrawal of France from the Alliance? How valuable is French liaison with the NATO commands, and how much reliance can be placed on an agreement to use French facilities in time of conflict?

The matters which stand out from the mechanics of leaving France are:

- 1) The presence of French troops in Germany.
- 2) Allied overflights through French air space.
- 3) Continued transportation of oil across France.
- 4) Reentry rights into facilities in France in case of war.

There is also a matter which concerns chiefly the United States -- the termination of valid bilateral agreements.

1) The presence of French troops in Germany

The presence of all foreign troops in Germany is governed by a series of agreements of 1954, one of which requires their being committed to NATO command in case of conflict. The French government has given notice of the cancellation of this commitment so far as their forces are concerned (two and one-third divisions and some air units) on July 1st.

Both the Germans and the other allies have seen the issues raised here by the French as primarily political rather than military. The Germans have accordingly informed the French, with the unanimous concurrence of the other thirteen allies, that the continued presence of

French

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- 4 -

French troops in Germany would be welcomed provided a new agreement was reached regarding their mission and their commitment to SACEUR command in time of conflict. To make this specific the note proposed that the transfer of command take place when all other troops in Germany should have come under SACEUR's command. This proposal was to resolve the ambiguity introduced by the French interpretation of the NAT as committing them to defend against "unprovoked" attack. Both French and German positions may be negotiable.

Despite dialectical form the heart of the allied position is that unless troops in Germany are unequivocally there on a joint allied defense mission under the treaty, their status reverts to occupation forces in what General de Gaulle described to Senator Church as a defeated and divided country. The divisive effect of such a result is a net loss to the Alliance.

On the basis of current intelligence, the GOF is discussing this week whether or not to negotiate this matter. Apparently it would wish in any event to withdraw the troops after the February-March French elections. It may decide to do so during the summer.

## 2) Allied overflights through French air space

The right to conduct military overflights in France is of very substantial importance to us and the Alliance. Without the use of French air space NATO air communications between Northern Europe and the Mediterranean area are possible only by following a long and wasteful route over the Atlantic. The right to continue training flights over France is equally important, since air space over Germany, the UK and the Benelux countries is not as suited for such flights because of traffic congestion and recurrent bad weather. Aware of this, the French have reduced overflight agreements with the U.S. and other NATO countries to a month-to-month basis.

French

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French need to overfly other NATO countries and to have access to information from the early warning system should provide the Alliance with strong bargaining position in negotiating continued overflight rights. Without such information and overflight rights the Force de Frappe would lose whatever credibility it now has.

However, reports of General de Gaulle's discussion of this matter indicate he rules out the possibility of a Soviet attack on Europe, and hence regards of little immediate value French access to air defense information and foreign air space. Nevertheless, the situation itself puts some pressure on the GOF. To take an extreme position would be inconsistent with that of an ally. It would suggest more neutrality or hostility. This together with the keener appreciation of the situation held by the French military may maintain tolerable overflight rights.

3) Continued transportation of oil across France

The last French aide-memoire, while contemplating ending the flow of oil across France through our pipeline to U.S. forces in Germany, indicated some realization of the high-handedness of this action. It suggested France might not insist upon terminating use in one year. This action is so outrageous as to warrant a rather full and public exploration of the grounds put forward as justification for it and a claim for just compensation for the nationalization of the facility. The aide-memoire recently forwarded to the President lays the foundation for this.

4) Reentry rights into facilities in France  
in case of war

The GOF has offered to discuss this subject with the interesting qualification that it cover only situations in which both nations are at war. Since the only wars concerned are those which involve action under Article 5

of the NAT,

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of the NAT, the qualification indicates awareness of the possibility that the U.S. might be at war in Europe when France might not be. This qualification ought to be plumbed to see how firmly it is held and what it may mean.

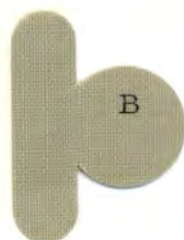
If significance is attached to it, the value of reentry rights obtainable is much diminished. One would certainly not be justified in placing much reliance on them in planning for the security of our large forces in Germany. Nevertheless, they would be worth negotiating to have a framework of agreement regarding, and possibly custodial forces maintaining, some facilities which another French government might make really useful.

The exercise of negotiating the agreement, therefore, could well be worthwhile, as was the negotiation of the Austrian State Treaty. One can never tell when a document of this sort can come in handy. The United States would not be justified in making any concessions of importance to get it.

Dean Acheson

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THE UNDER SECRETARY OF STATE  
WASHINGTON

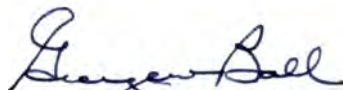
May 6, 1966

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MEMORANDUM FOR: The Honorable  
Walt W. Rostow,  
Special Assistant  
to the President.

I am enclosing a draft aide-memoire that we would hope to deliver to the French Government in the near future. It has been cleared by Secretaries Rusk and McNamara, by Mr. Acheson and by me.

I would very much appreciate it if you could transmit this to the President at the Ranch.

  
George W. Ball

Enclosure:

As Stated.

DECLASSIFIED  
E.O. 12356, Sec. 3.4  
NJ 86-290  
By Wip, NARA, Date 2/11/92

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4/26/66

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DRAFT AIDE-MEMOIRE

The Government of the United States acknowledges receipt of the aide-memoire of the Government of France dated April 22, 1966 proposing that the two governments begin at once to discuss the practical measures that should be taken concerning the bilateral agreements between the United States and France, referred to in the French aide-memoire of March 10 and March 29, and further that these discussions take place in the city of Paris.

The United States Government is prepared, as it stated in its aide-memoire of April 12, 1966 to discuss any matter raised by the Government of France, subject, of course, to consultations with all our Allies. It finds Paris an entirely appropriate and convenient place for discussion. In order, however, to prepare for discussion, the United States Government must request further enlightenment on the precise proposals which the Government of France wishes to discuss.

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 86-290

By gfk, NARA, Date 2/11/92

The United States

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The United States Government understands that the subject matter of the proposed discussions are five agreements entered into by the United States and France in furtherance of obligations, assumed by them under the North Atlantic Treaty, to come to the aid of any of the Parties which might be subject to an armed attack. The United States Government notes that the Government of France has stated its intention to remain a party to the North Atlantic Treaty, Article 3 of which contains the undertaking that "In order more effectively to achieve the objectives of the Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack." The agreements entered into by the United States and France in the exercise of their sovereign will permit the United States to install, have access to and from, and

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man and use certain facilities in France, such as a pipeline, system of communications, storage depots, air fields, military headquarters and hospitals. All these facilities and their use are for the purpose of enabling the United States to fulfill effectively its Treaty duty to come to the aid of a European Ally or Allies subject to armed attack. The United States Government has been assured that the Government of France intends to fulfill this Treaty duty and believes that it wishes the United States to continue to do likewise.

The French Government has stated, however, that its agreements with the United States are incompatible with its desire to resume the full exercise of its sovereignty in French territory. It must be made unmistakably clear that French sovereignty over French land and air has never been questioned by the United States. Indeed, the United States has not failed in the past and is now pledged by

Treaty

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- 4 -

Treaty to defend French sovereignty over French territory against armed attack. The very facilities in question, installed at the express invitation and by permission of the French Government, are an earnest of that pledge.

The United States seeks enlightenment on what the Government of France proposes to discuss, under the description "practical measures that should be taken concerning the bilateral agreements". The United States has expressed its willingness to discuss any changes in the agreements which the Government of France desires and arrangements for their termination if necessary. It is prepared to discuss the use of facilities established in accordance with the agreements in time of peace or conflict as the French aide-memoire of March 29 suggests. It has gone further and expressed its willingness to evacuate French territory, if this be the desire of the Government of France, as soon as this can be done without prejudice to Allied security. But a proper respect for international agreements precludes

acceptance

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- 5 -

acceptance of a unilateral denunciation of them.

Specific questions arise under the bilateral agreements, as follows:

1. The United States Military Headquarters Agreement of June 17, 1953 authorizes the installation and operation of the headquarters of the United States European Command near St. Germain-en-Laye. By its terms the agreement continues in force for the life of the North Atlantic Treaty unless sooner terminated by mutual consent. Inasmuch as the Government of France has denounced the Protocol on the Status of the International Military Headquarters, to take effect April 1, 1967, it is the intention of the United States Government to move the headquarters of its European Command, which is closely linked to SHAPE, as soon as a suitable location can be found and arrangements made. The United States will, therefore, be prepared to discuss "practical measures" for this move at an appropriate time;

meanwhile

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meanwhile it asks to be informed what "practical measures" the French Government wishes to discuss.

The Government of the United States is also prepared to discuss with the French Government the latter's proposals regarding the United States Military Headquarters Agreement. Is it the desire of the French Government that the United States agree to its termination?

2. Under the Pipeline Agreement of June 30, 1953, an oil pipeline has been laid at United States expense across French territory from Donges to Metz and is operated by a French company for joint use by France and the United States in peacetime, and by the Supreme Allied Commander Europe in time of war. What changes in the agreement are desired by the Government of France? Does the French Government object to the flow of oil in the pipeline across French territory for the use of United States forces in Germany? Does the French Government object to the present operation of the pipeline?

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3. The Chateauroux Agreement of February 27, 1951 establishes an air depot at Deols and La Martinerie for the supply of United States air forces in Europe. The Air Bases Agreement of October 4, 1952 authorizes the construction and use of certain air fields in France for United States Air Force missions in furtherance of common defense plans. These agreements by their terms continue in force for the duration of the North Atlantic Treaty unless previously terminated by mutual agreement.

Both the Chateauroux Agreement and the Air Bases Agreement require French approval before flights may be made from these bases which are not in furtherance of North Atlantic Treaty missions or in support of United States forces in Europe. Under

times fulfilled these obligations. Furthermore, under

these agreements operational command of United States facilities is accorded to United States officers while

French

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French authorities continue to exercise territorial command of the region of the facilities. In addition, the United States and France have concluded an Overflight Agreement, dated December 21, 1964 which regulates flights by United States aircraft in and over France.

It is the present intention of the United States in view of the attitude of the French Government to remove the air squadrons and supporting forces from these bases as soon as practicable after consultation with its Allies.

tions are determined upon and prepared,

The United States will also be prepared to discuss the agreements themselves. Does the French Government request the United States to agree to the termination of these agreements and the evacuation of the bases and depots? Are these facilities among those referred to in the French aide-memoire of March 29 as facilities "on which the two governments could reach mutual agreement in the event of a conflict in which both countries would participate under the Atlantic

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Alliance"? If so, does the phrase "a conflict in which both countries would participate" preclude use of such facilities in the event that France should not participate in a conflict arising from an armed attack against a Party to the North Atlantic Treaty?

5. The System of Communications Agreement of December 8, 1958 authorizes a network of depots and other facilities for the supply of the United States Army in Europe. Under this agreement, as pointed out in the United States aide-memoire of April 12, the French Government may propose review or modification and, if not satisfied with the response, may give notice of termination in due course. The United States is prepared to discuss with the French Government any proposals which it may have for the review or modification of the agreement, and asks the same questions as in the preceding paragraph.

Since the United States Government is entirely willing to discuss the bilateral agreements and practical

matters

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matters in relation thereto, it earnestly hopes that the Government of France will aid in preparation for these early discussions by clarifying its position as requested.

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