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NATIONAL ARCHIVES AND RECORDS SERVICE
WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#2 Index	State Secret <i>State Ltr. 12-23-76</i> President's European Trip index 3 p	06/--/63	A
#4 Index	State Secret Index -- Scope <i>State Ltr. 12-23-76</i> 1 p	Undated	A
#13 Index	State Secret <i>State Ltr. 12-23-76</i> Index -- Talking Papers 1 p	Undated	A
#17 Report	State Secret (gp 1) <i>State Ltr. 12-23-76</i> President-Mayor Brandt 3 p	06/10/63	A
#23 Report	State Secret (gp 1) <i>State Ltr. 12-23-76</i> Secretary-Foreign Minister Schroeder 3 p	06/14/63	A
#27 Index	State Secret <i>State Ltr. 12-23-76</i> Index--Talking Papers 1 p	Undated	A
#35 Index	State Secret <i>State Ltr. 12-23-76</i> Talking Papers 1 p	Undated	A
#37 Report	State Secret (Gp 1) <i>Sanitized State Ltr. 12-23-76</i> Talking Points: Italy 3 p	06/14/63	A
#39 Report	State Secret (Gp 1) <i>Sanitized State Ltr. 12-23-76</i> Talking Points: Italy 3 p	06/14/63	A
#41 Report	State <i>open 3-9-09</i> Secret (Gp 1) <i>Sanitized State Ltr. 12-23-76</i> Talking Points: Italy 2 p	06/14/63	A
#44 Index	State Secret <i>State Ltr. 12-23-76</i> Background Papers 1 p	Undated	A
#46 Report	State Secret (Gp 3) <i>Sanitized State Ltr. 12-23-76</i> NATO Developments <i>open 3-9-09</i> 5 p	06/13/63	A
#48 Report	State Conf. (Gp 3) <i>State Ltr. 12-23-76</i> Nuclear Testing 3 p	06/12/63	A
#54 Report	State Conf. (Gp 3) <i>Sanitized State Ltr. 12-23-76</i> # Laos <i>open 3-9-09</i> 2 p	06/13/63	A
#56 Report	State Conf. (Gp 3) <i>State Ltr. 12-23-76</i> Communist Bloc 4 p	06/11/63	A

FILE LOCATION

VP Security File, President Kennedy's Travel
President's European Trip Briefing Book, June 1963 (I) (II)

RESTRICTION CODES

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#60 Report	State Secret <i>Sanitized State ltr. 12-23-74</i> Status of the MLF 4 p	06/20/63	A
#60a Report	State Secret <i>State ltr. 12-23-74</i> Basic Elements of Future MLF Agreement 3 p	06/03/63	A
#66 Index	State Secret <i>State ltr. 12-23-74</i> Background Papers 1 p	Undated	A
#70 Report	State Secret (Cp 1) <i>State ltr. 12-23-74</i> Berlin and Germany 3 p	06/11/63	A
#72 Report	State Secret <i>Sanitized State ltr. 12-23-74</i> Soviet Intentions open 3-9-09 1 p	Undated	A
#74 Report	State Secret <i>Exempt State ltr. 12-23-74</i> Negotiations <i>Declassified 7/23/81</i> 2 p	Undated	A
#76 Report	State open 3-9-09 Secret <i>Exempt State ltr. 12-23-74</i> NATO-WARSAW PACT NONAGGRESSION ARRANGEMENT 2 p	Undated	A
#78 Report	State Secret <i>Exempt 7/23/81</i> Berlin-FRG Ties... 2 p	Undated	A
#80 Report	State Secret <i>State ltr. 12-23-74</i> Status of East Berlin 1 p	Undated	A
82 Report	State Secret <i>State ltr. 12-23-74</i> Civilian Access to Berlin 2 p	Undated	A
#84 Report	State Secret <i>State ltr. 12-23-74</i> Revision of the Western Peace Plan 3 p	Undated	A
#86 Report	State Secret <i>State ltr. 12-23-74</i> Germany 6 p	06/11/63 Undated	A
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#93a Report	State Secret <i>State ltr. 12-23-74</i> Military Assistance to India 3 p	06/18/63	A
#94 Report	State Secret <i>State ltr. 12-23-74</i> Malaysia 3 p	06/18/63	A

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#95a Report	State Secret <i>State Mr. 12-23-76</i> Background Paper 3 p	06/18/63	A
#98a Report	State open 3-9-09 Conf. <i>State Mr. 12-23-76</i> Background Paper 3 p	06/18/63	A
#99a Report	State Conf. <i>State Mr. 12-23-76</i> Background Paper 4 p	06/19/63	A
#105 Index	State Secret <i>State Mr. 12-23-76</i> Index--Background Papers 1 p	Undated	A

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#115 Report	CIA <i>State Dec 2/15/77, CIA bu 1/3/77</i> Secret The President's European Trip	68 p 06/--/63	A

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President's European Trip Briefing Book, June 1963 (I)(II)

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SECRET

PRESIDENT'S EUROPEAN TRIP

JUNE 1963

BRIEFING BOOK

The Vice President



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JUNE 1963

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June 14, 1963

PRESIDENT'S EUROPEAN TRIP

JUNE 1963

DECLASSIFIED

SCOPE: Germany

Authority E.O. 11652 SEC. 5(A) and (D)
By MFE, NARS, Date 9/8/76

Background

While officially labeled an "informal working visit", the President's trip to West Germany and Berlin will have many of the trappings of a state visit and can be expected to attract more public attention and interest than any previous visit by a foreign statesman to modern Germany--including probably even de Gaulle's state visit of last September.

There are a number of reasons for this:

- 1) The visit will be the first to Germany by President Kennedy since assuming office and only the third by a US President to postwar Germany. (President Truman was in Berlin in 1945 for the Potsdam Conference and President Eisenhower visited Bonn in 1959.)
- 2) No American President has visited Berlin since 1945 when President Truman did so--under totally different circumstances--and no other non-German Chief of State from a NATO country has ever been in Berlin.
- 3) The visit comes at a time of change and flux in Western Europe when the role and influence of the American President have acquired added significance in German eyes.
- 4) The visit will be made against the backdrop of a scheduled further visit by de Gaulle to Germany in early July, following the anticipated entry into force of the Franco-German Treaty.
- 5) The visit comes at an important turning point in modern German history, on the eve of the transition from Adenauer to Erhard with its obvious relation to the shifting of generations in German political life.

Broad

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Broad Objectives

- 1) To furnish tangible evidence of American good will toward the German people and of our recognition of the increasing importance of the Federal Republic as one of our major allies.
- 2) To underscore our abiding interest in the welfare, stability and freedom of Germany as an integral part of Europe and the Western community.
- 3) To provide graphic emphasis to the continuing American presence in and responsibility for Europe and to help restore some of the momentum toward European unity and Atlantic interdependence.
- 4) To emphasize for the benefit of all Germans--both West and East--our continued recognition of the importance of Berlin, and our determination to defend and maintain our position there.
- 5) To accord appropriate recognition and tribute to Chancellor Adenauer, in the twilight of his long tenure as Chancellor, for his invaluable and lasting contributions to the causes of democracy and freedom.
- 6) To give the President an opportunity to see--and be seen by-- as many Germans as possible in representative major cities of Germany. (Although de Gaulle toured West Germany extensively last fall, he did not visit Frankfurt, Wiesbaden or Berlin.)
- 7) To strengthen German-American cooperation, understanding and sense of common purpose at the top level by discussion of current problems of mutual concern.

Problem Areas

- 1) There may be a few problems in the general area of protocol and precedence involving primarily Adenauer, Erhard and Brandt, each of whom will be engaged in a certain amount of jockeying for position. These could become particularly delicate in Berlin as concerns the respective roles of the Chancellor and the Governing Mayor, but we should continue to regard this matter as primarily one for the Germans to work out among themselves. There will also be the problem of paying appropriate attention to Erhard in his role of Chancellor--apparent without giving offense to Chancellor Adenauer, the President's host.

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2) As concerns the President's substantive talks with the Chancellor and other German leaders, these should not be viewed primarily as a vehicle for pressuring the Germans into a series of specific actions we would like them to take. Our dominant posture should be one of sympathetic interest in problems of mutual concern and of confidence that in close cooperation we can master them. At the same time, there are several major problem areas of particular concern to the United States which should be brought up with a view to making our interest and our position unmistakably clear. These areas include, at a minimum:

a) the MLF and attendant problems in the field of military strategy and planning.

b) trade policy (including United Kingdom entry into EEC) and current trade negotiations, and their relationship to our own policies under the Trade Expansion Act.

c) our balance of payments situation, with particular reference to current offset arrangements.

3) There will also be the problem throughout the visit, and particularly in Berlin, of how to deal with the problem of German reunification in a way which will meet the political and emotional requirements of the Germans themselves on this issue without holding forth false hopes or sounding overly provocative.

Drafted by:EUR/GER-Mr. Creel

Cleared by:EUR-Mr. Tyler
GER-Mr. Brandin

S/S-S:WSlater, Room 7239, Ext. 7552

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June 17, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

Italy: Scope Paper

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Authority E.O. 11652 SEC. 5(A) and (D)

By ins, NARS, Date 5-10-76

The President's visit to Italy was originally conceived as a State visit to emphasize the strong ties of friendship between the two countries and to mark the strong support of both for NATO and for the concept of the Atlantic Community. With the postponement by mutual agreement of the State visit until 1964, and the conversion of the present trip to a brief working visit to talk with President Segni and the new Prime Minister in conjunction with the President's visit to Germany, its scope has been restricted to more immediate foreign policy objectives. They are:

To obtain the Italian Government's agreement to participate in drafting a Charter establishing a multilateral nuclear force made up of surface missile warships and to be assigned to NATO;

To establish personal rapport with the Italian Prime Minister, in the expectation that he will be new to his office; and

To ensure coordination of Italian policies with ours as regards relations with the Soviet bloc.

Drafted by: EUR:WE-Mr. Gammon

Cleared by: S/MF-Mr. Furnas

SOV-Mr. Guthrie

EE-Mr. Vedeler

WE-Mr. Meloy

EUR-Mr. Tyler

S/S-S:WSlater, Room 7239, Ext. 7552

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PET/0-13
June 18, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

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Authority E.O. 11652 SEC. 5(A) and (D)

Scope Paper By iso, NARS, Date 5-10-76

Background

The Macmillan Government has survived the immediate test of the Profumo affair but with both the position of the Party and the personal position of the Prime Minister seriously weakened. For some time, there had been rumblings of discontent about Macmillan's leadership in the Conservative ranks. There was a feeling that "Supermac" at 69 was no longer the same man who led the Party to its dramatic victory in the election of '59. Discontent had been muted by Macmillan's earlier announced decision to lead the Party through the next general election and the obvious difficulties of choosing a successor.

Now, the situation appears to have changed. Without discounting the personal political resources of the Prime Minister it is unlikely that he will be able to resist for long the anticipated increasing demand that he step down. R.A. Butler, the Deputy Prime Minister, with a reputation for rock-like integrity, appears to have the inside track to succession if there is a change in leadership before the next election.

The Conservative Party after 12 years in office is steadily losing its grip on the independent British vote. The most recent Gallup Poll gives Labor a 20.5% lead over the Conservatives. Harold Wilson has succeeded in uniting the Labor Party behind him, at least temporarily. He has to date used great political skill both in profiting from the misfortunes of the Conservatives and in building up his personal image. He would be an odds-on favorite to lead his Party to victory were the election to be held this year. As long as the Conservatives stick together an election in 1964 appears much more likely, but it is doubtful that even under new leadership they could rebuild their strength sufficiently to win. A note of caution: It must be remembered that wide swings of public opinion over short periods of time frequently occur in England.

Broad

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Broad U.S. Objectives

1. To underscore the continued importance of the UK in world affairs and, without emphasizing it, the frequent parallelism in our interests.
2. To maintain the personal relationship between the Presidency and the Prime Ministership which continues to be of value.
3. To discuss a wide range of current world problems concerning which British cooperation is important to us.

Broad UK Objectives

1. Basically, probably the same as ours, except as modified by (2) below.
2. To improve the prospects of the Conservative Party and, assuming he has not yet reached a decision to step down, to enhance the personal position of Prime Minister Macmillan.

Problem Areas

1. The Prime Minister's desire to conclude the test ban agreement amounts to a virtual obsession. It appears possible that he will press the U.S. for additional concessions in the hope that agreement with the USSR can be achieved while he is still in office. Even if Mr. Macmillan now believes he must hand over leadership of the Party, he would still wish to achieve an agreement as a valedictory to his term of office.
2. The proposed NATO MLF remains controversial both within the Conservative Party and in the country. It is assumed that Mr. Macmillan would wish to honor the commitment he made at Nassau. His ability to do so has now been weakened. It is also doubtful that he would wish to take on at this time what will probably be a major political controversy.

Drafted by: EUR/BNA - Mr. Judd

Cleared by: EUR - Mr. Tyler
GER - Mr. Brandin

S/S-S Warren Slater, Room 7239, ext. 7553

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GERMANY

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By shw, NARS, Date 2-14-77

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June 12, 1963

PRESIDENT'S EUROPEAN TRIP

JUNE 1963

DECLASSIFIED

Authority E.O. 11652 SEC. 5(A) and (D)

PRESIDENT-CHANCELLOR ADENAUER By MJE, NARS, Date 9/8/76

(Talking Points)

1. The Chancellor may want to have a rather long private talk with the President. Schroeder, von Hassel, Finance Minister Dohlgruen, All-German Affairs Minister Barzel and others may be invited to join later, but apparently not Erhard.

Subjects the Chancellor May Raise

Berlin

2. The Chancellor's concern that we might bargain away West Berlin apparently has abated, but he may raise the possibility of new Communist moves (e.g., further absorption of East Berlin into East Germany, interference with German access) and the question of closer political ties between West Germany and West Berlin (e.g., Bundestag meetings in West Berlin).

3. The Communists seem to be marking time as far as Berlin is concerned, but we recognize they could start trouble any time. We are reviewing and developing appropriate contingency plans on a quadripartite basis. We do not consider West Berlin part of West Germany. We believe it essential to maintain the Allied legal basis in Berlin and not to appear to downgrade primary Allied political responsibility for West Berlin. It is also important to refrain from any non-essential moves which might only aggravate the situation.

German Reunification

4. The Chancellor may sound out the President's views on German reunification. He is reported to be uncertain about US policy and fears we may recognize East Germany as part of an agreement with the USSR.

5. We believe this question should be settled in accordance with the principle of self-determination. We recognize the hardships caused by the present division of Germany, but we are confident that in the long run the will of the people cannot be denied in matters like this. The US has no interest in recognizing a second German state.

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The Situation in the Communist Bloc

6. The Chancellor likes to speculate on the USSR's internal problems, difficulties with its satellites and dispute with China. He is inclined to the wishful thought that these will sooner or later redound to Germany's advantage; hence Germany can stand pat on the status quo.

7. While the Communist Bloc is experiencing difficulties, there are continued dangers for the outside world and we should not become over-sanguine about eventual benefits to the West. We do not expect the USSR to knowingly risk a serious confrontation with the West, but miscalculation is always possible. Meanwhile, it is desirable to maintain contact with the USSR and discreetly encourage nationalist trends in Eastern Europe.

NATO Strategy

8. The Chancellor has a basic fear that the Alliance (meaning the US) will be unwilling to use nuclear weapons in Germany's defense with result that there will be prolonged hostilities on German soil. He is particularly worried about US military disengagement. Consequently, he may solicit our views on conventional vs. nuclear forces and the conditions under which nuclear weapons would be used. He may also ask whether there is anything to the persistent rumors of US force reductions in Europe.

9. We fully recognize the importance to deterrence of maintaining a ready nuclear capability and manifesting a will to use it. As a practical matter, however, NATO must have effective conventional means available to permit a realistic choice of responses. We will use all means necessary to prevent Germany from being overrun. We intend to maintain our military commitment in Europe and the combat effectiveness of our forces there. In fact, we are in the process of reorganizing our army worldwide to increase combat capability. Since the summer of 1962 we have been gradually phasing out the Berlin build-up, but we are increasing the nuclear fire power of our European forces. We do have a problem of managing our financial resources, but we will deal with it in a way that will not adversely affect our military posture, which is still the best in the Alliance.

MLF

10. The Chancellor may ask what our intentions are if the UK

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or Italy declines to join the MLF. For the record, he may mention Germany's desiderata regarding submarines and veto-free control. Being personally interested in at least some land-based MRBMs in Germany, he may ask about General Lemnitzer's recent speech to WEU advocating a mixed land/sea-based MLF.

11. Our policy with respect to the MLF remains unchanged, including our willingness to reexamine mode and control in the light of experience. In order to develop a force multilateral in fact as well as in name we believe it necessary that either Italy or the UK be original participants. Unfortunately the governmental situation in these countries will probably prevent us from proceeding as quickly as we would like. The interim can be fruitfully used in informal, little-publicized, bilateral discussions, perhaps in the NATO context, to flesh out the MLF concept and to begin working out answers to questions of MLF structural and operational detail which will have to be resolved sooner or later. Subject to affirmative decision by Italy or the UK to participate in the interim, we would plan on a multilateral Charter drafting exercise to follow in the fall. General Lemnitzer, in his recent speech to WEU advocating a mixed land/sea based MLF, was speaking as SACEUR; the views he expressed on land-based MRBM's were not intended to represent US policy, which has not changed on this point.

Franco-German Relations

12. The Chancellor may feel it necessary to reassure the President regarding the Franco-German Treaty. He will probably maintain that the Treaty will contribute to Western strength because it puts a formal end to Franco-German enmity and precludes the possibility of a future Franco-Soviet accord directed against Germany. He may add that the Treaty has no secret military clauses.

13. As the Chancellor knows, we have always favored Franco-German reconciliation. The manner of implementation will determine whether the Treaty contributes to Western strength or not. If it is carried out in the spirit of the Bundestag resolution, there should be no difficulties. We are glad to have the Federal Government scotch the rumor that the treaty has secret clauses.

UK-Six Relations

14. The Chancellor has an emotional distrust of the UK's commitment to Europe. He has always doubted that the UK was seriously interested in joining the Common Market. He thinks Macmillan turned his back on Europe in his meeting with de Gaulle at Rambouillet and acted in bad faith in not indicating his intentions regarding Nassau.

15. There is no point in arguing with the Chancellor about this matter, but the President might emphasize the importance to

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overall Western security of a continued consolidation of European strength on a broad basis.

Nuclear Testing and Disarmament

16. The Chancellor may try to draw the President out on our intentions and expectations regarding the high-level talks in Moscow. He probably fears that any agreement between the US/UK and the USSR will discriminate against or work to the disadvantage of Germany.

17. It would have a salutary effect on the Chancellor and other Germans present to tell them quite frankly why we think disarmament is of vital importance. They can rest assured that Western security interests will be safeguarded in any negotiations.

Subjects the President Should Raise

European Unity and Atlantic Partnership

18. The Chancellor will go down in history as a principal architect of European unity and promoter of Atlantic partnership. Today a key role in advancing European unity on a broad basis has fallen to Germany. It is vitally important to continued Atlantic partnership that unifying, constructive and outgoing policies emerge from Europe, whatever differences there may be among Europeans. In the Chancellor's opinion, what will be the future direction of the movement toward European unity? (FYI, de Gaulle may initiate his own proposals on European unity when he visits Germany in July.)

Military Offset

19. In view of our balance-of-payments problem, we are pleased that German military orders and payments during CY 1961 and CY 1962 covered US defense expenditures (\$1,375 million). In our defense planning we are counting on new German orders and payments to fully offset estimated US defense expenditures of \$1,300 million for the two years CY 1963 and CY 1964, as von Hassel assured the President in February 1963.

20. The Germans may suggest using non-budgetary resources to cover any shortfall in payments on orders. We prefer deferring consideration of such an arrangement until all possible budgetary measures have been explored.

21. If the Chancellor (or von Hassel) suggests that Germany

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could meet its offset obligations by purchasing more Pershing missiles beyond the four battalions now contemplated, it would be advisable not to make any commitment but simply to agree to consider the request in the light of other Allied strategic interests.

22. We note with satisfaction the establishment of a permanent US/FRG planning staff to develop a combat logistic support system which will be the major element of our cooperation in the logistics field. We hope progress will be made in US-German coproduction of military equipment (e.g., standard tank, helicopter, armored personnel carrier, guided missile destroyer and transport aircraft).

German Defense Budget

23. The German defense buildup has contributed significantly to Western security. It is important to continue the momentum of the buildup even though this will mean increasingly higher defense budgets, as it has in the United States.

Trade Negotiations

24. The Chancellor will not be in office when the GATT trade negotiations start. For the benefit of the other German participants in the meeting, however, it would be useful to note the importance of successful negotiations and the key role Germany will play in this connection, particularly on the thorny question of agricultural products (e.g., grain prices, poultry, etc.).

AID

25. We note that German efforts are slowing down after a good start. We hope our Allies will take on an increasing share of the burden we have been carrying mainly on our shoulders. There may be some argument about the best way of helping these countries, but there is no doubt it must be done if the spread of Communism is to be stopped and free societies are to be developed. If the discussion gets into specifics, what we would like to see is a substantial increase in the German development lending budget for 1964, more liberal credit terms and an increase in Germany's contribution to the India consortium.

MLF

26. If the Chancellor does not raise the subject we should do so along the lines of paragraph 11 above.

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Drafted by: EUR/GER-Mr. Brandin	Cleared by: RPM-Mr. Kranich
	RPE-Mr. Kaplan
	S/ME-Mr. Junior
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June 10, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

PRESIDENT-MAYOR BRANDT

(Talking Paper)

DECLASSIFIED

Authority State Mr. 12-23-76

By Shaw, NARS, Date 2-14-79

1. Introduction

Brandt will probably approach the President more as a national German political figure than in his more parochial role as Berlin's Governing Mayor. In addition to Berlin problems, he may be expected to raise national and international questions designed to demonstrate the far-reaching support he and his party have given US policy objectives in Europe.

2. European Integration and Atlantic Partnership

Brandt may assure the President of the basic German commitment to the concepts of European integration and Atlantic partnership. With reference to the Franco-German treaty, he might point to the preamble of the German ratifying law as designed to eliminate the potential conflict between the treaty and larger Western objectives and stress the SPD role in the adoption of the preamble.

The President might express appreciation for the Mayor's clear record of support for the concept of a united Europe in close political, economic, and military partnership with the US.

3. East-West Situation

The President might ask the Mayor for his appraisal of the situation, and evolution of policy, in the East since Cuba, and his views on the present East-West climate.

In light of recent statements by US leaders that the present lull in the East-West conflict may soon end, Brandt may ask the President what indications we see that the Soviets are preparing to renew pressure at critical points such as Berlin.

In responding,

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In responding, the President may wish to be guided by the background paper on the Communist bloc.

4. Contacts with East

With reference to the Berlin situation, the Mayor has said he wanted to explore with the President possible Allied statements and actions to provide support and the required aegis for increased official contacts with the East. Brandt appears to have in mind measures to provide a Three Power umbrella for endeavors to alleviate human distress caused by the division of Berlin and Germany.

He might refer in this connection to his policy declaration of March 18, in which he emphasized particularly that: a) the inhuman effects of the Wall must be mitigated, at least to the extent of West Berliners being granted the same East Berlin access rights as others, such as West Germans and foreign nationals; and b) endeavors to restore family and friendship ties between the two parts of the city must continue.

In reply, the President might wish to emphasize that the US fully shares the concern for the human problems created by the division of Berlin and Germany and desires their solution for both humanitarian and political reasons. We would welcome arrangements to maintain and expand the ties between the people in the two parts of Germany. Alleviation of the human distress caused by the Wall is also desirable since it would serve to reduce tension and incidents.

5. Other Berlin Matters

The Mayor may take up his thesis contrasting de facto Three Power responsibility for West Berlin with de jure Four Power status. In this context he has urged repeatedly that the Soviets should be allowed no rights in West Berlin which the Allies cannot exercise in East Berlin.

He may also raise the question of FRG-West Berlin relations, expressing a desire for maintaining, and--if possible-- strengthening, existing ties. He might possibly mention concern over Allied reservations concerning Bundestag sessions in Berlin.

In discussing these points, the President might stress the importance of maintaining the Allied legal basis in Berlin. The US is

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determined to resist any and all Communist encroachments on Allied rights and position with respect to West Berlin but considers it equally important to refrain from nonessential moves which might only aggravate the situation.

6. Incorporation of East Berlin into East Germany ?

Brandt may express concern over the possibility that the East German regime might formally incorporate East Berlin into East Germany in late summer or fall and inquire how we would react to such a move.

The President might point out that the question arises as to whether the East German regime would be content with paper action to formalize the already existing factual situation, or whether the Communists would, along with or following such action, interfere with the present pattern of Allied, and/or West German, access to East Berlin, which would require Western countermeasures. The President could say that we are following this subject carefully and are reviewing our contingency planning to be sure we have covered all foreseeable developments. He might ask Brandt for his estimate of the psychological and practical effects of any East German move to incorporate East Berlin into East Germany.

7. Appreciation for Cooperation

And finally, in anticipation of the Berlin visit, the President may wish to thank Brandt for his thoughtful and cooperative attitude displayed in the joint planning for this visit. (This point appears especially desirable in view of the Marguerite Higgins article about difficulties in the planning.)

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GER-Mr. Creel

OSD/ISA-Mr. Meacham

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Revised June 16, 63

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PRESIDENT'S EUROPEAN TRIP

JUNE 1963

TALKING-POINT PAPER

DECLASSIFIED

Authority E.O. 11652 SEC. 5(A) and (D)

By isp, NARS, Date 5-10-76

MEETING WITH PRESIDENT DR. HEINRICH LUEBKE

Dr. Luebke's first five year term as President of the Federal Republic of Germany ends in 1964. A second term is likely. He understands the constitutional limits to his power but also the opportunities his office offers him. He has worked hard and effectively to establish himself as spokesman for the German people in areas of national concern, morality and morale. He is a devout Roman Catholic, interested in philosophy and known for personal generosity and charity.

Luebke's physical courage earned him an Iron Cross in World War I; his moral courage cost him jail terms totaling twenty months under the Nazis. He displayed competence and stubbornness as Agricultural Minister in the 1950's when he put national interest ahead of narrow demands of German farm lobbies.

In discussion with Luebke, the President should emphasize the great aims of American and Western policy rather than details on policy implementation. In any area where he agrees Luebke will be an effective spokesman for these great aims with his own countrymen.

MORAL LEADERSHIP

The President should commend Luebke's contributions to the growth of representative democratic institutions in Germany and praise him for exhorting rising generations of Germans to work for moral and civilized goals.

As opportunity offers, Luebke will be interested to hear the President's appreciation of how complex and difficult it is to open men's minds to the challenges and opportunities of changing times and the President's confidence in the great stability of the U.S. as it faces these challenges.

ATLANTIC COMMUNITY

Basically sympathetic to grand design ideas and trusting about American military policies, Luebke will be interested in the social and economic pillars we are trying to put under the platform of western unity.

Berlin and Soviet Zone

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BERLIN AND SOVIET ZONE

Luebke plays a strong role in maintaining the morale of Germans in Berlin and East Germany. His public emphasis is on the principles of freedom and self-determination. He may however push the German argument about Berlin being part of the Federal Republic under the German basic law (constitution) and thus entitled to exercise freely all the rights implied in such status.

The President should make clear our view that the Allies are ultimately responsible for Berlin which is not a Land of the Federal Republic. It is in the interest of the Federal Republic and of the three western occupying powers in Berlin not to display differences open to Soviet exploitation in this matter.

With respect to the Soviet Zone and German people living there, the President can applaud efforts to keep their morale high (even if not beligerent) while they await the day when they will be permitted to join their West German brothers in a unified country.

CREDITS TO THE SOVIET BLOC

In responding to Luebke's expressed interest in discussing credits, the President should indicate that the matter of credits to the USSR, the Soviet Bloc and Communist China is of continuing interest to all NATO countries and Japan. No NATO country now extends ~~government-to-government~~ credits and it has been agreed in NATO that if any country was considering a change in this policy it would be discussed. Most of the credits are ~~government-guaranteed~~ private credits and the governments have stated in NATO that their general policy is not to extend credits beyond five years. The President should state that we would hope that the Federal Republic would continue to support a common credit policy among the NATO countries and Japan, looking toward a uniform policy both as to levels and terms. We believe the present five year limitation is appropriate and that there should be no substantial increase in credit levels.

We recognize, however, the desirability of maintaining a certain degree of flexibility with regard to free world economic relations with the European satellite countries. Provided the quid pro quo is sufficient, it may be to the Free World's advantage to extend slightly more liberal terms in particular instances to individual satellites.

Foreign Aid

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FOREIGN AID

The President should stress appreciation of Luebke's own work through visits and public statements to encourage and maintain German activities in foreign aid fields. At the same time the President should emphasize the long-range importance of flexibility in project development and financing to meet the varying needs of developing countries.

PEACE CORPS

Luebke wants to discuss this subject with the President. Luebke is pleased that his country is moving into the field. He believes the German Corps should consist of young people trained by existing institutions in practical pursuits (nursing, agriculture, crafts). He sees a good opportunity to help in key Latin American countries (e.g., Chile, Colombia, Venezuela) where early progress could set example for others and opposes frittering away effort in countries unwilling or unable to use it.

Drafted by: EUR:GER-Mr. Williams

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EUR-Mr. Tyler
RPE-Mr. Phillips
BTF-Mr. Cash
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Revised-June 20, 1963

PRESIDENT'S EUROPEAN TRIP

JUNE 1963

Talking Points

President-Erhard Meeting

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Authority E.O. 11652 SEC. 5(A) and (D)

By isp, NARS, Date 5-10-76

A. Background

The schedule calls for a meeting of one hour's duration between the President and Professor Erhard in the laterafternoon of June 25 at Wiesbaden. This will probably be the only occasion the President will have for any serious discussions with Erhard, since the other occasions where they will meet (the motorcade from Hanau to Frankfurt, the helicopter trip from Frankfurt to Wiesbaden, and possible brief encounters at social functions in Bonn) will not particularly lend themselves to this purpose.

The present outlook is for Erhard to take over the Chancellorship from Adenauer next fall (i.e., no later than November). It should therefore be our objective to establish a close and meaningful relationship with him in his capacity as Chancellor--apparent--although this theme, if overdone, might offend the Chancellor--as well as to deal with him in his present role of Economics Minister. This would suggest that in our approach to him a certain emphasis should be placed on broad political problems affecting the future of Europe and the fundamental basis of US-German relationships. We should at the same time anticipate that Erhard may wish to discuss various matters in the economic field within his special competence.

The meeting with Erhard will take place at a time when his popularity and prestige within Germany are on the ascendency because of his recent successes in (a) settling a major strike in the metal-working industry, (b) playing a major and constructive role in saving the recent GATT Ministerial meeting from breakdown, and (c) restoring CDU fortunes in a recent local election. Based on past performance, we can expect him to follow policies in the fields of European economic integration and Atlantic partnership which are generally in harmony with our own. We can also expect that his relations with Britain will be closer, and those with France somewhat less so, than have been those of Chancellor Adenauer.

B. Intro-

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B. Introductory remarks by the President

1. We are looking forward to working with Erhard as Chancellor.
2. We appreciate the highly useful role played by the Vice Chancellor during the recent Geneva GATT Ministerial Meeting.

C. Atlantic partnership

1. The President might state:

- a. He is concerned over the drift by the Six toward essentially continental and national, rather than Atlantic pre-occupations, since the veto of the British application.
- b. Germany and especially the new German Chancellor have an important role to play in promoting the development of an integrated Europe in an Atlantic setting.

2. The Vice Chancellor most likely will refer to his efforts to establish formalized contact now between the EEC and the UK. The President might reply that we are gratified that Erhard shares our views on the necessity of keeping the British case alive. Early action to institutionalize the EEC-UK link may be less important, however, than working within the EEC to create conditions compatible to eventual UK accession.

D. Trade negotiations

1. The President might state:

- a. The Federal Republic, and Erhard in particular, will be in a position to play central roles in the GATT trade negotiations.
- b. The principle of equal linear cuts, to which the Ministers have agreed, is essential to the attainment of substantial results. The U. S. is prepared to deal with specific problems created by tariff disparities.
- c. Inclusion of agriculture is necessary for the overall success of the negotiations. Among other things, reasonable EEC price levels for wheat and other grains must be established. (Depending on developments in the meantime, poultry might also be mentioned.)

2. The Vice Chancellor probably will state:

- a. It will be extremely difficult for the Federal Republic to go as far in the agricultural field as the U. S. would like. The FRG has its own domestic political problems in this regard.
- b. The EEC will be especially interested in looking into U. S. non-tariff trade restrictions--e.g., anti-dumping procedures and "buy-American" regulations. (The U. S. has indicated a willingness to discuss this subject together with the non-tariff restrictions of the European countries.)

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E. Defense

1. The President might state:

a. We expect the Federal Republic to meet its NATO defense goals.

b. We are counting on sufficient new German orders and payments to fully offset U. S. defense expenditures in Germany (estimated at a total of \$1.3 billion for the two year period CY 1963-64).

c. We hope we can soon agree on some significant coproduction projects.

d. We are gratified at the positive position taken by the FRG with regard to MLF.

e. (In reply to a likely question by Erhard): We consider disarmament to be of vital importance. Western security interests will be safeguarded in any negotiations.

2. The Vice Chancellor may say:

a. The FRG is anxious to build up its defense forces and meet its commitments under the offset agreement, but the Government faces severe budgetary limitations.

b. Following the establishment of the MLF we should again discuss questions of mode and control. (The U. S. has indicated a willingness to discuss these matters at some later date.)

c. He is concerned about persistent rumors of impending major withdrawals of U. S. forces from Europe. (The President might reply that, while we face certain financial problems, we have every intention of fulfilling our commitment to the defense of Western Europe. Since mid-1962 we have been gradually phasing out the Berlin build-up in manpower terms, but have greatly increased the firepower of U. S. and European forces.)

F. Foreign aid

1. The President might state that we were encouraged by Germany's performance in extending bilateral development

loan

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By Shu, NARS, Date 2-14-77

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PET/O-5
June 14, 1963

PRESIDENT'S EUROPEAN TRIP

JUNE 1963

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Secretary - Foreign Minister Schroeder
(Talking Points)

In any conversations with Schroeder you may wish to underscore major themes which the President will be discussing: European Unity and Atlantic Cooperation, the MLF, trade policy, foreign aid, and the military offset arrangement.

Subjects Schroeder May Raise

Possible NATO-Warsaw Pact Nonaggression Arrangement (NAP)

Carstens and Schroeder have recently voiced skepticism about reviving this question because a NAP would seem to stabilize an unsatisfactory status quo. If Schroeder asks our attitude, you might state that though we share the German skepticism, we think NAP should be re-examined from the standpoint of possible advantages for the West. You might add that the French are approaching the NAP re-examination at a very leisurely pace. Although there is no fixed deadline for the completion of this exercise, we cannot permit it to drag on interminably. We have explained to Stikker that the Ambassadorial Group re-examination need not interfere with the NATO study.

Revision of the Western Peace Plan

Schroeder may seek our views on the German suggested revisions of the Western Peace Plan which were submitted after the December discussion of this matter. You might indicate that we continue to consider the German revisions retrogressive and we hope that they will reconsider them.

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Status of East Berlin

If Schroeder inquires about any possible change in the status of East Berlin, you might say that we are carefully watching indications of possible GDR action regarding East Berlin. We are also reviewing our contingency planning to be sure we have covered all foreseeable developments.

Berlin-FRG Ties

Schroeder may raise this in view of the recent Allied expression of "serious reservations" concerning a Bundestag meeting in Berlin in the existing circumstances. You might frankly state that the Allies are ultimately responsible for West Berlin, which is not a Land of the FRG, and that it is in the interest of all Four Powers not to display differences on this issue which can be exploited by the Soviets.

Civilian Access to Berlin

If Schroeder suggests the acceleration of planning regarding protection of civilian traffic, passports and visas, and economic countermeasures, you might agree that this work should be completed soon.

Test Ban

Schroeder may ask our intentions and expectations regarding the high-level talks in Moscow. While assuring Schroeder that Western security interests will be safeguarded in any negotiations, you might also explain quite frankly why we think disarmament is of vital importance.

FRG-Soviet Bloc Trade Relations

Schroeder may mention German efforts to establish trade missions with Hungary and Rumania in the wake of the recently concluded FRG-Polish trade agreement and ask our attitude about increased contacts with the Soviet Bloc. You may wish to state that we see the possibility of distinct political advantages for the West in arrangements of this sort, provided they are skillfully handled.

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German Military Assistance Program

Schroeder may refer to the internal German problems created by recent public disclosure and potential Bundestag criticism of the FRG's modest program for extending military assistance to certain less-developed countries. You might note our public statements that we have been kept generally informed of developments in the German military assistance field. However, we have also privately told the German Government that it would be helpful to improve the exchange of information about, and the coordination of, our military aid plans. Advance coordination would, in our view, serve to avoid such problems as those confronting the FRG about the supply of aircraft to Pakistan and Nigeria and the provision of aid to Somalia.

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IRELAND

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June 17, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

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By ind, NARS, Date 5-10-76

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PRESIDENT - PRIME MINISTER LEMASS
(Talking Paper)

The Government of Ireland sees this confidential discussion by political leaders as the political highlight of the visit, and considers it an indication that Ireland is in the mainstream of international affairs. The Prime Minister will be interested in a general survey of the world situation.

I. POINTS THE PRESIDENT MAY WISH TO RAISE

A. Irish Cooperation in the International Field.

President will wish to thank the Prime Minister personally for Irish cooperation in the maintenance of world peace.

1. Since 1949 Irish officers have been participating in the supervision of the armistice line on the Arab-Israel border. About fifty Irish officers served on the United Nations Observation Group sent to the Middle East in 1958.

2. Irish troops have served with distinction in the Congo since 1960, and one battalion is still helping maintain order in Katanga.

3. In 1962, at our request, Ireland unilaterally introduced a moderate resolution calling for a negotiated settlement of the Kashmir problem.

4. Express appreciation for inspection of Bloc aircraft transiting Shannon en route to Cuba.

B. Irish Attempts to Strengthen Economic Links with the Continent. The Irish recognize United States leadership in the Western world and they would appreciate our current thinking on the various economic and trade arrangements to which they might have access.

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PRESIDENT'S EUROPEAN TRIP

June 1963

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1. GATT. We would welcome a decision by Ireland to seek early adherence to GATT. We understand that Ireland's preferential trading arrangements with Great Britain may create some problems in connection with GATT membership and hope the necessary adjustments can be made by Ireland.

2. Trade Expansion Act. The President might urge Ireland to participate fully in the Trade Expansion Act negotiations which offer a way to solve Irish trade problems until the question of membership in EEC may again be pursued.

C. Irish Position on Military Commitment to West. The President may wish to seek clarification of Irish attitude toward participation in regional defense arrangements. Ireland should be assured that we would welcome any move toward greater political and military cooperation with the West.

D. Landing Rights at Dublin. President may wish express our continuing interest in obtaining landing rights at Dublin.

II. POINTS THE IRISH MAY BRING UP.

A. Partition. As a close friend of both Ireland and Great Britain, the United States is unable to take a position on the partition issue. You may wish to point out that the growing trend toward regional integration is gradually decreasing the traditional importance of political boundaries.

B. United Nations Financing. If Lemass raises UN financing problem, you may wish to obtain his support of our position against borrowing.

C. EEC. The U.S. was pleased by the Irish application for membership in the EEC. We hope that the unfortunate delay which has resulted from the failure of the UK-EEC negotiations will not dissuade Ireland from its decision ultimately to participate in European integration.

D. EFTA. If the Prime Minister raises the question of EFTA, the President may respond that the United States has never objected to the creation of a free trade association, and recognizes that EFTA provides, at present, a means of temporarily easing for its members the relationships with the EEC.

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PRESIDENT'S EUROPEAN TRIP
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June 19, 1963

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E. U.S. Customs Duty on Synthetic Diamond Dust. As a result of an appeal from General Electric, the Customs Commissioner ruled in October 1962 that synthetic diamond dust is subject to a 15% duty as an "earthy and mineral substance" rather than duty free as natural diamond dust. This ruling was subsequently affirmed by the Treasury Department. The De Beers interests opened a plant at Shannon in May for the processing of synthetic diamonds with the hope of marketing the product in U.S., Europe, and North Africa. Protests have been received from the Governments of South Africa and Ireland. Interested U.S. importers have appealed the ruling in the Courts and the matter is presently under litigation.

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GREAT BRITAIN

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Great Britain

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Authority State Ltr. 12-23-74

By lhu, NARS, Date 2-14-77

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PRESIDENT'S EUROPEAN TRIP~~SECRET~~

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June 18, 1963

June 1963PRESIDENT-PRIME MINISTER MACMILLAN

DECLASSIFIED

(Talking Points) Authority E.O. 11652 SEC. 5(A) and (D)
By 128, NARS, Date 5-10-76A. Points which Prime Minister Macmillan may raise:

The British Embassy has advised us that Prime Minister Macmillan is being briefed on the following subjects:

1. Nuclear Test Ban, Non-dissemination of Nuclear Weapons, Nuclear-free Zones, and Nonaggression Pact.

Ambassador Bruce has informed us that the desire to negotiate a test ban agreement has become practically an obsession with Prime Minister Macmillan. He may be expected to give top priority to this item. In the discussion, the President may wish to make the following points concerning the test ban and related subjects:

a. Test Ban

The United States Government is currently reviewing its policy on a test ban preparatory to the July 15 Moscow talks. We shall attempt to get agreement on a comprehensive ban but, failing that, try to get the Soviets to join with us in a treaty covering the three environments in which national detection systems are adequate (atmosphere, outer space, and underwater). If this is not possible, we shall try to get agreement on just an atmospheric treaty. Although we are not optimistic about these talks, we will make a determined effort for agreement.

b. Non-dissemination of Nuclear Weapons

Secretary Rusk has been pressing Ambassador Dobrynin regularly to agree to a joint declaration on non-proliferation, but agreement has been blocked by Soviet insistence on wording which would exclude the possibility of the transfer of nuclear weapons to a multilateral force within the framework of NATO.

c. Nuclear-free Zones

The U.S. is not opposed to nuclear-free zones where the initiative comes from the area concerned, the states concerned agree to establish the zone, the existing military balance is not disturbed, and there are provisions for adequate verification.

d. Nonaggression

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d. Nonaggression Arrangement (NAP)

We agree it would be useful to have full NATO agreement by the start of the Sino-Soviet talks (July 5). However, we think this is probably not feasible. We have talked with Laloy and Alphand and are somewhat hopeful things may move more rapidly. We also agree it would probably be useful to link an NAP with a detente on Berlin and Germany, possibly by means of something along the lines of either the UK or U.S. "principles papers". However, in view of the negative and suspicious German and French attitudes we should not move too fast. We think presenting a paper at this stage would be counter-productive.

2. The MLF

This item was probably included because the Prime Minister expected that the President would wish to discuss it. We have no firm indication as yet that HMG has reached a decision on participation. Assuming that such a decision has not been reached by the time of the talks, the President may wish to make the following points:

- a. We have decided to go ahead with the MLF.
- b. We are anxious to have British participation.
- c. Our timetable is such that we have to get started at this time on a treaty-drafting exercise.
- d. While we recognize that there are significant objections to the MLF in the UK, we hope that our explanations have answered most of these doubts.
- e. If the Prime Minister is unable to give full public support at this time we hope that he will nonetheless be willing to authorize British participation in the treaty-drafting exercise which will not commit those participating to eventual membership in the MLF.

3. British Guiana.

The President will be briefed separately on this item.

4. The Kennedy Round

The Prime Minister will probably reiterate British support for the Kennedy Round. The President may wish to thank Mr. Macmillan for this support and discuss the situation along the following lines:

We believe

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We believe the UK has been following a constructive course in reacting calmly to deGaulle's veto of UK membership and in giving clear evidence of determination to pursue the goal of full participation in the integration of Europe. There are strong forces in Europe which continue to support British entry into the Common Market and we are persuaded that these will prevail, but probably not in the near term. At the present time we must concentrate our efforts on achieving substantial success in the trade negotiations. On these our two countries are in general agreement both as to the goals and the methods and the US is looking forward to continuing close cooperation with the UK in this matter. The US attaches great importance to effective negotiations on agriculture and hopes that the UK will participate fully in this aspect even if it calls for adjustments in domestic agricultural policies.

5. World Liquidity

Prime Minister Macmillan may raise the issue of the need to increase international liquidity. The UK has previously suggested a plan for extending the powers of the International Monetary Fund to provide additional liquidity, and the US has been considering, among other plans, a possible enlargement of IMF quotas for the same purpose. US and UK teams have been meeting on the technical level to discuss these matters, and there has been some progress toward a better understanding of the possibilities and problems of both approaches (the UK having recognized that its original plan, even as slightly modified, is not negotiable). The US continues to favor study of proposals in this field, and considers that further study should be carried out jointly with the Continental countries in the Group of Ten, since the financial participation and cooperation of these countries would be required for any international action. We must be careful to avoid the resentment that other countries would feel if they thought a concerted US-UK plan were being pushed upon them.

6. European Political Scene

The Prime Minister will probably be most interested in discussing Germany and Italy, countries the President is visiting, and France.

7. Loas

The Prime Minister has indicated that he will wish to discuss Laos with the President. Points for discussion will be developed during consultations this week.

B. Points

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B. Points which the President may wish to raise:

1. The Indian Subcontinent

The President may wish to raise the following points regarding the variety of problems in the Indian subcontinent:

a. Air Defense

(1) We are pleased the British have agreed with us to go ahead with the air defense exercises in India.

(2) (To be used if British object to our proposal to "consult" with the Indians regarding air defense in the event of a renewed Chinese Communist attack.) This is an agreement only to consult; it carries no further commitment in itself. By including this we are establishing a relationship with the Indians which we believe at least in a general way already exists on the British side by virtue of the Commonwealth association. We would not expect, therefore, that the British would have to include this provision in their agreement with the Indians.

(3) (To be used if the British are concerned about the Pakistani reaction.) During his visit to the subcontinent Secretary Rusk sounded out Ayub on the air defense arrangement and he replied it would cause Pakistan no great problem. If Pakistanis wish to proceed with similar exercises, we will plan for some mutually acceptable date.

(4) We hope the British will do everything possible to persuade the Canadians to agree at least to their "presence" in connection with the exercises on the subcontinent.

b. Military Assistance to India

(1) We are counting on the British to go ahead with us with post-Nassau assistance. We believe a long-range program is essential to our interests on the subcontinent.

(2) We realize they may be able to contribute only some \$10-20 million of military aid in the next annual installment beyond that agreed to at Nassau.

(3) We believe

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(3) We believe we must be firm with the Indians about our view of their requirements and discourage them from using their foreign exchange for purchases of low priority. We hope the British will join us in this. We are particularly concerned about reported Indian plans to buy a submarine and frigates for their Navy.

c. Kashmir

(1) Since the British are more preoccupied than we with relating arms aid to India to a Kashmir settlement, we should assure the British that we regard Indo-Pakistan reconciliation as important to the security of the subcontinent and we shall continue to work for this objective.

(2) We recognize that arms aid to India has been a shock to Pakistan. We have tried to take this into account by our assurances to Pakistan that we will not countenance its use for aggressive purposes against Pakistan, by taking Pakistan's legitimate interests into account, by adjusting the pace and types of assistance accordingly, and by informing the GOP.

(3) While we have no desire to contribute to an arms race, we shall continue to strengthen each country as we assess its requirements for countering Communist power and pressure. (We are now reviewing our military assistance program to Pakistan.) We cannot subordinate the pursuit of our global strategic interests to the solution of local disputes.

(4) Our national interests impose limits to what we can tolerate in terms of Pakistan's relationship with China and India's with the Soviet Union and our ability to continue large-scale military and economic aid programs will be affected accordingly.

d. Economic Aid to India and Pakistan

(1) Express appreciation for UK easing of its terms of aid to India and Pakistan and for its response at the June 1963 Consortium meeting on India in raising its pledge from \$70 million to \$84 million.

(2) Emphasize the long-term nature of external aid requirements in both India and Pakistan and the importance of maintaining the momentum of economic development in both countries. This will require a reversal of the declining trend in the last two years of foreign aid commitments to India and Pakistan.

2. Malaysia

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2. Malaysia

a. The British have had some doubts regarding our support for the concept of Malaysia. We believe those doubts have been dissipated but you may wish to reassure the Prime Minister that we continue to favor the formation of Malaysia, and would welcome agreement among the states concerned on this problem, including any mutually agreeable arrangement for determining the will of the people of the Borneo territories. We hope that the British would give sympathetic consideration to such an arrangement.

b. In view of our heavy commitments elsewhere in south and southeast Asia, the United States does not intend to provide economic or military assistance to Malaysia.

c. If the Prime Minister inquires about our assessment of the agreements between Malaya, Indonesia, and the Philippines reached at Manila in June, we are encouraged by the positive atmosphere achieved at this meeting. From this, and the settlement with the foreign oil companies, we are hopeful that a basic change in Indonesian foreign policy may be underway.

Drafted by:ACDA/IR-Mr. Thompson	Cleared by:ACDA-Mr. Baker
BTF-Mr. Cash	Mr. McIntyre
BNA-Mr. Bergesen	S/AL-Amb. Thompson
RPE-Miss Fagan	RPE-Mr. Hinton
E/OFE-Miss Leighton	Treasury--Mr. Struve
SOA-Miss Laise	SEA-Mr. Cross
SOA-Mr. Schneider	NEA-Mr. Talbot
SOA-Mr. Harlan	DOD-Mr. Moore
	SOA-Mr. Cameron
	FE-Mr. Grant
	AID-Mr. Gaud
	AID-Mr. Ulinski
	NEA-Mr. Cottam
	SOA-Miss Laise
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	Mr. Moscotti
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	GER-Mr. Brandin

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June 20, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

SECRETARY RUSK-FOREIGN SECRETARY LORD HOME

DECLASSIFIED
(Talking Points) Authority E.O. 11652 SEC. 5(A) and (D)
By ind, NARS, Date 5-10-76

A. Points which the Secretary may wish to raise:

1. Nuclear Test Ban, Non-dissemination of Nuclear Weapons, and Nonaggression Pact.

The Secretary may wish to discuss these subjects with Lord Home along the lines suggested in the President-Prime Minister Macmillan talking points paper.

2. The proposed NATO MLF.

Talking points on the subject were included in the President-Prime Minister Macmillan talking points paper.

3. The European Political Scene.

The Secretary may wish to review with Lord Home recent political developments in Europe.

4. Political Developments in Greece.

Should the opportunity arise the Secretary might wish to discuss with Lord Home the present situation in Greece. Despite the issue which brought it about, the basic cause of recent governmental crisis lies in domestic Greek politics. Our view is that the Prime Minister, once his advice to the King was rejected, had no choice but to resign. Caramanlis seems to be holding his own party together and as a result of forthcoming elections, he may well succeed himself as Prime Minister.

5. Scheduled

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5. Scheduled Sino-Soviet July Meeting

The Secretary may wish to discuss with Lord Home recent developments within the Communist bloc. These were discussed in Ottawa and more recently, inconclusively, within the Washington Ambassadorial Group. We would be interested in Lord Home's estimate of the forthcoming Sino-Soviet talks, which begin July 5, in the light of the conclusions known to have been reached in the Plenum of the Soviet Communist Party, which convenes June 18. Also of interest would be his opinion of the effects on the Plenum of the Chinese Communist Party's letter of June 15 which was highly critical of Soviet policy in the post-Stalin period.

B. Points which Foreign Secretary Lord Home may raise:

We have been advised by the British Embassy that both Secretary Rusk and Foreign Secretary Lord Home are expected to be at Birch Grove with the President and the Prime Minister. There will probably be little time for separate discussions. Lord Home accordingly preferred that there not be a fixed agenda. His office did, however, suggest two subjects which might come up for discussion.

1. Laos

A separate cable will be sent to the Embassy at London on the subject.

2. Aden-Yemen

The Secretary may wish to make the following points:

a. U.S. shares UK views on the importance of Aden as a key base in the British defense system for the Persian Gulf.

b. In addition to consultation on the future of Aden, we are prepared to give tangible evidence of our support by the establishment of a Naval Liaison Office attached to our Consulate at Aden.

c. While we appreciate the sensitivities of the South Arabian Federation rulers to Yemeni claims to Federation territory, we believe UK recognition of the YAR would help maintain the viability of Aden as a strategic base.

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d. The beginning of disengagement under UN supervision opens a new phase in Yemen that might permit UK recognition of the YAR.

Drafted by: NEA/GTI-Mr. Schott	Cleared by: FE/EA-Mr. Grant
SOV-Mr. Anderson	NE-Mr. Davies
NEA/NE-Mr. Russell	EUR-Mr. Tyler
BNA-Mr. Judd	GER-Mr. Brandin
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June 20, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

SECRETARY RUSK-COLONIAL AND COMMONWEALTH SECRETARY SANDYS

(Talking Points) **DECLASSIFIED**
Authority E.O. 11652 SEC. 5(A) and (D)
By ins, NARS, Date 5-10-76

We have no information as to what subjects Mr. Sandys will wish to discuss. The Secretary may wish to discuss the following subjects:

1. India

Talking points on various aspects of the U.S. and UK relations with India are included in the President-Prime Minister Macmillan talking points paper.

2. Malaysia

Talking points on this subject are also included in the President-Prime Minister Macmillan paper.

3. East African Federation

On this subject the Secretary may wish to make the following points:

- a. The U.S. believes that federation under responsible leadership will serve both Western and African interests.
- b. In the absence of concrete results, the U.S. proposes to give only cautious encouragement to the federation movement.
- c. The U.S. believes that the UK, which the U.S. expects to bear the main burden of assistance in East Africa, should take the lead in expressing strong support for federation.
- d. The U.S. is not planning any increase in total aid to the East African countries, but will soon review the country programs to determine whether greater emphasis on East African regional projects is warranted.

4. Aden-

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intervals; declassified
after 12 years

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- 2 -

4. Aden-Yemen

Talking points on this subject are included in the Secretary Rusk-Lord Home talking points paper.

Drafted by: EUR/BNA-Mr. Judd AF/AFE-Mr. Chapin	Cleared by: AFE-Mr. MacKnight EUR-Mr. Tyler GER-Mr. Brandin
S/S-S:WSlater, Room 7239, Ext. 7552	

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ITALY

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Authority State ltr. 12-23-76
By hhu, NARS, Date 2-14-77

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June 14, 1963

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15

President Kennedy - President Segni

1. General: During the government crisis President Segni's position has been at its strongest. He welcomes the effect of your visit in enhancing his position and his ability to influence government policies.

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Authority State Ltr 12-23-74
By Shum, NARS, Date 2-15-77

2. Items You Should Raise

(a) Italian Political Situation: You should ask Segni about: prospects for a stable government;

You should ask what we can do without supporting one democratic party, faction, or solution over other democratic alternatives to help Italy promote stability and combat Communism.

(b) Atlantic Partnership: As a convinced supporter of European unity and Atlantic partnership, Segni will want to hear your views.

(c) Multilateral Nuclear Force: We want Italy later in the summer to help draft an MLF charter providing for the surface mode.

Segni

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and declassification

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Segni will mention the Fanfani government's commitment in principle and his intention to use his influence to get Italy into the MLF.

(d) Trade Negotiations: Segni appreciates the significance and importance of successful negotiations for Atlantic partnership and the free world. He will probably pledge Italy's support in seeking reasonable solutions but will urge the necessity of compromise and understanding.

(e) East-West Relations: Segni wants to hear your views on the current state of East-West relations and key problems that affect the balance. He may say that there will be great pressures on the new government toward relaxing international tensions, but he will do his utmost to keep Italy firm in our confrontation with the bloc.

3. Items Segni May Raise

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(c) Aviation: It is not likely that Segni will raise aviation problems, which are the only major irritants in U.S.-Italian relations. We hope that Italy can agree on air traffic statistics after the changes in our policy set forth in the Air Policy Review. If so, the Los Angeles route can be arranged. We hope to resume bilateral negotiations soon, as Italy wants.

U.S. authorities are preparing a reply to the latest Italian approach on the U.S. airlines 1963 summer schedule.

Drafted by: EUR/WE-Charles R. Stout

Cleared by:

EUR/WE - Mr. Gammon

S/MF - Mr. Junior (section 2c)

EUR/RPM - Mr. Conroy (section 3a-b,
substance)

G/PM - Mr. Weiss

OSD/ISA - Colonel Duff

S/P - Colonel Armstrong

E/AV - Mr. Cobb

EUR/WE - Mr. Frank

EUR - Mr. Tyler

EUR/GER - Mr. Brandin

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PRESIDENT'S EUROPEAN TRIPJune 1963Talking Points: Italy

14

President Kennedy - Italian Prime Minister

1. General: Aldo Moro is the probable Prime Minister. With Fanfani he was largely responsible for gaining the support of the Christian Democratic Party for the center-left experiment in early 1962.

He will welcome your visit to affirm strongly Italy's and his own friendship for the U.S.

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Authority State Ltr. B-23-76
By WHL, Wino, Lale 2-15-77

2. Items You Should Raise

(a) Italian Political Situation: You should ask questions similar to those put to Segni. In addition, you should recall that after the elections Social Democratic leader Saragat publicly accused the outgoing government of having softened traditional anti-Communist policy. What is Moro's attitude, particularly toward Saragat's criticism of Communist influence in the information media?

You should ask what the U.S. can do to help during this difficult period.

Moro will probably say that Socialist-Catholic cooperation will be beneficial in the long run, but that much patience will be needed in helping the Socialists break all their ties with the Communists. He may refer to the importance of the Socialist Congress July 18-21.

(b)

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(b) Atlantic Alliance: Moro is deeply committed to European unity and Atlantic partnership. We want to bolster him in his own conviction that Italy must not compromise the essentials of its foreign policy, but he may mention the great pressure he is under from the Socialists and Communists to take a less committed position.

(d) Military Offset Purchases: You should thank Moro for Italian cooperation in international finance and military equipment purchases. Last year's purchase of \$124 million of U.S. equipment was especially helpful. Our balance of payments problem persists, however, and we give priority to arranging soon substantial additional military sales, which will further modernize Italian forces and offset our current military expenditures in Italy. (FYI: In recent discussions Defense Officials have shown a desire to place an additional order for more than \$100 million. Such action depends, however, on the outcome of the government crisis.)

Moro may mention Italy's problem in meeting U.S. requests for both additional offsets and increased foreign aid, and at the same time the need for continued investments in the South and in social welfare. He may mention Italy's less promising balance of payment record in 1962 than previously.

(3) Aid to Less Developed Countries: We appreciate Italian efforts but believe that Italy can do more on better terms and should support a liberal trade policy in products of interest to the LDCs.

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Aid should be financed through the government budget rather than by the private capital market, as at present.

It would be more effective if allotted in grants or in long term loans at low interest rates and with substantial grace periods.

We believe that Italy should contribute to the Alliance for Progress by giving additional aid to Latin America on soft terms. Such aid should conform to the priorities of the country development plans.

Moro will affirm Italian commitment to foreign aid and show interest in the Alliance. On trade relations with the LDC's, he may support the EEC approach, which contrasts with ours in emphasizing expansion of LDC trade by international agreements to ensure good and stable prices for primary products.

(f) East-West Relations: Moro will want to hear your views on this subject and on key problems that affect the East-West balance.

3. Items Moro May Raise: It is not likely that Moro will initiate any topics not covered by this paper. If Segni raises the subject of Polaris bases in Italy, you should mention your discussion to Moro.

Drafted by: EUR:WE-Charles R. Stout

Cleared by:

EUR:WE	-	Samuel R. Gammon
S/MF	-	Mr. Junior (section 2c)
Treasury	-	Mr. Albright (section 2d)
EUR:RPM	-	Mr. Conroy
G/PM	-	Mr. Meyers
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OSD:ISA	-	Colonel Duff
Treasury	-	Mr. Widman (section 2e)
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EUR:GER	-	Mr. Brandin

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PET/O-8
June 14, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

Talking Points: Italy

15

Secretary Rusk - Italian Foreign Minister

1. General: We do not yet know who the Foreign Minister will be. Piccioni and Fanfani have both told Segni they would like the job. Segni says that he will not appoint Fanfani.

If the Foreign Minister is new, the main purpose of your talks will be to establish personal rapport, ensure that he understands our basic policies, and learn his position on matters that concern us both.

2. Items You Should Raise

(a) Stability of Italian Policy: You should ask about the pressures on Italy's traditional foreign policies in the immediate future and during the five-year mandate of the new Parliament. Depending on the political situation, the Foreign Minister may refer to Socialist and Communist pressure to relax Italy's committed position and the inability of the government to make new departures until the political situation is stabilized (i.e., at least until after the Socialist Party Congress July 18-21).

(b) Atlantic Alliance and East-West Relations: The Foreign Minister will want your views on these subjects' status and prospects. You should find easy agreement on principles but some difference of views on practice, such as in trade negotiations.

(c) MLF: You should support the President's approach to the Italian President and Prime Minister, emphasizing the surface mode over submarines and our desire to get talks started this summer.

(d) Military Offset and Aid to LDC's: You should support the President's approach to the Prime Minister for additional substantial purchases of U.S. military equipment and for increased Italian aid to the LDC's on better terms. On the latter, you should mention specifically the advantage of budgeting aid and Italian cooperation with the Alliance for Progress.

3. Items

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3. Items the Foreign Minister May Raise

The Foreign Minister is not likely to raise subjects not covered by this paper. The only exception might be aviation problems, where your response should be similar to that of the President in his talks with Segni.

Drafted by: EUR:WE:Charles R. Stout

Cleared by: EUR:WE - Mr. Gammon
EUR - Mr. Tyler
EUR:GER- Mr. Brandin

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III. BACKGROUND
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GENERAL

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III. BACKGROUND PAPERS

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Authority State Otr. 12-23-76
By Shw, NARS, Date 2-14-77

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PRESIDENT'S EUROPEAN TRIP

June 1963

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NATO DEVELOPMENTS

I. Ottawa Accomplishments

A. IANF -- The Ministers at Ottawa noted with approval the steps being taken to organize the nuclear forces assigned to SACEUR in a manner to provide: (1) additional nuclear weapons under SACEUR's direct targeting and planning responsibility; (2) greater European participation in nuclear matters both in SHAPE and in the SHAPE Liaison Group at Omaha; and, (3) more extensive nuclear information to national political and military authorities.

B. Special Force Review -- The Ministers agreed in principle to a Special NATO Force Review to start this year, with the purpose of bringing into closer alignment military forces, strategy, and country resources available for defense. The modalities of this Review are now being worked out by the NATO authorities in Paris (see para VI.).

C. Political Subjects -- The U.S. made the following points: (1) Alliance united on basic objective of defense against U.S.S.R.; (2) Interdependence between Europe and U.S. extends to economic, political, as well as military fields; (3) Need exists for increased political consultation re areas outside Treaty area; and, (4) Useful to consider possibility of NATO-Warsaw non-Aggression Pact. Also there seemed to be general agreement that we were at a "pause" in our cold war relations with the Soviet Union, but that a hard line might well emerge from the current Soviet reassessment of its policy.

II. Strategy

A. NATO Strategy -- Present NATO strategic military doctrine, as reflected in official Alliance documents, provides for nuclear responses to nuclear attack as well as

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for early use of nuclear weapons should Western forces be unable to cope with large-scale Soviet conventional attack. The NATO military posture tends to reflect this doctrine.

B. U.S. Strategic Views -- The U.S. has proposed increasing the Alliance's conventional capability in order to place less reliance on the use of nuclear weapons in circumstances other than general war and to achieve greater flexibility in dealing with situations like Berlin. We maintain Soviet conventional strength is not too formidable an obstacle in achieving this objective.

C. European Strategic Views -- The major European countries, particularly France and the FRG, hold that the loosely cooperating national forces of the West do not have the capability to match in the European central plain the monolithically organized and directed Soviet conventional forces to the extent where the use of nuclear weapons could be entirely avoided. Therefore, they argue there is no justification for additional costly force build-up and that inordinate emphasis on increasing conventional strength tends to degrade the deterrent value of the West's nuclear strength. The present posture, notwithstanding its recognized deficiencies, is successfully deterring Soviet aggression.

D. Nuclear "Overkill" -- At the Ottawa meeting, Lord Home provided an interesting variant to UK views by suggesting that the pursuit of further nuclear strength added only to the West's "overkill" capability, and in effect proposed that the Alliance move toward minimum deterrence (presumably comparable to the manner advocated by General de Gaulle).

E. NATO Reappraisal of its Strategy -- Reappraisal of NATO strategy proceeded in the Athens meeting in May, 1962, during which NATO agreed to certain guidelines for the use of nuclear weapons which placed considerable restraint upon their early use. Since then, the NATO Military Authorities have reviewed the nature of the Soviet threat and military situation in the light of future Soviet forces which will provide the basis for further review of NATO strategy and defense policy.

F. Special German Concern -- The Germans are content to rely mainly on deterrence. In their exposed forward position, they are particularly sensitive to the possibility that NATO strategy may evolve to the point where

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they could no longer be assured that a Soviet conventional thrust would be repelled with nuclear weapons, if necessary, before the loss of West German territory.

III. Defense Efforts

A. U.S. Efforts in Europe -- The U.S. has consistently met its NATO force goals, and its present forces in Europe have the capability to fight for a reasonable period without resort to the use of nuclear weapons. These forces are well trained and have both nuclear and conventional weapons in adequate reserve.

B. European Effort -- In contrast, the European forces are inadequate, particularly in the central front, to meet NATO goals, and as a consequence the collective force is inadequate to support the "forward defense" desired by the Military Authorities. Only West Germany continues to make steady progress toward NATO goals, but even in a qualitative sense German forces leave much to be desired. Although the French are increasing their defense effort, it is being channeled increasingly into the national nuclear deterrent. There is little prospect of an increase in the UK defense effort. The potential for the increase of the contributions of the smaller countries in the central front are relatively small. On the Northern flank, Norway and Denmark have only limited resources, while on the Southern flank, Turkey and Greece are limited in their defense efforts by the dimensions of external aid.

C. Implications of Disparity -- This disparity between U.S. and European effort has two consequences: (1) a strong U.S. force having inadequate support on its flanks cannot implement the strategic concept; and, (2) the inequitable sharing of the defense burden highlights the U.S. balance of payments problem.

IV. U.S. Troop Withdrawals

A. Status -- During the Berlin crisis the Army's strength in Europe was increased from 228,000 to 273,400. During FY 1963 this peak was reduced to 256,000. A further reduction to 240,000 is planned for FY 1964, although withdrawals in the first quarter of 1964 will be limited to non-combat troops only (7,000). The Air Force was increased from

twenty-one (21)/

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twenty-one (21) to thirty-two (32) tactical fighter squadrons by deployment to Europe of 11 National Guard units. Those National Guard squadrons are now being withdrawn, but the pre-Berlin level of 21 squadrons has been augmented by earmarking three additional high-performance squadrons in CONUS for rapid deployment to Europe.

B. Reorganization of Army -- The U.S. Army is undergoing world-wide reorganization, including those units now deployed both in West Germany and Berlin, in order to increase combat power and flexibility.

C. Consequences -- Even with presently planned withdrawals and the Army reorganization, combat capability will still markedly exceed that of our forces in Europe prior to the Berlin crisis, due to increased conventional and nuclear firepower, as well as improved logistic and communications arrangements.

D. Balance of Payments Problems -- Overseas force commitments are now under study in relation to the U.S. balance of payments problem. It is the conclusion of the State Department that no troop withdrawals from Europe should be considered pending the outcome of the Special NATO Force Review now getting underway and then in relation to B/P difficulties only after exhausting other possibilities for balancing payments.

V. Reorganization of NATO

A. Political Structure -- Although this subject was being actively considered last fall in relation to Secretary-General Stikker's illness, it has been considered imprudent for the U.S. to take any initiatives on NATO reorganization since the events of last January (de Gaulle's behavior, UK exclusion from EEC, etc.).

B. Military Structure -- In a recent study of the reorganization of the NATO military structure, the Standing Group rejected proposals for broadening itself to include German or Italian membership; rejected proposals (Norstad) for a Commander's Committee; rejected proposals to move the SG/MC organization to Paris; agreed, however, to some small degree of internationalization of the Staff under the Standing Group principals. Secretary-General Stikker has expressed disappointment with the SG study.

VI. Special Review of NATO Forces/

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VI. Special Review of NATO Forces

A. Purpose -- Such a Review could provide the basis for achieving a better balance, NATO wide, between country force programs, country defense budgets, and strategic concepts. It could also result in a more equitable sharing of the NATO defense burden, either through increased European efforts or the adoption of a common strategy that would permit the U.S. to reduce its force commitments in Europe.

B. Procedure -- The Review could well run at least until the summer of 1964. Its first stage would be devoted to determining what forces NATO countries actually plan to maintain in the next three to five years and what force posture the NATO commanders would recommend for the period to 1970. The implications of moving from the presently planned military posture to several alternative ones would be studied. On the basis of these studies and data collected, the second phase would be devoted to formulating for NATO adoption a long-term NATO force plan for 1966-70, together with proposed country force contributions.

C. European Reactions -- Although most NATO countries spoke in favor of the Special Review in Ottawa, experience indicates that many will be reluctant to provide the necessary facts, figures, and plans required to complete the Review, and some will certainly attempt to use the Review as a vehicle to promote their own special strategic concepts and evaluations of country capabilities.

Drafted by: EUR/RPM-Mr. Kranich	Cleared by: RPM-Mr. Popper G/PM-Col. Magathan DOD-Mr. Rowen GER-Mr. Brandin EUR-Mr. Tyler
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(Revised June 12)

PRESIDENT'S EUROPEAN TRIP
June 1963

background paper

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Authority State Ltr. 12-23-76

NUCLEAR TESTING

By Shun, NARS, Date 2-14-77

US Declaration on High-Level Discussions and
Atmospheric Testing

In a speech at American University June 10 the President announced (1) that he, Prime Minister Macmillan and Chairman Khrushchev had agreed to hold high-level discussions in Moscow on a comprehensive test ban treaty, and (2) that the US would not conduct nuclear tests in the atmosphere so long as other states do not do so. The agreement to hold discussions in Moscow on nuclear testing resulted from a recent exchange of correspondence on the test ban question among President Kennedy, Prime Minister Macmillan, and Chairman Khrushchev.

US Position at Geneva

US considers on basis present scientific assessments that seven on-site inspections on the territory of each nuclear power are necessary for comprehensive treaty including ban on underground shots. Arrangements for on-site inspections must be discussed because it is meaningless to discuss the number of inspections without knowing their effectiveness.

US is willing to sign partial ban covering testing in atmosphere, underwater, and outer space with verification only by existing national detection systems. (Senate Draft Resolution sponsored by Humphrey, Dodd and others is similar except it does not cover outer space.)

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Soviet Position at Geneva

Will accept three inspections. USSR refuses to discuss inspection arrangements until US accepts this figure. Claims inspections are not scientifically necessary, and that West desires them for espionage purposes.

DISARMAMENT

General

Outline draft treaty April 18, 1962, on general and complete disarmament (GCD) still forms basic US position. Goal of GCD founded on our belief that real security lies ultimately in disarmament not in armaments.

Progress toward GCD must be accompanied by adequate verification in each stage, balanced reductions giving no military advantage to any State, commensurate progress in strengthening peacekeeping machinery. Due to lack of progress in Geneva negotiations, US is now considering variety of disarmament measures together constituting what might be called "separable first stage" plan. Such measures might provide during initial period for more substantial reductions in major categories of armaments than presently envisaged.

US would like to make progress on disarmament even if test ban issue not resolved. Disarmament negotiations will be lengthy and difficult and should be continued in best forum we have had in recent years: 18-Nation Committee at Geneva.

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Non-dissemination

US still pressing (Rusk-Dobrynin) for Soviet agreement to prevent further spread of nuclear weapons and weapons-producing capabilities. Basic US position contained in US outline draft treaty is consistent with Irish-sponsored UN resolution 1665 at 16th UNGA.

Nuclear-free Zones

US sympathetic with idea of nuclear-free zones in areas where military balance would not be upset, if initiative comes from area concerned and if States concerned agree and accept adequate verification and inspection. US opposes suggested zones for Europe, Asia and Pacific, Mediterranean, and any others that fail to meet above criteria.

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C

PRESIDENT'S EUROPEAN TRIP

June 1963

BACKGROUND PAPER

Cuba - Status

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PET-B/7

June 14, 1963

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Authority E.O. 11652 SEC. 5(A) and (D)
By isb, NARS, Date 5-10-76

Relations with U.S. and West

We recognize we face long, hard road before we have free Cuba.

While missile crisis some months past, situation remains dangerous. Incidents could arise from substantial U.S. military commitments respect to Cuba, including continuing air surveillance, prevention aggressive acts against hemisphere, and ensurance against Hungarian-type situation involving Soviet troops.

We wish maintain substantial isolation Cuba from political and economic life of West. We believe deterioration Cuban economy matter concern to Cubans and Soviets. Moreover, Communist expenses to support Cuban regime mounting.

While we encouraged by decline in Cuban/Free World trade, allies should do everything possible curtail economic intercourse Cuba, including denial spare parts in critical demand for maintenance free world industrial plant which Cuba acquired before Castro.

We are concerned steady rise shipping to Cuba. We may be forced take stronger unilateral action unless allies can take their own measures police shipping.

Castro Visit to USSR

Soviets gained dramatic demonstration Soviet-Cuban solidarity for use against Chicoms during July discussions. Castro gained increase sugar price, and affirmation continued economic and military assistance at present levels. Great attention paid Castro by Soviets undoubtedly will increase his stature Communist world. Both sides appeared compromise on Latin American strategy, and the question of peaceful or violent road to Communism outwardly left to local parties.

Internal Situation

Castro unchallenged leader and has full blessings Moscow. Internal resistance remains limited, badly equipped, whereas security and military forces are sizeable, efficient.

Economy weak. Foods, household necessities, shoes, clothing all rationed. Work incentives suffer due lack items on which populace can spend incomes; oppressive working conditions; new national wage scale which will bring lower wages to most Cubans. As result Castro Moscow visit, more stringent economic and organizational measures appear in offing.

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GROUP 4

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-2-

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PET/B-8

June 16, 1963

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PRESIDENT'S EUROPEAN TRIP

June 1963

Background Paper

DECLASSIFIED

Authority E.O. 11652 SEC. 5(A) and (D)

By isg, NARS, Date 5-10-76

EUROPEAN AND ATLANTIC POLITICAL SITUATION

Recent Background

The current difficulties among the Six began in January when de Gaulle's press conference and the conclusion of the Franco-German Treaty upset the trend toward increasingly close European and Atlantic relations. Bitter reactions by the other four--as well as by substantial elements in Germany--led to an erosion of mutual confidence, and to questioning in Europe as to the future and nature of the US-European relationship, both of which had been called into question by de Gaulle. The Dutch were especially embittered by these developments, but the others also joined in unconcerted protests and actions to show their opposition to French policy. Typical of the most extreme early reaction was the refusal of the Dutch and Italians in February to permit the signing of a renewed EEC-African association arrangement which would have been most advantageous to France.

By early April, however, tempers had cooled appreciably, and a proposal to restore the unity of the Six by moving ahead in EEC work in a "synchronized" manner was made by Schroeder. Although the others save the French reacted enthusiastically at first, it became apparent that this proposal, especially a provision calling for closer institutional links with the UK, would have rough sledding despite a general desire to set the EEC back on a forward path.

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Current Situation

The Germans have played an active role in European affairs, by their expressed willingness to participate in the MLF, Schroeder's call for "synchronization," and the constructive effort at Geneva where Erhard's all-out effort at the GATT Ministerial in late May averted a breakdown in the US-EEC confrontation on the TEA negotiations. But their role has been complicated by political jockeying between Adenauer, Erhard and Schroeder.

The other four are at loose ends. Eager to promote European integration and a closer Atlantic relationship, they are not yet able to reach a clear consensus among themselves as to the real nature of the issues and how to proceed. The Germans remain a possible potential source of leadership, but a basic impetus must also come from us.

Meanwhile, the British have withdrawn into themselves since the January breakdown. They have been conducting a largely unsuccessful holding operation designed to bring pressure on the French through the Five. Deep in the throes of domestic political troubles, they cannot be expected to play a major role in the coming months.

What This Means for Us

It is evident that the majority of Europeans continue to support increased European unification within an Atlantic Partnership. However, they are still at loose ends and have a clear need for U.S. stimulation and guidance.

Our main purposes in Europe today should therefore be:

1. To counter doubts as to the sincerity of our desire for an Atlantic Partnership and our determination to keep our forces in Europe;
2. To demonstrate to the Europeans that we intend to adhere to the policies which we have proclaimed in the past, while taking into account their needs and their points of view in moving forward together with them;

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3. To increase European understanding of our objectives to enable us to advance them under favorable conditions.

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E

PRESIDENT'S EUROPEAN TRIP

June 1963

BACKGROUND PAPER

LAOS

Political

Laos is in a political stalemate at the moment: the Pathet Lao does not seem willing to return to participation in the government. The British and Soviet Ambassadors are working together to bring about renewal of negotiations between the Pathet Lao and Souvanna but it is difficult to be optimistic of their success. The Indians in the ICC have taken some forthright positions and by majority action with the Canadians are making clear that the blame for the present crisis lies on the communist side. Souvanna himself is taking an encouragingly firm line to preserve his independent and neutral position. He apparently is willing to stay on despite the difficulties he faces.

Military

Fighting continues on the Plaine des Jarres but on a relatively small scale. The Pathet Lao backed by the Viet Minh, however, are relentlessly nibbling at neutralist positions on the Plaine des Jarres and elsewhere. The United States is supplying Kong Le at Souvanna's request. The neutralist forces have stood up fairly well and there is close cooperation between them, Phoumi's FAR, and the Meo.

Economic

The cost of living is rising, e.g. the price of glutinous rice has tripled since 1962 and the black market dollar kip rate is 300 as compared with the legal rate of 80. However, some improvement is in sight: the four Western Ambassadors, US, UK, France and Australia, have succeeded in impressing Souvanna with the necessity of taking some strong economic reform measures. The IMF is sending to Vientiane a temporary financial adviser pending selection of a permanent expert. The US and UK commodity import program is beginning to be felt.

Eluc

The Soviet Ambassador to Laos is playing a role of passive cooperation in maintaining the Agreements, but it is questionable

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By chm/jc NARA, Date 2-27-09

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what leverage the Soviets can or will exert on their Asian communists at this time. Substantial numbers of Viet Minh remain in Laos encadred with Pathet Lao units or in regular units of their own. Chinese Communist involvement has so far been behind the scenes or confined to road building operations in northwestern Laos but they undoubtedly favor the current hard line the Pathet Lao are following.

U.S. Outlook

The big question is how to counter the nibbling tactics of the communist forces and bring the communist parties to live up to their commitments under the Agreements. It may become necessary to take stronger measures to convince the CPR and DRV that we are not going to let them take over Laos piecemeal or in one swallow.

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PET/B-3
June 11, 1963

PRESIDENT'S EUROPEAN TRIP

June 1963

COMMUNIST BLOC DECLASSIFIED
Authority State Ltr. 12-23-76
Background Paper By ehw, NARS, Date 2-14-77

The Soviet Bloc is currently facing a whole series of serious internal and external problems requiring painful decisions.

Soviet internal developments. The Soviet leadership is devoting considerable attention to the military. The disappearance of the "missile gap" seems to have led the leadership to realize the Soviet military posture was not sufficient to permit them to pursue the policies they sought. Following the failure of the Cuban affair, which was in large part an attempt to redress the situation relatively cheaply, the Soviets have continued to stress the priority of the military in the allocation of resources, and may have even increased the military share. They are probably hoping if not actually to overtake the U.S., to achieve some sort of spectacular development that would create the impression of great strength, somewhat akin to the sputnik image of the late fifties.

This concentration of resources on the military, even if it does not entail an actually increased percentage, complicates greatly the already difficult resources problem. Agriculture, chemicals, electronics all require greater investments, and it is not so easy as formerly to ignore the growing demand for consumers goods. Attempts to cope with the agricultural situation by administrative reorganization do not appear promising.

The problem of the intellectuals has also become more serious, with the Soviets attempting to follow the fine line of allowing somewhat greater intellectual freedom without either allowing it to get out of hand, or controlling it by the proven Stalinist methods. This struggle is characterized by a certain amount of backing and filling by the leadership, and by the virtually unprecedented resistance offered by some intellectual circles.

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There have been a spate of rumors suggesting difficulties within the leadership. There is, however, no hard evidence that Khrushchev is in difficulty. Nevertheless, the wide range of problems the Soviets face must have created disagreements and policy disputes within the leadership and created a general sense of frustration. These may have affected Khrushchev's position to some extent, though his political skill and more importantly the fact that the entire leadership must realize that his replacement would have a tremendously unsettling effect, should enable him to survive. The apparent need to replace Koslov may shed further light on this area.

Developments within the Bloc. With the Castro visit to the U.S.S.R. the Soviets appear to have lined up Cuba. Soviet-Cuban relations do not appear to be completely smooth, however, and the Soviet success may have been at a high cost in economic commitments. Problems are also developing within Eastern Europe, both in terms of opposition to the regimes in some countries, and signs in others of differences between the regime and the Soviets. For example, the regime in Czechoslovakia is encountering difficulties connected with destalinization, while the Soviets are encountering resistance from the Rumanian regime to attempts at economic integration. Soviet rapprochement with Yugoslavia and acceptance of the latter as a socialist state has probably contributed to the Rumanian situation. At the same time, the Soviet rapprochement with Yugoslavia is being complicated by the Sino-Soviet dispute, with the Soviets, in order to protect themselves against Chinese charges, annoying the Yugoslavs by occasionally stressing remaining difficulties, or suggesting that the Yugoslav position has changed in the direction of Moscow.

Sino-Soviet dispute. This is probably the most serious problem facing the Bloc. It is unlikely that the July 5 bilateral meeting between the Soviet and Chinese parties could result in a reconciliation. Both sides persist in defending their own positions, and attacking those of the other side. Neither side is showing much willingness to compromise on substance, and both are actively attempting to line up support among other communist parties. The Soviets are concerned over the considerable progress the Chinese Communists have made in lining up Asian parties, most notably the North Korean, Indonesian and New Zealand parties and to some extent the North Vietnamese, and in attracting groups sympathetic to them within a number of Western European and Latin American parties. The Soviet

effort

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effort with Castro was undertaken largely to preempt the Chinese, and may, as noted above, have involved considerable cost.

Bloc relations with the non-aligned. The Soviets have suffered a number of setbacks in this area. Once promising relations with Guinea and the UAR have cooled, the Soviets remain blocked in the Congo, and the recent coup in Iraq constituted a dramatic reverse for the Soviets. They are apparently attempting to salvage something in Iraq by supporting the Kurds. Meanwhile, as a result of the Sino-Soviet dispute, Communist China and the U.S.S.R. are now competing in the under-developed areas, with the Chinese attempting to exploit their racial advantage, and the Soviets attempting to exploit their greater resources.

East-West relations. We see little prospect in the immediate future for progress with the Soviets in East-West matters. The Soviets are dragging their feet in virtually all negotiations with the West (test ban, Berlin, disarmament, UN Outer Space matters, etc.). The factors involved may include Soviet recognition they are now in a position of weakness, and therefore desire to postpone decisions involving the West until their position is strengthened and they can hope to obtain agreements more to their liking. Another important factor is the Sino-Soviet dispute, which may make the Soviets fear that such agreements as are now possible with the West would make them more vulnerable to Chinese criticism and adversely affect the Soviet struggle for influence over other Communist parties. Other factors, of somewhat lesser importance perhaps, might be concern lest an atmosphere of detente complicate the Soviet decision to grant guns priority over butter, and also complicate efforts at keeping the intellectuals under control, since detente with the West would tend to encourage liberalization.

We would not describe the present Soviet posture as a hard line, but rather one of immobility and the absence of a soft line. Given Soviet recognition of their weakness, we would not expect aggressive Soviet actions, though there may well be more aggressive Soviet words, and the Soviets might be tempted to exploit situations that arise, when they consider the risk of doing so, in terms of a confrontation with the West, to be low. Since the present Soviet posture seems to be one of a holding action, rather than movement towards either a harder or softer line, we would expect the Soviets to try to keep open their channels of communication to the West. We would consider it in our interest to keep these channels open, both to prevent the Soviets from feeling compelled for lack of alternatives to drift into a harder line, and to make progress at such time as the Soviets decide this is possible.

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PET/B-4

June 11, 1963

PRESIDENT'S EUROPEAN TRIPJune 1963

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Authority E.O. 11652 SEC. 5(A) and (D)

By inf, NARS, Date 5-10-76THE EEC AND TRADE NEGOTIATIONS

Aftermath of the GATT Ministerial - The resolution agreed at the GATT Ministerial was a satisfactory compromise between our views and those of the EEC. Subsequently, the French, and to some extent the EEC Commission, have interpreted the resolution almost as though the U.S. had accepted fully the EEC view. We hope that what might have become an acrimonious and useless debate over the question of disparities can be brought to an end through informal bilateral discussions of the actual problems disparities may cause for equal linear cuts with the EEC Commission in Brussels. The Commission has indicated it would welcome such talks which would prepare the ground for the meeting of the Trade Negotiations Committee in Geneva beginning June 27.

Germany's role is central - Erhard played a vital role at the GATT Ministerial meeting in making possible the compromise resolution and Germany continues to take a far more favorable view of equal linear tariff cuts than France or even Italy. German support for trade negotiations is strong because the political significance of the negotiations is appreciated and because the past levels of German tariffs and the extent of German trade outside the EEC, particularly with EFTA countries, lead Germany to favor reductions in the Common External tariff on industrial products. It is essential to the success of the negotiations for Germany to continue to play a leading role within the Six. The Germans may well, however, prove to be the principal problem when it comes to agriculture. They must be persuaded that reductions in agricultural protection are essential to the success of the overall negotiations.

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Italian support may be ineffective - Italy recognizes the importance of the trade negotiations in terms of the general orientation of the Community, but as a relatively "high tariff" country is considerably more reluctant to cut the common external tariff than Germany. Italy also gives greater weight to the need for the common external tariff as a unifying factor for the EEC and is particularly susceptible to any threat to the continued progress of the Community arising from disagreements among the member states. Italy is not likely to play a leading position in formulating the position of the Six in the negotiations and the lack of a strong government over the next few months will probably reduce the chances of positive Italian contributions even further.

Benelux views are favorable - The Dutch position in favor of the negotiations is close to that of Germany and flows from similar considerations. On some, but not all, agricultural products Dutch views are more favorable to us than those of Germany. Belgium appreciates at the political level the necessity for successful trade negotiations in the aftermath of the collapse of the UK-EEC negotiations, but there are pressures from both industry and agriculture against reductions in protection which will have to be overcome. Luxembourg strongly hopes that the trade negotiations succeed, but cannot be expected to play any significant role in bringing this about.

France would prefer not to negotiate - France is quite satisfied with the common external tariff as it stands and foresees a political loss rather than gain from the negotiations. In consequence, the possibility of another French "veto" cannot be ruled out. French tactics have been and probably will continue to be to support proposals that would result in relatively little reduction in the common external tariff and give maximum emphasis to reducing the peaks in the U.S. tariff.

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PRESIDENT'S EUROPEAN TRIP

JUNE 1963

Background Paper

Status of the MLF

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Authority State Ltr. 12-23-74
By Chw, NANS, Date 2-15-77

1. Status. We have now consulted with the Governments of Belgium, Canada, Germany, Greece, Italy, the Netherlands, Turkey and the UK. Technical talks in depth have been carried out with naval personnel of Italy, Germany and the UK. Technical talks in depth have been carried out with naval personnel of Italy, Germany and the UK.

There is considerable support for the basic elements (Annexed) of the U. S. concept for an MLF. Most of the difficult problem areas, political control, mode (sub vs. surface ship), costs, and mixed manning, appear to be soluble. However, grave internal political problems in the UK and in Italy, and the impending change of German Chancellors, compounds our current problems.

2. Participation. The UK has a key role to play but not necessarily an indispensable one. The U. S. and the FRG strongly desire British participation but the U. S. has not ruled out organizing the MLF with the added participation of some combination of Italy, Greece, Turkey, Belgium and the Netherlands. Moreover, were either the UK or Italy to join, the other might soon follow.

We are hopeful as to eventual UK and Italian participation and feel that the other interested countries would soon thereafter follow suit. The crux of the matter is whether the political will which we believe exists can survive between the Scylla of tight budgets and competition for funds, and the Charybdis of hesitancy in the face of this new politico-military concept.

3. European Deterrent. Extensive consultations in NATO lead us to believe that an integrated European deterrent is at this time not a feasible proposition. However, creation of the MLF would not prejudice subsequent establishment of a European-controlled deterrent force if that proved necessary and practical.

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Drafted by: S/MF-Mr. Junior Cleared by: DOD-Capt. Cotten

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June 3, 1963

TAB B

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BASIC ELEMENTS OF FUTURE MLF AGREEMENT

1. Any future document that would, when ratified, establish a Multilateral Force should cover the following basic elements that are central to the idea of such a Force.

a. The Force shall be a multilateral seaborne ballistic missile force to operate within the framework of NATO. Any member of NATO willing to assume a fair share of the costs and responsibilities of participating in the Force may become a participating State. The Force shall consist of an initial component of 25 surface ships armed with 200 Polaris A-3 missiles. It is anticipated that, as the participating States may from time to time agree, the Force will be improved and maintained so as to keep it a modern, effective, military force, and in particular, when appropriate operating experience in mixed manning and other features of the Force has been gained, it will be reasonable to consider whether the Force shall also be equipped with submarines or other carriers.

b. Polaris missiles and nuclear warheads required by the Force will be transferred to it by the United States and will be held by the Force under terms that will give the Force operational control over the missiles and warheads, will protect warhead design data from unauthorized dissemination, will maintain safety and will protect the weapons against sabotage and will prevent unauthorized firing.

c. The Force shall be jointly owned and managed by the participating countries and shall be manned by a mixture of their nationals. Not more than 40 percent of

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Authority State ltr. 12-23-74
By Shm, NARS, Date 2-14-77

any ship's

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any ship's crew shall be nationals of one participating State. Political control over release of weapons for firing shall be exercised according to the principle of unanimity among the participating States (or, upon the concurring vote of a designated group of them, including the United States, *****), the initial voting formula, however, being open to future reconsideration in the light of experience.

d. The creation and operation of the Force shall be carried out in addition to and not in substitution for the necessary strengthening of the conventional NATO forces of the participating States.

e. Costs of the Force shall be borne by the participating States in such proportions as shall be agreed among them from time to time. The budget of the Force shall be set annually by the participating States. Each participating State's contribution of personnel to the Force shall, in general, be proportionate to its financial contribution.

f. The Force shall have a Commission, composed of one representative of each of the participating States. The Force shall also have a Director General and a Force Commander, who may be the same person. The Commission shall select the Director General and the Force Commander.

g. The Charter shall have an initial duration of fifteen years and may be extended.

h. In the event that the Charter shall be terminated, or the Force is otherwise liquidated, any State then participating shall have an absolute option to reacquire from the Force any assets (including missiles and warheads) it has sold or otherwise provided to the Force, but shall thereupon be liable to the Force for

the value

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the value of the assets reacquired. If any participating State should withdraw from the Force during the initial 15-year period of the Charter, it shall have no claim to any assets of the Force.

2. The interested Governments should undertake initial planning and scheduling for the Force promptly and, as soon as possible, designate an officer to a planning group for this purpose.

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June 20, 1963

PRESIDENT'S EUROPEAN TRIPJUNE 1963Background PaperGerman, Italian, and United KingdomEconomic Aid ProgramsI. Germany

The German program for governmental economic assistance to less-developed areas remains modest relative to German economic strength, and to the U.S. aid effort. Disbursements in 1962 amounted to 0.59 percent of GNP (0.71 for the U.S.) and equalled only 3.3 percent of government expenditures (about 4.5 percent for the U.S.). While current commitment levels suggest some increase in German disbursements in 1963, U.S. foreign aid expenditures are expected to increase by 17 percent from FY 1962 to FY 1964. New authority for development lending in Calendar 1963 is disappointingly low; we have been told that the prospect is poor for a significant increase in 1964. German defense expenditures are 5.1 percent of GNP (9.8 for the U.S.). Germany has reduced its pledge to the Indian Consortium from \$225 million in 1961 to \$139 million in 1962 and \$65 million in 1963.

Moreover, the terms on which German aid is made available are still rather hard. Germany has a low proportion of grants in its program as compared with other major donors. The repayment terms on its loans are improving, but remain substantially harder than the terms offered by the U.S.

A. Volume

German official gross disbursements in 1962 declined from \$642 million in 1961 to \$458 million in 1962. Although the decrease was attributable to the decline in purchase of IBRD bonds, bilateral gross aid disbursements declined by \$2 million from \$356 million in 1961 to \$354 million in 1962.

The 1963 budget provides new commitment authority for bilateral development lending of only \$250 million (DM 1 billion) as compared with \$310 million (DM 1.25 billion) approved in last year's budget.

B. Terms

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B. Terms

Although German terms improved in 1962, they are still very much harder than those of the U.S. In the recent consortia meetings there was no evidence of marked improvement in terms as called for by the DAC terms of aid resolution adopted April 1963. Action appears necessary to provide additional flexibility in the German program including more grants, long term loans at concessionary rates of interest with grace periods, loans and grants for program support, and local cost financing to conform to the terms of aid resolution and to meet the varying needs of developing countries. While elements in the German Ministry of Economics and both the German Foreign Office and the Ministry for Economic Cooperation favor substantially softer terms by one device or another, Minister Erhard and the Ministry of Finance are reported to be opposed.

C. The Indian Consortium

The German performance in the Indian Consortium indicates the nature of the problem with the German aid program. At the June 1963 pledging session, Germany pledged a smaller amount than at the two preceding sessions and indicated no improvement in terms. Its pledges have been (in millions of dollars) 225, 139, 65 as compared with the U.S. 545, 435, 375. The U.S. has offered to raise its pledge for 1963 to \$450 million depending on pledges from other sources; the German representative stated categorically that his government could put up no additional money.

II. Italy

The Italian program contains very little of what we would call "aid". The bulk of it is made up of short-term loans financed by borrowing on the private capital market. In some cases, the Italian government contributes an interest rate subsidy of as much as two percent. Total bilateral "aid" expenditures, defined as grants excluding reparations and gross loans over 20 years, amounted to only \$15 million in 1962. Even including the hard loans, Italian aid disbursements in 1962 were only 0.25 percent of its GNP, lower than that of any DAC member other than Canada and Denmark.

However, officials of the Foreign Affairs and Foreign Trade Ministries are said to be proposing for the 1964 budget a \$100 million appropriation for government-financed loans. This would represent the first substantial budgetary appropriation for foreign aid other than reparations. It would amount to about 1.02 percent of budgetary expenditures.

A. Volume

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A. Volume

Grants, including reparations, amounted to \$35 million in 1962. Loans with maturities of over five years exactly balanced repayments on previous loans, at \$16 million each. At the same time, however, the gross flow of guaranteed private export credits and 1-5 year loans totaled \$195 million, offset in part by repayments of \$77 million.

Disbursements of loans over five years' duration fell far behind the goal of approximately \$100 million a year in 1962 because of the tight capital market. In fact, it was necessary to borrow from the Bank of Italy to meet commitments. This inability to rely on the private capital market has served to persuade some Italian officials that Italy must make some budgetary provision for foreign aid.

B. Terms

Only a most modest improvement in the terms of aid is in prospect. Commitments were made in 1962 for \$16 million of loans of 12 years duration, no previous loans having been for longer than 10 years. However, Italy has no plans for making any loans of more than 20 years and the interest rate continues to be based on the market less the subsidy of approximately two percent. In practice this seldom means a rate of interest to borrowers below 5 percent.

C. Obstacles

The principal obstacle to increased Italian aid is the understandable Italian preoccupation with the problems of its own underdeveloped Southland. The DAC Secretariat has observed that the problem is political rather than economic as GNP is rising much faster than government expenditure and gold reserves are more than adequate. Italy's aid effort is bound to remain well below the DAC average (now about 0.7 percent of GNP) for some time to come. Nevertheless, the modest beginning proposed by the Foreign Office would hardly be a significant drain on the Italian economy and might break the internal political barrier to budgetary aid.

III. United Kingdom

A. Volume

Official British expenditures on aid actually dropped between 1961 and 1962, from \$442 million to \$415 million. The drop was not due to a deliberate cutback by the British in the size of their program, but due to an inability to disburse loans already committed as fast as

expected.

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expected. Grants -- still concentrated on dependent and newly independent territories -- increased slightly although the number of countries involved decreased.

The British explain the fall-off in loan disbursements as largely due to inability of the countries which receive their aid to absorb loans any faster. If this is true, we believe the answer to the problem is for them to increase their commitments to other countries which are capable of utilizing more aid funds for sound programs.

Outside of the British colonies and trust territories, which account for half of British aid expenditures, the U.K. program is very modest. The flow of aid to Commonwealth countries such as Pakistan, India and Nigeria is small relative to the total needs of these countries and, in the case of the first two, to the contributions of others with lesser political and economic interests.

B. Terms

The British adhere to the principle that loans should be extended at the Treasury borrowing rate plus a service charge of three-fourths percent. However, rates did fall in 1962 as a result of a fall in the borrowing rate, weighted average interest rate dropping from 6.2 percent to 5.6 percent. The proportion of loans disbursed with maturities over 20 years actually decreased from 86 percent to 79 percent, while the proportion of loans of 40 year maturities dropped from 11 percent to 6 percent.

Drafted by:AID/IDOS-Mr. Hilton	Cleared by:RPE-Mr. Schiff
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PET-B/11

June 19, 1963

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PRESIDENT'S EUROPEAN TRIP

June 1963

Background Paper

DECLASSIFIED

Authority E.O. 11652 SEC. 5(A) and (D)
By ing, NARS, Date 5-10-76

Possible French Proposal on European Political Union

President de Gaulle will arrive in Germany on July 4th, eight days after the President's departure from Berlin. This will probably be de Gaulle's last meeting with the Chancellor during Adenauer's term of office. It is possible that he will use the occasion both to eulogize Adenauer and the Germans and to launch a major initiative in European political integration.

Recent Background

Since mid-February there has been informed speculation, based on statements by Pompidou and Couve, among others, that the French would offer a set of "European" initiatives in the political field. This and other tenuous indications we have received, lead us to believe that, during his visit to Germany July 4-5, de Gaulle may reactivate proposals for European political union on a loose confederative basis by proposing the extension of the Franco-German Treaty to the other four of the Six. It is also quite possible that he may also urge the fusion of the executive bodies of the three Communities and propose certain changes in the European Parliament. The purposes of any such proposals would be:

1. To set the stage for the post-Adenauer relationship with Germany;
2. To counter the prevailing notion that the French are no longer interested in establishing a European political entity; and

GROUP 4

Downgraded at 3-year intervals. Declassified 12 years after date of origin.

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3. To identify France and de Gaulle with Europe in contrast to the trans-Atlantic emphasis of the President's trip.

In Couve de Murville's recent talks in Washington, he mentioned the possibility of a European "Council of Governments" which might ultimately be chaired by a President elected by this Council or, alternatively, voted on directly by a European Parliament. This type of approach, whether made during de Gaulle's trip or not, probably represents long-range French thinking.

This line would not be inconsistent with previously expressed French views on European political union and the possible re-organization of the executives. The theme of the negotiations in the Fouchet (later Cattani) Committee in 1961 and early 1962 was periodic meetings between heads of European states, which the French preferred, rather than a more direct approach to federation, which was generally favored by the others. Any further proposals by the French would probably be related to the work of this Committee, which was suspended in April 1962 when it proved impossible to reach agreement on three major points--provisions to revise any treaty to point toward closer integration along lines of European federation, the question of British participation, and the form of the links that would exist between a political grouping and the existing Communities. There is no real evidence that the views held by any of the Six on the form of political union have been altered by events since January.

Our Position on Possible French Initiatives

We would have an open mind on any proposals aimed at true European unification. We feel, as most Europeans do, that it would be essential that such proposals from any source should:

1. Be based solidly on the framework of NATO and contribute to its functioning and strengthening;
2. Not undermine progress which has been made and can be made in the three existing Communities; and

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3. Provide for the inclusion of such major European powers as the UK.

On the issue of a strengthened UK-EEC institutional link, which is to come up at an EEC Council of Ministers meeting on July 11 and will presumably be a major subject of Franco-German discussion during de Gaulle's visit, we cannot and should not take the initiative. This subject is closely related to the foregoing and of serious concern to us, however, in that the Five may again be posed with a difficult choice between close ties with the UK and forward progress in "Europe."

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	RPM-Mr. Popper
	RPE-Mr. Hinton
	WE-Mr. Stone
	GER-Mr. Brandin
	EUR-Mr. Tyler

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GERMANY

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III. BACKGROUND PAPERS

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Authority State ltr. 12-23-76
By huv, NARS, Date 2-14-77

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PRESIDENT'S EUROPEAN TRIP

JUNE 1963

DECLASSIFIED

Authority E.O. 11652 SEC. 5(A) and (D)

By isp, NARS, Date 5-10-76

Background Paper

Miscellaneous Economic Matters - Germany

I. Economic situation

The German economy is healthy. It promises to remain so. The gross national product growth rate in real terms currently amounts to 3.5 or 4 percent a year. Some German officials compare current performance with the 8.8 percent growth of GNP recorded in 1960 and the 5.5 percent achieved in 1961. The reduced rate of growth is attributable primarily to a severe labor shortage--the flow of refugees from the East has been cut off and the labor unions have succeeded in obtaining reductions in the number of hours in the work week--and secondarily to somewhat sluggish domestic and foreign demand.

Profits are being reduced, but from very high levels. Wages are rising faster than productivity, but in general German goods continue to compete without undue difficulty in international markets. 1962 was a good year for West German agriculture, and while the Federal Republic remains a food deficit country, farm yields continue to rise.

The German balance of payments, which moved into slight basic deficit in 1962 following years of steady surpluses, has evidenced considerable improvement in recent months. While current surpluses (between 550 and 600 million dollars for the first 5 months of 1963) may be partly attributable to seasonal factors, Germany, with monetary reserves of approximately \$7 billion, has no immediate cause for concern over its foreign accounts.

German-American trade--both imports and exports--climbed to an all-time high in 1962. Germany took almost \$1.8 million worth of U. S. goods that year, and delivered just under \$1 billion worth in return, providing the U. S. with an \$800 million export surplus.

II. U. S.

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after 12 years

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II. U. S. anti-dumping actions

Treasury has undertaken investigations of alleged dumping of steel wire rods and welded steel pipe by German firms.

The major German steel pipe exporter has since adjusted its export prices so that sales at "less than fair value" are no longer knowingly taking place in the United States. (Treasury has informally requested the complainant, U. S. Steel, to consider dropping its complaint.) The investigation of pipe imports from Germany made before the price adjustments, however, is continuing.

The German Government contends: German producers sold pipe and rods in the U. S. at less than domestic prices solely to meet Japanese competition. (Treasury has determined that the Japanese are not selling rods at less than "fair value," since Japanese domestic prices are also low. We have told the Germans that our law contains no escape clause for price alignment, but the Tariff Commission might find the question of Japanese competition an important element in weighing the question of injury to U. S. producers by the German imports.); By "withholding appraisement" in unsettled anti-dumping cases, the Treasury imposes an undue hardship on foreign exporters since during this period the exporter is uncertain of the duty that ultimately may be imposed on the unappraised shipments. (We have replied that "withholding appraisement" is a requirement of our law, the aim being to prevent sporadic dumping.)

U. S. anti-dumping actions run counter to the letter and spirit of the Trade Expansion Act. (We have made known that we are willing to have non-tariff factors, such as our anti-dumping law, included in the overall GATT trade negotiations.)

III. Large-diameter pipe

The German Government, acting under the terms of the NATO resolution, prohibited the export of 163,000 tons of large-diameter pipe to the USSR under a contract negotiated prior to the adoption of the resolution. A political storm ensued and the Government's action was nearly reversed by the Bundestag.

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Despite vigorous representations by the U. S. and FRG, the UK maintains pipe orders are purely commercial transactions, not involving security considerations. Foreign Minister Schroeder told Secretary Rusk last month that, if the UK firm received a Soviet contract, the German Government would be put in an "impossible situation," and probably would have to cancel its prohibition.

IV. Eastern relations

A. Poland: The Federal Republic signed a three-year renewable trade agreement with Poland in March, 1963, providing for an exchange of trade missions and a 50 percent increase in Polish-West German trade. The new maximum annual quota is \$214.5 million.

B. Hungary: There are indications that the Hungarians might be prepared to sign an agreement similar to the FRG/Polish agreement.

C. Yugoslavia: The FRG has had trade and consular relations with Yugoslavia for a number of years. The FRG has refused, however, to grant credits or other aid to Yugoslavia since diplomatic relations with Yugoslavia were severed in 1957 in the first application of the Hallstein Doctrine after Yugoslavia recognized the East German regime. The Federal Republic, urged somewhat by the United States, is conducting commercial discussions with the Yugoslavs, looking to liberalized trading arrangements and settlement of some remaining Yugoslav World War II claims against Germany.

D. USSR: FRG/USSR trade is governed by a 1958 agreement on general trade and navigational matters, which has been re-extended. Trade between the two countries runs about \$360 million annually in both directions.

E. Interzonal trade: Interzonal trade between the Federal Republic and East Germany has leveled off at about \$450 million annually after reaching a peak of \$500 million in 1960. In lengthy negotiations during 1961-62 the Soviet Zone refused to make the political concessions demanded by the Federal Republic in return for large increases in credits requested by the East Germans.

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PET/B-2

June 11, 1963

PRESIDENT'S EUROPEAN TRIP

JUNE 1963

BERLIN AND GERMANY

(Background Paper)

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Authority State Otr. 12-23-74
By lhun, NARS, Date 2-14-77

4

1. Berlin and All-Germany

The Chancellor reportedly said recently he was convinced the U.S. would not bargain Berlin away but was less sure about U.S. policy on reunification. He feared the U.S. would recognize the "GDR" as a concession for an agreement with the Soviets. This attitude is shared by Germans other than the Chancellor. It is reassuring to them to know that they are now participating in all the Berlin planning and to hear renewed U.S. pledges of solidarity with the Berliners and support for reunification in freedom, however tiresome the reiteration of these pledges may be to us.

2. Soviet Intentions

It appears that the USSR does not intend to pose a sharp and direct challenge in the near future to the Western position in Berlin. However, this could change overnight without notice. (For further information see Tab A.)

3. Negotiations

Although the Soviets initiated the current talks on Berlin, they do not seem too interested in pressing them. (For further information see Tab B.)

4. NATO-Warsaw Pact Nonaggression Arrangement (NAP)

The U.S. Government, which has been very skeptical about an NAP, has reached no conclusion concerning the basic question of whether or not it would be desirable to pursue this matter with the Soviets. However, together with our allies, we should not fail to re-examine this problem because Ambassador Dobrynin has indicated that: a) it is exceedingly important at this time to find some point on which the Soviets can reach some agreement with the West--especially an NAP; b) nonrecognition of the "GDR" could be handled in a way satisfactory to the West; and c) an NAP would greatly diminish the prospect of a Berlin crisis. (For further information see Tab C.)

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downgrading and declassification

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5. Berlin-FRG Ties (e.g. Bundestag Meetings in Berlin)

If the Germans raise the question of Berlin-FRG ties, we should make clear that the Allies are ultimately responsible for West Berlin, which is not a Land of the FRG, and that it is in the interest of all Four Powers not to display differences on this issue which can be exploited by the Soviets. This issue would most likely come up in connection with the problem of Bundestag meetings in Berlin. (For further information see Tab D.)

6. Status of East Berlin

If the Germans ask, we are carefully watching indications of possible East German action toward further absorption of East Berlin and are reviewing our contingency planning to be sure we have covered all foreseeable developments. (For further information see Tab E.)

7. Civilian Access to Berlin

The Germans may urge us to accelerate planning regarding protection of German civilian traffic, passports and visas, and economic countermeasures. We agree that this planning should be completed as soon as possible, but it is difficult because of basic differences in Governmental views and the lack of pressure which exists in the absence of a crisis atmosphere. (For further information see Tab F.)

8. Revision of the Western Peace Plan

If the Germans raise the matter of their suggested changes for the Western Peace Plan, they should be told we still view their proposals as retrogressive and wish them to reconsider. (For further information see Tab G.)

Attachments

1. Tab A - Soviet Intentions
2. Tab B - Negotiations
3. Tab C - NATO-Warsaw Pact Nonaggression Arrangement
4. Tab D - Berlin-FRG Ties--Bundestag Meetings in Berlin
5. Tab E - Status of East Berlin
6. Tab F - Civilian Access to Berlin
7. Tab G - Revision of the Western Peace Plan

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Drafted by:EUR:BTF-Mr. Cash	Cleared by:BTF-Mr. Davis GER-Mr. Creel OSD/ISA-Mr. Meacham EUR-Mr. Tyler
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SOVIET INTENTIONS

1. No Sharp Direct Challenge

It appears that the USSR does not intend to pose a sharp and direct challenge in the near future to the Western position in Berlin. Of course, this could change overnight without notice. Khrushchev's remarks in East Berlin last January seemed designed to put Ulbricht on notice that his regime, protected by the Wall, must now concentrate upon a policy of internal stabilization and not expect early progress toward their objectives in Berlin.

2. Supporting Evidence

This conclusion seems to be buttressed by the very low-key treatment given Berlin and Germany during the Soviets' observance of the anniversary of VE Day (May 8 and 9) as well as by Under Secretary Harriman's April 26 discussion with Khrushchev. At the latter meeting, Khrushchev responded to the Under Secretary's suggestion that the Berlin problem be put on ice by saying that the problem was not Berlin but Germany. Khrushchev later said that the Socialist countries had gained more in Berlin as the result of the Wall than would have followed from a peace treaty.

3. Soviet Desires

Khrushchev said the Soviets want a normalization of Europe. They seek, he added, no advantage in Germany. The only result of a peace treaty would be that the current situation involving two Germanies would be legitimized. Khrushchev implied that there might be a deal under which he would find a basis for a test ban agreeable to both sides if the US would agree to work out a basis for a German settlement which would recognize the two Germanies as they now exist. There is some doubt that this was meant seriously. The Under Secretary replied that we could not buy a "pig-in-a-poke," but we were always ready to talk about a test ban and about a German settlement.

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E.O. 13262, Sec. 3.4
By clw/jr, NARA, Date 2-27-09

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NEGOTIATIONS

1. Soviets Not Pressing

Although the Soviets initiated the current "preliminary exploratory" talks on Berlin, to which we agreed to see whether some basis for negotiations exists, they do not seem too interested in pressing them. Khrushchev did not even mention them to Under Secretary Harriman on April 26. The Secretary has now had two Berlin talks with the Soviet Ambassador (the May 18 talk did not constitute a third), and the atmosphere and pace of the meetings have been relaxed. The Soviets have had nothing to offer beyond the repetition of the UN suggestion which they made months ago--even before the October crisis. This suggestion involves UN forces in West Berlin including Western troops for four or five years, after which time West Berlin would become the free, neutralized city about which the Soviets have been speaking. This, needless to say, is totally unacceptable. We have pointed out to the Soviets that we would like to clear up the Berlin problem by both East and West taking into account the vital interests of the other side. The Soviets do not seem to be pressing the Berlin question, nor do they indicate any sense of urgency. Of course, this could change overnight without notice. However, there are no external signs of Soviet anxiety on this question.

2. No Soviet Disposition to Reach Agreements

In our current contacts with the Soviets we find no disposition on their part to reach agreements, and we may face a period of increased resistance. Our only possible line of policy is to be firm but receptive toward openings that might lead to agreement.

3. Unlikely Soviets Expect Early Agreement

We think it unlikely that the Soviets expect the current talks on Berlin to lead to any early agreement. Instead, we believe that their motives are: a) to avoid the impression of weakness which would be conveyed by allowing the issue to lie entirely dormant; and b) to get into position to sow distrust and suspicion among the Allies and the Federal Republic. In pursuing these ends, they may resort to sporadic local harassments. They will probably wish to avoid any agreement which forecloses a return to more severe tactics at a later and more propitious time.

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By Lu, 10/22/81

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4. Possible Agreement

Nevertheless, it is possible that the Soviets will aim at some sort of mutually acceptable Berlin agreement as a way of discharging Khrushchev's longstanding commitment on this matter and collecting such concessions as might be extracted in return for an easing of pressures on the Allied position in the city. In such an effort, they would have to accept continued Allied presence in West Berlin, some form of guaranteed access, and conditions which would guarantee the viability of West Berlin. The USSR for its part would be primarily interested in obtaining as much recognition as possible for the GDR, perhaps by attempting to involve it in the administration of Allied access. The USSR would, of course, wish to set a predetermined duration on such an agreement and, if this proved impossible, to obtain a formula sufficiently vague on this point to allow them to renew pressures at some future time.

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We believe we should not fail to re-examine the problem of a possible NATO-Warsaw Pact nonaggression arrangement (NAP).

2. Soviet View

On May 18, the Soviet Ambassador's principal effort was directed at getting across the idea that this is a crucial time of policy re-examination in Moscow, during which it is exceedingly important to find some point on which the Soviets can reach some agreement with the West. He pressed this point rather hard as if it were related to the trouble with the Chinese.

3. NAP

The Ambassador concentrated particularly hard on the Soviets' NAP proposal.

4. NAP and Berlin

He said an NAP would greatly diminish the prospect of a Berlin crisis. We cannot simply brush this aside.

5. To Show in Moscow

Dobrynin agreed that an NAP would be of little practical significance but held that it would do no harm and would show some people in Moscow that East-West agreement on something was possible.

6. Nonrecognition No Obstacle

He indicated more than once that the form of the NAP was unimportant, and that the problem of nonrecognition could be discussed. He seemed to be saying that nonrecognition would not be an obstacle--that it could be handled in a manner satisfactory to the West.

7. US Reached No Final Conclusion

The US Government, which has been very skeptical about an NAP, has reached no conclusions on the basic question of whether or not it would be desirable to pursue with the Soviets the matter of a possible NAP.

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E.O. 13292, Sec. 3.4
By cbm/jc, NARA, Date 2-27-09

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8. Must Re-examine

However, in the light of the above we believe that we should not fail to re-examine the problem of a possible NATO-Warsaw Pact non-aggression arrangement against the background of what is presently--and has since October 22 been--going on in the Soviet Bloc, in Moscow, and between the Russians and the Chinese, and any problems these developments may have created for the current Soviet leadership which an NAP might affect to Western advantage.

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BERLIN-FRG TIES--BUNDESTAG MEETINGS IN BERLIN

1. Background

The West Germans and the West Berliners were keenly disappointed recently when they learned that the Bundestag would not hold a plenary session in Berlin in May 1963 despite the Bundestag's desire to do so. They attributed the decision not to hold such a session in Berlin to the expression by the Three Powers of "serious reservations" about doing so. Pressure is already building up both in West Germany and in West Berlin for a Berlin session in October, when the Bundestag returns from its summer recess. It is likely that the question of future meetings of the Bundestag in Berlin will come up during the President's visit to Germany.

2. German Position

The German position is that a Berlin session of the Bundestag would give the morale of the West Germans and the West Berliners a great lift and would dramatize the close ties between Berlin and the Federal Republic. The Bundestag has a right to meet in Berlin, particularly in light of the fact that the East German legislature meets in East Berlin. Failure to exercise this right will mean its loss and will encourage the Communists to attempt to force the West to give up other rights. The Bundestag met in Berlin in 1955, 1956, 1957, and 1958 without objection from the Soviets.

Mayor Brandt has observed that there seem to be only two sets of circumstances: quiet times, when the Allies urge that the Bundestag should not disturb the peace in Berlin; and critical times, when the Allies oppose a Bundestag session in Berlin because the situation is critical.

The Bundestag should resume its meetings in Berlin in order to smooth the way for holding the Federal Convention in Berlin in July 1964. The Federal Convention, which elects the Federal President, has always met in Berlin (1949, 1954, and 1959) and is composed of the entire Bundestag membership plus an equal number of specially elected delegates.

3. United

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By Shu, NARS, Date 2-14-77

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3. United States Position

We understand the considerations that might lead to a desire to hold a plenary session of the Bundestag in Berlin. The Three Powers have always taken the position that whether the Bundestag should meet in Berlin at any particular time is: a) a question the Three Powers should consider jointly; and b) should depend upon the circumstances existing at the time. We anticipate that on any future occasion that this question comes up the same procedure will be followed by the Three Powers. The latter did not "veto" the holding of a Bundestag session in Berlin last month, but merely expressed their serious reservations about the holding of such a session.

FYI--We intend to preserve the essential ties between West Berlin and the Federal Republic but do not consider that Bundestag meetings in Berlin constitute such a tie. The fact that the Bundestag has not met in Berlin since 1958 has not irreparably or materially damaged West Berlin's morale or the city's ties to the Federal Republic. The argumentation of this paragraph should not be used with the Germans.

Drafted by: EUR:BTF:Mr. Penberthy	Cleared by: BTF-Mr. Davis GER-Mr. Brandin OSD/ISA-Mr. Meacham EUR-Mr. Tyler
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STATUS OF EAST BERLIN Authority State Ch. 12-23-74
By Shw, NARS, Date 2-14-77

1. Incorporation of East Berlin into East Germany?

There has been some speculation recently that the East Germans might formally incorporate East Berlin into the GDR in late summer or fall, perhaps in connection with elections for a new Volkskammer. This is based on various intelligence reports and the fact that the Volkskammer elections were postponed for one year last October.

2. Various Possibilities

A Soviet/GDR move regarding East Berlin could range anywhere from a token action, such as a decision to allow the Volkskammer representatives from East Berlin to vote, to inclusion of East Berlin formally into the GDR accompanied by the introduction of new controls over Allied and/or West German, access to East Berlin.

3. Allied Response

In the event the GDR took some action intended to change the status of East Berlin, the Allies would undoubtedly protest and maintain that the step had no validity. In the event that this step was accompanied, or followed, by action related to Allied access to East Berlin, our contingency planning provides for countermeasures against Soviet access to West Berlin. This would not, however, affect Soviet personnel at the Berlin Air Safety Center or Spandau prison. A decision regarding the Soviet War Memorial would be taken by the British in light of the circumstances. In the event of action related to West German access to East Berlin, our contingency planning provides for possible selective nonmilitary countermeasures, although no final decision has yet been taken.

Drafted by: EUR:BTF-Mr. Ausland	Cleared by: BTF-Mr. Davis
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	EUR-Mr. Tyler

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CIVILIAN ACCESS TO BERLIN

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Authority State Ltr. 12-23-74
By Chen, NARS, Date 2-14-77

1. Germans Wish to Get Ahead

At the quadripartite Foreign Ministers' dinner in Ottawa, Foreign Minister Schroeder stressed the importance of carrying forward contingency planning with regard to: a) protection of civilian traffic; b) passports and visas; and c) economic countermeasures.

2. Civilian Traffic

The Ambassadorial Group sent to LIVE OAK some months ago an instruction regarding planning for the possible extension of military protection to civilian traffic. LIVE OAK has been making some progress but has apparently been hampered because of a lack of precise political guidance. We have taken steps in the Ambassadorial Group to see that LIVE OAK has the necessary political guidance, and that the planning is accelerated.

3. Passports and Visas

The Ambassadorial Group has been considering a new German paper on the question of passports and visas. In this paper, the Federal Government has enunciated a clear and stronger policy on this question than heretofore. It is apparently trying to use this paper as a vehicle for obtaining more precise commitments from its allies. It is still not clear what the outcome of this exercise will be. This is due to the unwillingness of the Allies thus far to make firm commitments in advance of some clear indication that the GDR is going to introduce a requirement for passports and visas.

4. Economic Countermeasures

The Ambassadorial Group is at present studying economic countermeasures in connection with an over-all study of nonmilitary countermeasures. Although it is moving forward, the progress is not as rapid as we would like.

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5. Problem

We agree that planning regarding civilian access should be accelerated and completed as soon as possible. It is difficult to give any assurances, however, that this will be possible because of the basic differences in views and the lack of pressure which a crisis atmosphere would provide.

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Authority State Ltr. 12-23-74
By lhaw, NARS, Date 2-14-77

REVISION OF THE WESTERN PEACE PLAN

1. Germans Still Insistent

The Germans still seem insistent on maintaining their proposed changes in the 1961 version of the Western Peace Plan. These changes would:

- a) reduce from thirty months to twelve the time period during which the Electoral Law Commission is to come up with agreement on elections for an all-German assembly;
- b) revert to the provisions of the 1959 plan to insure that a plebiscite would result rather than simply allowing the Four Powers to determine the disposition to be made of the commissions, as the 1961 plan provides; and
- c) provide that if no elections are held within thirty months the Four Powers would re-examine the possibilities for a settlement of the reunification problem and the problems related to it.

2. German Reasoning

The German reasoning is that the 1961 plan looks too much like a moratorium--as if the West were ready to bury the German and Berlin problems. They would like to set definite time limits. They feel that the Plan should aim at reunification more than the 1961 version does. They contend that their proposed changes make reunification depend on the German people rather than the East German regime. They agree that the latter could prevent reunification under either their proposed revision or that of 1961, but they feel that the 1961 Plan would make it easier for the East German regime to block reunification.

The Germans also say that since they believe the Soviets are now in a weaker position than they were in 1961, there is not as much need now for the West to appear forthcoming.

3. US Opposition

We have opposed these suggested changes and expressed our preference for the 1961 version. Our reasoning is that the suggested changes would make the Soviets face a plebiscite within little more than a year and quite possibly elections within thirty months. These changes were made

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in the 1961 revision of the 1959 Plan because these provisions of the 1959 version were felt to detract from the apparent seriousness of the Western position and, therefore, its appeal in third countries.

All of the German-suggested changes, in one way or another, seek to go back to the 1959 language or concepts, and thus, in the light of the considerations which guided the 1961 revisions, are retrogressive. It is doubtful that they would enhance the appeal of the Plan, except in the Federal Republic itself.

4. US Purposes

Our purposes are the same as they were in 1961, ie. to make the Western proposal look better for propaganda purposes in third countries. We look upon it as primarily intended for publication rather than for serious negotiations with the Soviets. We feel that the essential purpose of any revisions should be to enhance the public appeal of the Plan by showing a reasonable Western approach to the broad problems of a Central European settlement. No one has any real hope at the present time that the Soviets will accept, even as a basis for discussion, a plan directed toward the achievement of German reunification on the basis of free elections. The 1961 revisions of the 1959 Plan aimed both at streamlining the Plan and modifying certain features which were obviously unacceptable in terms of the well-known Soviet positions.

5. French and British Positions

The French go along with the Germans, while the British support the US position.

6. No Indication Any Plan Acceptable to Soviets

The German-suggested changes would certainly make the Plan less acceptable to the Soviets, but there is no indication that any version of the Plan, including that of 1961, would have the slightest chance of being acceptable to them.

7. US Position

The question then becomes one of determining whether our interest in having the most presentable Plan is worth haggling over with the Germans given their insistence on the changes indicated. In the discussion which preceded Ambassador Kohler's response to Gromyko's initiative for the resumption of talks, the Germans placed considerable stress on tactical use of the Plan at an early stage. Given this German desire for use of the Plan at an early stage and the limited role the Plan is likely to play, it was agreed that we should:

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- a) inform the Germans, British, and French that we maintain our opposition to the German-suggested changes;
- b) explain once again our reasons; and
- c) ask the Germans to reconsider this matter.

This we have done. The Germans have not yet responded. (If the Germans come around, the French would undoubtedly follow suit.) The US position is that we should now let the matter rest until either:

- a) the Germans' desire for early use of the Plan causes them to abandon their suggested revisions; or
- b) the course of the talks with Dobrynin indicates that a time is approaching when it would be in our interest to present the Plan, at which time we could take it up with the Germans at a higher level.

8. No Other Revisions

We should, in addition, recognize that any revisions of existing documents which the Germans might propose at the present time are likely to be retrogressive in terms of enhancing negotiability or broad public appeal, and, therefore, we continue to see little to be gained in any move at this time to revise other texts.

9. US Response if Raised

If this matter is raised, we should:

- a) say that we are still opposed to the German-suggested changes;
- b) outline briefly our reasons as given in 3 and 4 above; and
- c) ask the Germans to reconsider.

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PRESIDENT'S EUROPEAN TRIP
JUNE 1963

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PET-B/G-1
June 11, 1963

BACKGROUND PAPER: GERMANY

SUBJECT: US-German Military Cooperation: Status,
Including Offset Arrangements, Sale of
PERSHING/SERGEANTS, German MAP.

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Authority State Ltr. 12-23-74
By Shur, NARS, Date 2-14-77

I. INTRODUCTION

US-FRG military cooperation on a bilateral basis, as distinct from cooperation within a purely NATO context, is particularly marked in the area of cooperative logistics and is beginning to be developed in the military assistance field. Of the \$1.1 billion estimated world-wide military sales receipts for FY'63, roughly \$700 million is expected from the FRG, and under offset agreements German orders have exceeded and payments have roughly equalled US defense expenditures in Germany during CY'61 and '62. In the military offsets sales picture, the US offer of PERSHING and SERGEANT launchers and missiles plays an important role, amounting to \$132.6 million of the estimated sales for CY'63-'64. As for German MAP, the amounts are small in comparison with the US programs but are important as complementary to ours, are larger than ours in certain African countries, and constitute a new area for US-FRG consultation and cooperation.

II. MILITARY OFFSET ARRANGEMENTS WITH GERMANY

A. Basis for German Offsets

The Strauss/Gilpatric Agreement of October 24, 1961, provided that the US would make available to the FRG a cooperative logistics system in return for FRG payments for military materiel and services to the US equal to US defense expenditures in Germany during CY'61-'62. Under the Strauss/Gilpatric letters of February 2, 1962, FRG orders were to be computed by calendar year and agreed payments completed by US fiscal year 1963.

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The Strauss/Gilpatric Memorandum of Understanding of September 14, 1962, and an accompanying letter from Strauss, extended the offset arrangements through CY'63 and '64, but with FRG reservations on orders beyond CY'63 and on payments during both US FY'64 and '65. In February 1963, Defense Minister Von Hassel assured the President that the Strauss/Gilpatric agreement extending through 1964 would be carried out by Germany on terms of a full offset of US defense expenditures.

FRG budget action to fulfill the offset payments objectives and NATO commitments was achieved only after the President intervened personally with Chancellor Adenauer in November and December 1962. The FRG has approved a 1963 defense budget of 18.4 billion DM, of which 400 million DM is an advance to cover part of the 1.1 billion DM increase at the end of 1962. Thus, the new money in the 1963 defense budget is 18 billion DM (about \$4.5 billion). For 1964, 21.6 million DM has been requested but FRG officials doubt more than 20 million DM will be appropriated.

B. May 1963 Effort to Extend Procurement Plan

In May 1963 US and FRG officials agreed that FRG orders and payments objectives set forth in the Strauss/Gilpatric October 1961 and February 1962 understandings will be carried out by June 30, 1963. Since actual US defense expenditures in Germany during CY'61-'62 were \$1,375 million rather than the \$1,450 million estimated in February 1962, the targets for FRG orders and payments were reduced accordingly. The payments target was always set by mutual agreement at \$25 million below actual expenditures.

FRG officials assured the US that new orders would equal and probably exceed estimated US total defense expenditures of \$1,300 million during CY 1963-64, but they claimed budget pressures made it unrealistic to estimate new payments over \$1 billion. FRG representatives noted that the FRG would "do everything in its power" to increase the \$1 billion, but such increase was related to further action on budget requests and decisions on US and FRG sources of production.

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C. Need For Continuing Pressure on FRG to Achieve Full Offsets

US and FRG representatives are presently in Bonn preparing a procurement and financial plan, for approval by Defense Ministers in July-August, which would establish new orders and payments arrangements for 1963-64.

The President's visit to Bonn presents an important opportunity for Presidential initiative on this subject to assure successful conclusion of agreements in July-August and to stimulate necessary FRG budget decisions to carry them out on the basis of a full offset in new payments as well as orders.

It is possible the FRG may say they understand the US could accept an offset short-fall in FRG budget payments, if the short-fall were covered by some special arrangement (e.g. through the Bundesbank). It is suggested the US should respond that such arrangements should be deferred until all possible budgetary measures fail to provide sufficient payments.

III. SALE OF PERSHING/SERGEANTS

A. Terms of Sale

The President, as noted by Mr. Bundy's memorandum of May 3, 1963, approved the memorandum of April 22 by Mr. Gilpatric, which had been concurred in by Secretary Rusk, proposing that the US agree to sell Germany one additional double-strength SERGEANT battalion, plus eighteen missiles, and two additional PERSHING battalions plus a probable sixty PERSHING missiles. The purchase of the sixty additional PERSHING missiles is not anticipated until CY'64. Germany has already purchased three double-strength SERGEANT battalions (including 100 missiles).

The proposed sale would increase the number of nuclear-capable weapons systems on the continent and, as such, raised some questions about consistency with the US policy on NATO generally placing first priority on conventional build-up. However, in view of political and practical exigencies, DOD and State joined in recommending Presidential approval, subject to certain assurances from the FRG that the sale would not hamper Germany from

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paying for increased efforts to meet conventional force requirements or from making a major contribution to the MLF, when the latter eventuated. These assurances, although not part of the actual terms of sale, were sought via a May 8 letter to Minister of Defense Von Hassel from Deputy Secretary Gilpatric. An official response has not yet been received, but Von Hassel informed Secretary McNamara at Ottawa that he thought Germany would accept the offer, although the Germans would have to reflect somewhat longer on the details of the arrangements.

B. Possible German Interest In More Pershings

It is possible that German interest in forward deployment of nuclear-capable battlefield weapons and in obtaining more PERSHINGs may be raised during the President's visit. It is possible the Germans may raise their interest in more PERSHINGs as means of easing their difficulties in offsetting fully US defense expenditures, when the French are pressing for German purchases of French hardware and when German industry wants defense production orders.

The PERSHING, as a 400 mile missile, is being sold to Germany at a time when US and NATO plans for the command and use of nuclear weapons in tactical and strike roles are under review. Should the Germans indicate an interest in PERSHINGs beyond the two battalions already sold and the two more currently offered, the President or other senior US officials may wish to suggest such request would have to be considered separately and in the light of other Allied strategic interests. The opportunity should also be taken by the President or other senior US officials to explain the degree to which the US has increased nuclear weapons capabilities on the continent, the need for conventional force increases by our NATO partners to provide more options to meet Soviet Bloc initiatives, and the need to press forward particularly on present nuclear cooperative efforts within NATO.

IV. GERMAN MILITARY ASSISTANCE PROGRAM

The FRG has for some time carried out an internally uncoordinated military aid program, initiated without

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much regard for political considerations. The FRG MAP was apparently about \$10 million grant aid for FY'63, exclusive of \$8-9 million for Greece carried as a separate budget item, and exclusive of training performed in Germany and transportation to the training area. Military sales figures are not included, and we are awaiting definitive figures promised by the FRG. It is possible that German grant MAP will be as much as \$19 million for FY'64. The FRG does not stimulate requests for MAP, being too conscious of the past German military image, but instead responds to requests from the recipient country.

On May 13 through May 15, a State-DOD-AID Team held an initial meeting to discuss US-FRG MAP in terms of exchanging information and seeking to coordinate better the respective programs. The meeting achieved one basic result in helping the Germans to begin to coordinate internally their own programs. Information on developments of mutual interest will be channeled through the US Country Team in Bonn and the German Ministries concerned, and there will be regular meetings on a governmental level with the next meeting in Washington, probably in October 1963.

Two items of particular interest were:

1. The size of German programs in certain African countries as opposed to US programs: (e.g. Guinea - FRG \$2.5 million vs US 0; Somalia - FRG \$3.8 million vs US \$500,000; Sudan - FRG \$2.5 million vs US \$50,000).

2. The German realization that their offer to sell some seventy F-86 aircraft to Pakistan for roughly \$7 million had been made without a full realization on their part of all the ramifications. They are afraid that the favorable effect of their economic aid to India will be dissipated unless a formula is devised for a comparable military assistance program to India. They are casting about for some solution which hopefully would merge their responsibilities in the broader responsibilities of the US and UK toward Pakistan and India, and even sought to do this during the recent Ottawa-NATO Meeting. US officials, both in the Bonn

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meetings and at Ottawa, reiterated Secretary Rusk's comments to President Ayub of Pakistan recently that the US had no policy objections to the proposed sale, while pointing out US concern regarding the technical feasibility of the sale. It might be noted that the F-86K is a substantially different aircraft than previous marks of F-86's, with very little compatibility or interchangeability with present aircraft in Pakistan, and that the Germans have only recently been able to get to the point of 50% operational use of this particular aircraft.

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