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C. POLITICAL - ECONOMIC RELATIONS

1. US Policy Toward Western European Unity

a. Background

The fundamental ideas of US policy toward Western European unity were developed in the immediate post war period. They were accepted and supported by Democratic and Republican Administrations alike. The Johnson Administration inherited a well-established policy and has continued to support and develop it.

Our policy was designed to preserve peace and freedom in the West while containing Soviet power. A strong NATO, Western European political unity, and an accommodation with the Soviet Union are its main elements. We have looked forward to the creation of a strong, united Western Europe as an added bulwark of peace and freedom, and we have expected the development of increasingly close cooperation between Western Europe and the United States as Europe organized itself to play a greater role in world affairs commensurate

with its power potential. This latter concept has become known as the Atlantic Partnership. Continued search for solution to the German question was and is a significant feature of our European policy.

Very soon after his assumption of office, President Johnson sent a message to the North Atlantic Council in December, 1963. He said:

... We can best honor him /President Kennedy/ by continuing our pursuit of the goal of Atlantic partnership - by seeking an ever closer collaboration between a united Europe and the United States in dealing with all the great and burdensome tasks of building and defending a community of free nations... we must each assume responsibilities commensurate with our resources, that is what partnership in a vigorous Atlantic Community means and requires. To this end, we welcome the emergence of a Europe growing in unity and strength. For we know that only a uniting Europe can be a strong Europe, and only a strong Europe will be an effective partner.^{1/}

^{1/} Department of State Bulletin, January 6, 1964, pages 29-30.

An example of partnership tasks was discussed by Under Secretary Ball in a speech of April 9, 1964, entitled "The Open System in North-South Relations." In the speech, he said:

For the last twenty years, the United States has been expanding its responsibilities around the world as the European powers, weakened by war, have withdrawn before the impact of the anti-colonial wave...our Allies in Europe have also grown strong... we must search for the means of working out a more equitable balance of responsibilities with other Free World industrial powers...^{2/}

The Under Secretary developed the theme that only very large nations which command resources on a scale adequate to the assumption of world responsibilities will be able to play a world role. If true, he continued:

...there is probably a direct correlation between the willingness of European nations to accept world responsibility and the speed with which they move toward economic and political unity.

^{2/} Department of State Press Release No. 156, April 9, 1964.

How is such unity to be achieved? The Secretary of State, speaking in Brussels in May, 1964, declared that "Americans wish you well in your continued quest for European economic and political unity. You have had our support from the beginnings in 1950; you have it now. But this is a European task and it must continue to be led and carried out by Europeans." ^{3/}

The theme that responsibility for the construction of a new and unified Europe rested with European leadership was often heard. It served indirectly to describe the changed relationship between America and Europe, with the United States no longer in the active role of inspiring and influencing European ideas on the structuring of Western Europe.

The importance of the European role was further underlined by Secretary Rusk in a March 1965 address, when he said:

^{3/} Department of State Press Release No. 219, May 8, 1964.

I hope the European nations will wish to make an increased effort commensurate with their growing power. We recognize the complex obstacles. But the Atlantic partnership will not maintain its cohesion, or fully meet its defensive needs, unless it can go forward to such increased effort in meeting the changing problems of a shifting scene. 4/

The thrust toward European unification, which had been given a severe setback by De Gaulle's veto of British membership in the Common Market in 1963, was further stalled by the political crisis in the European Communities which erupted June 30, 1965. France's boycott of Community institutions reflected the French desire to maintain a formal veto power over Community decisions. Resolution of the crisis by the Luxembourg compromise in January 1966 left a profound malaise concerning the future of European construction. America would have to continue to be patient in its search for partnership with Europe.

4/ Department of State Press Release No. 39, March 6, 1965.

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Under Secretary Ball told the Senate Foreign Relations Committee on June 30, 1966, that our interests parallel those of the Europeans -- who would not be content for very long to stand aside from a major participation in world affairs. The Under Secretary pointed out that building the basis of Atlantic partnership could not wait on the emergence of a united Europe. We should get on with perfection of instruments for common action for defense, economic policy, foreign policy... "But we should have no illusions as to the limits of possible progress. So long as Europe remains disunited, the essential goal of equality will be more a matter of manners than reality." 5/

In October 1966 President Johnson made one of the most significant foreign policy speeches of his Presidency, "Making Europe Whole: An Unfinished Task." The basic guidelines of policy which came from this speech were: "Our

5/ Department of State Press Release No. 155, June 30, 1966.

first concern is to keep NATO strong... The alliance must become a forum, a forum for increasingly close consultations ... Second among our tasks is the vigorous pursuit of further unity in the West... We look forward to the expansion and to the further strengthening of the European Community...an increasingly united but open Europe -- with Great Britain a part of it -- and with close ties to America... Finally, thirdly, one great goal of a united West is to heal the wound in Europe which now cuts East from West and brother from brother... Our task is to achieve a reconciliation with the East -- a shift from the narrow concept of co-existence to the broader vision of peaceful engagement." 6/

Intensification of the war in Vietnam led to European concern that we were losing interest in Europe. This idea was corrected by Secretary Rusk in a speech on December 2, 1967. He said:

6 / Department of State Publications No. 8155,
November 1966.

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... our commitments there (Asia) are not opposed to our commitments in Europe, but are part of the same fundamental world policy... we who know and love Europe can agree that there is no change in the basic affections and interest of the American people, and no change in the basic principle of our Government, toward Western Europe.^{7/}

The Secretary then repeated the themes of the President's speech of October 1966.

b. The European Caucus in NATO

Ever since the failure of the European Defense Community in 1953, thought has been given to some means whereby the Europeans might cooperate with each other within the NATO framework on the organization and logistics aspects of defense of Europe. This idea is currently known as "the European Caucus."

In the speech referred to above the Secretary of State said "...we would welcome now, as before, a European caucus, if they want to call it that, in NATO, something like a

^{7/} Department of State Bulletin, December 25, 1967, pages 855-859.

European defense community, as a full partner in a re-constituted alliance. They should not feel sensitive about constituting their own European defense community, because it was not the United States which blocked earlier efforts to do just that." 8/

In January 1968 Under Secretary Katzenbach, examining the problems of Atlantic partnership said that "...assumption of greater responsibility for the planning and direction of the defense of Europe by the Europeans themselves would be a healthy evolution in the structure of our Atlantic alliance." 9/

Discussion of this concept with European officials brought out the concern of some, particularly Germans, that reinforcement of a European structure for defense might lead to a reduction of US commitments in Europe. In a discussion with Sir Paul Gore-Booth, Permanent Under Secretary of State

8/ Department of State Bulletin, December 25, 1967.

9/ Department of State Bulletin, February 5, 1968, pages 168-172.

in the British Foreign Office, on October 11, 1968, Under Secretary Katzenbach said, "Unless there were some evidence of Europe concerting on policy and action, it would be much more difficult to convince the American people and the American Congress of the value of a large scale troop commitment in Europe." ^{10/} This position was touched on lightly in the Under Secretary's address to the Western European Union discussed below.

c. Current Developments

Europe is still groping for political unity. Yet the degree of progress in economic integration is significant among the Member States of the European Communities, and the growing economic power of the Communities in the absence of political cohesion poses a challenge to US policy. It is important to influence European economic policies, encourage political unification, and pursue our own economic and commercial interests at the same time.

^{10/} Memorandum of Conversation, October 11, 1968
(SECRET).

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In part to meet this problem, consultation procedures were initiated during a meeting of Jean Rey, President of the Commission of the European Communities, with President Johnson in February, 1968.^{11/} Following up on this meeting, consultations have been held on the US balance of payments problem, on Kennedy Round implementation, and on tariff preferences for the developing countries. Regular discussions at the senior working level in Brussels and in Washington have been useful in dealing with matters of mutual interest.

The Soviet invasion of Czechoslovakia in August 1968 focused attention once again on the need for a strengthened and united Europe. Under Secretary Katzenbach sounded a familiar note in Paris in October 1968 in an address to the Western European Union Assembly. He said, "Western Europe has the resources to do what is necessary. But what we

^{11/} Text of Joint Statement published in Department of State Bulletin, March 4, 1968, page 319.

Americans often feel is lacking is a Western European unity of will and purpose to allocate those resources in a more efficient manner. Until Western Europe summons this will -- and the institutions to turn this will into purpose -- it will remain dependent to an excessive degree on the determination of the American people to carry what they are coming to believe is more than their share of the burden for the common defense." 12/

That is where we stand today.

12/ Department of State Press Release No. 236,
October 15, 1968.

2. The European Communities

US hopes for European unity have focused on the institutions of the European Communities. Established under the Treaty of Paris of 1951 and the two Treaties of Rome of 1957, the European Coal and Steel Community, the European Economic Community (Common Market) and the European Atomic Energy Community (Euratom) have from their beginnings had a common European Parliament and a common Court of Justice. Separate executive commissions and councils of ministers existed for each Community until July 1, 1967. Since that time there has been a single Commission and a single Council of Ministers for all three Communities. Whenever and wherever possible the United States has supported these institutions and encouraged their development, has sought to work with them on matters of common concern, and has supported their enlargement to include other Western European nations willing and able to assume fully the obligations of the Paris and Rome Treaties.

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a. Support for the Institutions of the European Communities

During the Johnson Administration, the Communities' institutions passed through two crucial periods: the crisis of 1965-66 and the merger of the executives. In both instances the United States avoided public and private involvement though there was no doubt that it warmly supported the strengthening of Communities institutions. Also during the Johnson Administration, we continued our efforts to bolster the European Parliament through visits to the United States of some of its key members.

(1) The 1965-66 Crisis

The crisis came about in the summer of 1965 when the French demanded changes in the Rome Treaties to prevent the coming into effect of weighted majority voting on January 1, 1966, as provided in the Treaties. For the next six months the French boycotted most Communities institutions in an attempt to gain their way. The Five however responded with unexpected skill, unity and success.

While for tactical reasons the United States made no public statements on the crisis, there was no question of our

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support for the general theses defended by France's five Common Market partners.^{1/} We were careful not to take a position publicly and were very cautious in private actions in order to avoid giving de Gaulle any basis for characterizing the defense of the Community by the Five as a defense of American interests rather than their own.^{2/}

Following the October 1965 Council of Ministers meeting in which the Five Ministers and the Commission displayed a remarkable degree of collaboration, the US Mission to the European Communities urged the Department of State to depart from its guarded posture in order to informally tell the Ambassadors of the Five in Washington of our pleasure with the progress made at that meeting.^{3/} Assistant Secretary for European Affairs John M. Leddy, then visiting Madrid,

^{1/} Background Paper, "European Integration," for the NATO Ministerial Meeting at Paris, December 14-16, 1965. (SECRET)

^{2/} Background Paper, "EEC Crisis," for the OECD Ministerial Meeting at Paris, November 25-26, 1965 (CONFIDENTIAL).

^{3/} Limdis Telegram ECBUS 324, October 27, 1965, from Brussels USEC to the Department. (SECRET)

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disagreed and stressed that the leaders of the Five had repeatedly stated their belief that the wisest course for us is to avoid injecting ourselves publicly or privately into the issue thus ensuring that the burden of the crisis remains on the French.^{4/} The recommendation of our Brussels Mission was not acted upon and our policy to the end of the crisis continued to be the avoidance of public and private involvement.

The United States interest in a settlement of the EEC crisis was not just to preserve the gains already made in European integration but also open the way for the conclusion of the Kennedy Round.^{5/} These trade negotiations were at a virtual standstill because the French boycott of the Community institutions left the Common Market unable to negotiate. Since the United States realized that the full potential of the negotiations could not be achieved without the Common

^{4/} Limdis Telegram 439, October 28, 1965, from Madrid to the Department (SECRET).

^{5/} Background Paper, "EEC Crisis," for the OECD Ministerial Meeting in Paris, November 25-26, 1965 (CONFIDENTIAL).

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Market's participation, it was willing to wait for some time in the hope that the crisis would be resolved. The United States nevertheless feared that if meaningful negotiations could not be resumed by the spring of 1966, their success would be in grave danger because of the expiration in July 1967, of the Trade Expansion Act, the Administration's negotiating authority.^{6/} Press speculation in October that the United States was quietly sounding out key trading nations on the possibility of breaking the French imposed deadlock of GATT negotiations by dropping the Common Market from the Kennedy Round and moving for a new global tariff with the rest of the GATT members was firmly denied in press guidance prepared for the use of the Department and our Missions in the key trading nations.^{7/}

The crisis came to an end late in January 1966 when the French resumed their participation in the Communities

^{6/} Background Paper, "European Integration," for the NATO Ministerial Meeting in Paris, December 14-16, 1965. (SECRET).

^{7/} Department of State Telegram 594 (Circular) of October 11, 1965. (LIMITED OFFICIAL USE).

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following a settlement with the Five based on an "agreement to disagree."

(2) Merger of European Communities Executives

The three European Communities under the terms of the Paris and Rome Treaties were to be administered by separate executive organizations. The executive functions of the ECSC were delegated to a nine-man High Authority, the EEC to a nine-man Commission and Euratom to a five-man Commission. Completing the executive authority were the Councils of Ministers, the members of which represent the governments of the six Member States. The EEC and Euratom Council of Ministers had functioned as a single body from 1958.

Serious discussion began in 1963 to merge the three Communities executives to achieve greater efficiency of operation and savings in costs of administrative support and to strengthen the supranational Commission in its relations with the Member States and the Council of Ministers. Though delayed over issues such as the location of the various Communities institutions including the combined executive,

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the number of members and the composition of the new Commission, problems of ratification and the French-inspired crisis from mid-1965, the Treaty of Brussels establishing a single Council of Ministers and a single Commission of the European Communities was signed on April 8, 1965, was ratified by June 1967 and became effective on July 1, 1967.

European Communities institutional reform is an area of considerable importance to the United States and to its support for and interest in the Communities' political development. Given our stake in the goal of a unified and democratic Europe, decisions on the institutional underpinning of the Communities can have major implications for long-range US policy goals. Nonetheless, this is an area where we have had to hold to the principle that how the Europeans organize their Community is an internal matter where there is no direct US economic interest at play.^{8/}

The United States supported the executive merger process as the first step in a long-sought strengthening and reform

^{8/} US Mission European Communities Brussels Airgram
ECBUS A-635, March 4, 1964. (LIMITED OFFICIAL USE).

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of the structure of the three Communities.^{9/} US interest and support for the merger of the executives and ultimate merger of the three Communities treaties (which the Communities hope to complete by mid-1970) was more than just academic. We believed the establishment of a single Executive would confront us with a Community spokesman having far greater authority and international prestige than even the present EEC Commission. On balance, we felt, this would be a positive rather than an adverse factor, for experience has shown the Executives to be in general more internationally minded and imbued with concern for the over-all Community interest than the Member States either singly or collectively. From the practical standpoint we believed our relations with the Communities would also be simplified by having to deal with only one Executive rather than three as at present. Both merger of the Executives and a strengthening of the role of the European Parliament, we felt, would reinforce the present supranational character of the Communities and would

^{9/} Information Memorandum, Deputy Assistant Secretary Richard H. Davis to Secretary Rusk, March 16, 1965. (UNCLASSIFIED).

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thus be consonant with the aims of a long-standing US support for the European integration movement.^{10/}

(3) The European Parliament

The European Parliament -- designated the "Assembly" in the Treaties of Rome and Paris -- has from 1958 been common to all three Communities. Although lacking the attributes of a parliament in the contemporary Western European sense (it officially designated itself the "European Parliament" in March 1962), the Parliament plays a useful role in the total European Communities' decision-making process. Its 142 members are delegates from the six national parliaments, each member-country's delegation being weighted according to the country's size and importance. The members are seated by political orientation rather than by nationality. They are chosen by each national parliament on a roughly proportional basis except that the Communists, because of their original opposition to the Communities, have been traditionally excluded. The Parliament reviews,

^{10/} Information Memoranda, Assistant Secretary John M. Leddy to Secretary Rusk, June 7, 1967 and July 7, 1967 (LIMITED OFFICIAL USE); INR Research Memorandum REU-48, June 29, 1963 (CONFIDENTIAL).

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influences and reports on developments but does not control the work of the Communities. It does, however, have the power -- never invoked -- to force the resignation of the European Commission on a vote of no confidence and must be consulted on a broad spectrum of Communities initiatives. It meets approximately every 40 days in Strasbourg and has a permanent secretariat in Luxembourg.

Recognizing from our own experience and the lessons of the world's many parliamentary governments that legislative assemblies tend to accumulate political power, the United States has looked upon the European Parliament as a potentially important vehicle for progress toward European unity. Because the Assembly has no direct popular base, however, its importance thus far has been more potential than real. The Rome Treaties of 1957 included a provision that proposals should be made for the future convocation of a directly elected parliament. It is a matter of regret for the United States that progress has not been achieved toward this goal, though we recognize that this is an internal matter for the Europeans themselves to decide.

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Despite the European Parliament's limited power, we have, nevertheless, tried to enhance its status through high level contacts. The first of these was the visit of Parliament President Gaetano Martino to the United States in late 1963. Martino was received by President Kennedy, the then Vice President Johnson, and other Cabinet level officials, thereby setting the pattern and level of reception for such subsequent visits as would follow. After the election of Jean Duvieusart as President in March 1964 efforts were made to arrange a United States visit for him, but failing assurance of a high level reception for Duvieusart in the United States the visit did not materialize.^{11/} Instead, in July 1964 Mario Pedini, European Parliament rapporteur for Euratom, made a very successful official visit to the United States to discuss nuclear energy matters with the Congress and various high-level executive branch officials.

^{11/} Letter, May 26, 1964, Deane R. Hinton to Russell Fessenden, USEC/Brussels. (LIMITED OFFICIAL USE); Letter, June 5, 1964, Russell Fessenden to Deane R. Hinton, EUR/RPE. (LIMITED OFFICIAL USE).

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In September 1964, President Alain Poher and twelve senior European Parliamentarians paid an official visit to Washington at the invitation of the Vice President.^{12/} The delegation was received by the President in a special picture-taking session and was honored at a Blair House reception hosted by the Vice President. Poher and his associates visited Cape Kennedy, met with members of the House Foreign Affairs and Senate Foreign Relations Committees, and received a high-level State Department briefing during the course of their stay.

The visit was genuinely regarded by the European Parliament and by US Government officials involved as the most successful exchange to date with the Parliament.^{13/}

Inspired by the visit, another large delegation from the Parliament -- President Poher and 15 members -- journeyed

^{12/} Department of State Telegram 175043, April 13, 1967 (LIMITED OFFICIAL USE).

^{13/} Letters to the Vice President and Secretary Rusk from President Poher, October 5, 1967; Letter from Ambassador Schaetzel to the Vice President dated October 6, 1967; Brussels Airgram ECBUS A-207, October 23, 1967 (UNCLASSIFIED).

to Chicago in January 1968 to attend a conference on US-European relations (Chicago Round Table) sponsored by the Association for European Studies and the Adlai Stevenson Institute. At that meeting, Poher reiterated the Parliament's strong interest in developing ways and means of reinforcing contacts with American Congressmen, both during their visits to Europe for other business and when European Parliamentarians visit the United States.^{14/} An informal system to arrange such visits was subsequently established between the Department of State, the US Mission to the European Communities and the Parliament Secretariat.

b. Enlargement of the European Communities

(1) United Kingdom

In 1961, after more than a decade of standing apart from Europe's efforts to unite, the United Kingdom announced its intention to apply for Common Market membership. This

^{14/} From Brussels, Telegram 3888, January 5, 1968 (UNCLASSIFIED); Memorandum of Conversation, May 15, 1968, Alain Poher and Ambassador Schaetzel (LIMITED OFFICIAL USE).

historic change in the direction of British policy came about when Britain recognized that loose economic arrangements, such as those embodied in the European Free Trade Association, simply could not match the economic achievements of the Common Market. The negotiations for British entry, however, which began so auspiciously in November 1961, abruptly ended in January 1963, when General de Gaulle exercised his first veto.

This was the situation when President Johnson took office in November 1963. The United States had strongly favored British membership, viewing it as essential to the continued development of Europe and to the building of an effective Atlantic partnership. We considered the French veto a serious setback for European unification.

Following the French veto, various interim measures were proposed, including UK associate membership and trade ties between EFTA and the EEC. The State Department opposed both schemes on the grounds that they would discriminate against our exports without the compensatory political

benefits of enhanced European unity.^{15/}

By early 1966 there were signs within the British Government of renewed interest in Common Market membership. In memorandum to Secretary Rusk, January 26, 1966, the Bureau of European Affairs recommended that the Secretary encourage the British Foreign Secretary if he found the latter seriously interested in EEC membership and willing to accept its political goals and institutional mechanisms. On the other hand, the memorandum recommended that Foreign Secretary Stewart should be reminded of our long-standing opposition to discriminatory European trading arrangements without compensating political benefits if he should be thinking of fundamentally new arrangements that would dilute the political content of the Treaty of Rome.^{16/}

The Economic Bureau of the Department, however, entered

^{15/} Position Paper for the March 29-30, 1965 visit of EC Commissioner Jean Rey (LIMITED OFFICIAL USE); and Position Paper for the December 15-19, 1965 visit of Prime Minister Wilson, WMP/BP-15, December 13, 1965 (SECRET).

^{16/} Memorandum, Assistant Secretary Leddy to the Secretary, January 26, 1966 (LIMITED OFFICIAL USE).

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a partial dissent to this memorandum because it believed that early UK entry could endanger the chances of concluding the Kennedy Round before the expiration of the negotiating authority on June 30, 1967.^{17/} E/OT recommended that our encouragement contain a caveat that we would prefer to see this matter held in abeyance until the completion of the Kennedy Round.

In a luncheon conversation with Norwegian representatives in mid-February 1966, EUR took cognizance of E's point. EUR's analysis as given to the Norwegians was telegraphed to several major European posts.^{18/} It noted that we believed the British, while moving in the direction of the EEC, were aware of the importance of the Kennedy Round. The analysis also concluded that the Kennedy Round would facilitate eventual UK membership by lessening any adverse economic effects on the Commonwealth and on the EFTA neutrals.

^{17/} Memorandum, E/OT (Julius Katz) to EUR/RPE
(Deane R. Hinton), February 7, 1966 (CONFIDENTIAL).

^{18/} Department of State Telegram 2078 to Bonn et al,
February 21, 1966 (LIMITED OFFICIAL USE).

Just prior to Prime Minister Wilson's July 29, 1966 visit to Washington, the Department considered the possibility of recommending that the President urge Wilson to announce British willingness to sign the Treaty of Rome and accept the legislation enacted by the Community in the seven and a half years of its existence. After examining the complex issues involved, EUR and E reached several conclusions, among which were the following: 1) there are advantages in reiterating at the highest level our view that Britain's future lies in Europe, 2) the Prime Minister would probably reply that his present course of probing for an opening while protecting his negotiating position is best, 3) if the UK did make a direct bid for entry, there would be another French veto, and 4) initiation of serious negotiations before the Kennedy Round was concluded could be the death knell of that enterprise.^{19/} A Presidential argument was not recommended.

^{19/} Memorandum to the Under Secretary from E - Assistant Secretary Solomon and EUR - Deputy Assistant Secretary Stoessel, July 19, 1966 (SECRET).

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In his major foreign policy speech of October 7, 1966, however, President Johnson said, "We look forward to the expansion and further strengthening of the European Community... The outlines of a new Europe are clearly discernible. It is a stronger, increasingly united but open Europe - with Great Britain a part of it - and with close ties to America."

A Background Paper prepared a few days later for the October 14, 1966 visit of Foreign Secretary George Brown stressed our strong support of early British entry and our opposition to any free trade area alternative because the latter would not be in accord with our interest in achieving multilateral reductions to trade barriers in the Kennedy Round, nor in accord with our policy of encouraging a strong, unified Europe.^{20/}

Prime Minister Wilson's November 10, 1966 announcement that the UK would seek EEC membership was treated by the United States in low key in order not to complicate Britain's

^{20/} Background Paper, "UK Policy Toward EEC,"
October 10, 1966 (LIMITED OFFICIAL USE).

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efforts. We instructed US Missions in Europe to say, if asked, that "the US views on this are well known and they were most recently expressed in the President's speech of October 7." ^{21/}

Subsequently, the European Bureau drafted and sent to our major posts in Western Europe basic policy guidance with instructions not to propagandize for UK entry but to use opportunities as they arose to state our position quietly and dispassionately. ^{22/}

Despite our strong support for British entry we continued to be concerned over the possible danger to the Kennedy Round of an early British application. We suggested to the British on March 2, 1967 that any formal application should wait until after April 30, 1967, the expected date for completion of the substantive Kennedy Round negotiations. We subsequently suggested in a message to the London, Geneva and EC Capitals that late June would be a more prudent date. ^{23/}

^{21/} Department of State Telegram 83313 to Bern et al, November 10, 1966 (LIMITED OFFICIAL USE).

^{22/} Department of State Telegram 131558 to Bonn et al, February 3, 1967 (CONFIDENTIAL).

^{23/} Department of State Telegram 149980, March 7, 1967 (CONFIDENTIAL).

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Prime Minister Wilson's statement on May 2, 1967 that Britain would apply for membership was likewise treated by the United States in low key. In a message to the major European posts, we recalled the guidance in Telegram 131558 of February 3, 1967, noted with approval Wilson's stress on the United Kingdom's political goals in a united Europe, and instructed the addressees to treat the UK decision in a low, unemotional key so as to attract minimum diplomatic or public attention to the US position. If asked about the relation of the UK bid to the Kennedy Round, posts were instructed to reply that the United States saw no reason to believe there was or should be any direct relation between the need for the urgent conclusion of the Kennedy Round and the longer term prospects for negotiations on British entry.^{24/}

Asked to comment on the British application at the May 11 State Department press briefing, the Department's

^{24/} Department of State Telegram 186605, May 2, 1967 (CONFIDENTIAL).

spokesman stated that the application was a matter between the UK and the Six and that we wished Britain well in its venture. 25/

While the British application for membership was "unconditional," Britain was clearly concerned with safeguarding Commonwealth interests. In his July 4, 1967 speech to the Western European Union, Foreign Secretary Brown cited the various subjects which Britain felt would have to be discussed during negotiations. The British legal commitment under the Commonwealth Sugar Agreement and the special problem of New Zealand agriculture were singled out as two problems that would have to be worked out. He also expressed the hope that associate status or special trading arrangements would be offered to the independent Commonwealth countries in Africa and the Caribbean.

US opposition to association agreements and other preferential arrangements had been spelled out in two Department of State messages to the field in January and

25/ Department of State Telegram 192583, May 11, 1967 (UNCLASSIFIED).

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May of 1967.^{26/} Simply stated, our policy was to oppose all new Common Market associations except those with European countries leading to full Common Market membership within a reasonable period of time, and to urge the adoption of a system of generalized preferences by all developed countries for the benefit of all underdeveloped countries. Embassy London, following Brown's WEU speech, was instructed to reiterate our position to the British Government.^{27/}

The British responded to these demarches in an aide memoire delivered to the Department by the British Embassy on November 28, 1967.^{28/} In it, the British on political and economic grounds defended their position of seeking associate membership or special arrangements for the independent Commonwealth countries of Africa and the Caribbean. The British asked that we either review our policy or at

^{26/} Department of State Circular Airgram CA-5638 to most diplomatic posts in Africa, Western Europe and Latin America, January 30, 1967 (LIMITED OFFICIAL USE), and Telegram 204924 to the same addressees, May 30, 1967 (LIMITED OFFICIAL USE).

^{27/} Department of State Telegram 19481 to London, August 11, 1967 (CONFIDENTIAL).

^{28/} The text of the aide memoire is contained in CA-3853, November 28, 1967 (CONFIDENTIAL).

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least refrain from renewing our representations while British membership was under active consideration among the EC Governments.

General de Gaulle's November 27, 1967 veto rendered the question academic, at least for the time being, and the Department did not respond to the aide memoire.

Following this second French veto, widely divergent proposals were advanced by the Germans and by the Benelux states to bring the UK and the Communities closer together.

The Germans proposed a UK-EC commercial agreement. The US reaction to this proposal was negative. We instructed our Embassy in Bonn to inform the Germans that an arrangement which did not envisage full membership by a specific early date would be a free trade area discriminating against American exports without the compensating benefits of furthering greater political unification in Europe which we continued to favor. We pointed out that such a discriminatory arrangement would be especially difficult for the Administration at a time when protectionist sentiment was rampant in Congress and when our balance of payments was in

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the limelight of public attention.^{29/} Other major West European posts were asked discreetly to make this position known to their host governments as suitable opportunities arose.^{30/}

An entirely different approach to bringing Britain closer to the Communities was advanced by the Benelux countries. Their proposals call for consultations between the Six and the applicants to facilitate rapprochement and avoid the growth of disparities; common action by those states desiring it in fields not covered by the EC Treaties (e.g. military procurement, science and technology and aid to LDC's); and political cooperation among member and non-member states on important questions of foreign policy. The Benelux plan posed no difficulties for the United States, although, in keeping with our policy of treating British membership as a matter for the Communities and the British to work out, we have carefully avoided any public espousal

^{29/} Department of State Telegram 99062 to Bonn, January 16, 1968 (SECRET).

^{30/} Department of State Telegram 114292 to Brussels et al, February 13, 1968 (CONFIDENTIAL).

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of the Benelux proposals.

(2) Denmark, Norway and Ireland

Closely parallel to the British application for membership in the European Communities have been the applications of Denmark, Norway and Ireland. Like the British, all three asked for full membership in 1961 and renewed their applications in 1967. Because of their close economic ties with Great Britain, the prospects for their applications have risen and fallen with the fortunes of the British application.

As with Britain, the United States strongly favored the entry of these three European democracies into the European Communities. In our policy formulation, we have treated their applications and that of Great Britain as a common effort.

(3) The Neutrals - Austria, Switzerland and Sweden

Austria, Switzerland and Sweden applied in 1961 for associate membership in the European Communities. All three took the position that full membership would be inconsistent with their neutrality. Sweden and Switzerland, after the

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veto of the British application in 1963, let their applications lie dormant. Austria, however, with the acquiescence of its EFTA partners, announced that it would continue to seek association by itself. For a variety of reasons, however, including French reluctance to move ahead with negotiations, Austria made no progress with its application. In 1968 the major obstacle was Italy, which refused to agree to giving the Commission a negotiating mandate so long as extremist activity continued in the South Tyrol.

Sweden during the summer of 1967 restated its interest in establishing a formal relationship with the Communities. It did not, however, state whether it was seeking associate membership or some other arrangement. Switzerland remained quietly on the sidelines after the revival of Britain's membership bid. The Swiss noted that their 1961 application for membership was still pending, but beyond that they did not become involved in the more recent events.

In line with US policy, the United States' attitude toward the Swiss and Swedish applications was clearly negative. We maintained that their neutrality was a matter

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of national policy and could be abandoned if they so chose. We therefore felt that since they were in no way prevented from seeking full membership, an exception to our firm stand against EC association arrangements would not be justified.

Austria on the other hand was a special case. We recognized that Austria was practically precluded from full membership by virtue of the provisions of the State Treaty, and thus we did not oppose Austrian association with the EC provided deviations from GATT Article XXIV were kept to a minimum.^{31/} This meant in effect that we would want any association arrangement to be as close to a complete customs union as possible, i.e., one that would cover virtually all products traded between the two.

The Austrian Government, of course, was aware of this position. During his visit to Washington in November 1965, Chancellor Klaus was assured by Assistant Secretary of State

^{31/} Department of State Circular Airgram CA-5638 to most diplomatic posts in Africa, Western Europe and Latin America, January 30, 1967 (LIMITED OFFICIAL USE).

Leddy that we viewed the Austrian problem as a special one and were sympathetic to an association arrangement between Austria and the EC.^{32/}

While this US position was maintained undiluted, the United States, nevertheless, felt that the progressive lowering of tariff barriers through the Kennedy Round should go a long way toward alleviating Austria's trade problems with the European Communities. We accordingly hoped that Austria might find that the Kennedy Round had reduced its commercial difficulties to the point where they could be satisfied through an MFN commercial arrangement with the European Communities.^{33/}

c. Development of US Relations with the European Communities

The United States has maintained a diplomatic mission to the European Communities in Brussels headed by an Ambassador

^{32/} Memorandum of Conversation, Klaus-Leddy, November 29, 1965 (CONFIDENTIAL).

^{33/} Background Paper "Austria and the European Communities" prepared for the April 1968 visit of Austrian Chancellor Klaus, S/S No. CKV B-3, April 2, 1968 (LIMITED OFFICIAL USE).

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from the early days of the Communities. Our decision to establish this Mission was based both on our desire to enhance the status of the Communities as the nucleus of European unity and on our recognition that our economic interests necessitated a channel for close diplomatic relations. More than seventy other states also have diplomatic missions accredited to the European Communities.

Because of French objections, the European Communities have been unable to establish a diplomatic mission in Washington. They have nevertheless a Liaison Office which answers to the EC Directorate General for Foreign Relations and Information Offices in Washington and New York which come under the EC Spokesman's Office. Foreign nationals employed by these offices, at the request of the Department of State, are now granted diplomatic status for visa, tax and customs purposes.

In addition to the usual diplomatic contacts, the United States has pressed for the closest possible ties through consultations on particular issues. Throughout the years of the Johnson Administration, US officials have

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travelled to Brussels and EC officials have come to Washington to discuss problems ranging from the Kennedy Round, agriculture, monetary reform and balance of payments difficulties to nuclear fuel supply, inspection of nuclear facilities and cooperation in nuclear research. Such meetings have been fruitful both to the United States and to the European Communities, and the United States has made clear on numerous occasions its desire to continue and increase these valuable contacts.

US-EC ties have been further cemented by two presidential visits to Washington: that of EEC President Walter Hallstein in March 1965 and that of EC President Jean Rey in February 1968. Hallstein's visit afforded an opportunity to discuss with him the Kennedy Round, our strong interest in expanding peaceful trade with Eastern Europe and the Soviets, our determination to fix our balance of payments, and our desire to continue working for constructive arrangements to prevent the proliferation of nuclear weapons. All of these matters were discussed during Hallstein's meeting with President Johnson.^{34/}

^{34/} Memorandum of conversation, President Johnson and Walter Hallstein, March 19, 1965 (SECRET).

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President Johnson reassured President Hallstein in private that the United States continues to be committed to the goal of European integration. This assurance was also repeated in the public Joint Communique, drafted in the Department, that was issued following their meeting. President Hallstein received similar expressions of US support for European unity from Vice President Humphrey, Governor Harriman and others.^{35/}

President Rey's visit early in 1968 came in the wake of our balance of payments crisis and provided a timely opportunity to press for EC assistance, which we ultimately obtained. Other major issues discussed were the rise of protectionist sentiment in Congress and the Non-Proliferation Treaty. During his visit, Rey and the members of his party met as a group with American sub-cabinet level officials. The purpose of this meeting was to obtain an integrated and

^{35/} Ibid.; also text of Joint Communique, Department of State Bulletin, April 5, 1965, pp. 491-492; Memorandum of Conversation, Vice President Humphrey and Walter Hallstein, March 18, 1965 (SECRET); and Memorandum of Conversation, Governor Harriman and Walter Hallstein, March 17, 1965 (CONFIDENTIAL).

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rounded discussion of the economic inter-relationship of the United States and Europe, focusing on international payments equilibrium, and to lay the groundwork for future high level consultations as needed.^{36/}

President Johnson in his conversation with Rey again reaffirmed our support for the unity of Western Europe. In the Joint Statement, drafted in the Department, the President and Mr. Rey confirmed their belief in the need for continued progress toward the unity of Europe, and the President reaffirmed the support of the United States for the progress of the European Communities.^{37/}

US-EC relations have been advanced by our many public expressions of support for European unity and Atlantic partnership. The President, the Vice President, the Secretary of State, the Under Secretary and others have reaffirmed time and time again our belief that European unity

^{36/} Scope Paper for the Rey Visit, February 7-8, 1968 (CONFIDENTIAL).

^{37/} Memorandum of Conversation, President Johnson and Mr. Rey, February 7, 1968 (CONFIDENTIAL); text of Joint Statement, Department of State Bulletin, March 4, 1968, p. 319 (UNCLASSIFIED).

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is a key to Western strength. Perhaps the most notable public statement of this position during the Johnson Administration was the President's address before the National Conference of Editorial Writers in New York on October 7, 1966, when he declared that a basic task of American foreign policy was the vigorous pursuit of further unity in the West. A united Western Europe, he said, could be our equal partner in helping to build a peaceful and just world order, could move more confidently in peaceful initiatives toward the East and could provide a framework within which a unified Germany could be a full partner without arousing fears. He went on to say that the outlines of the new Europe were clearly discernible, a stronger, increasingly united but open Europe - with Great Britain a part of it - and with close ties to America. He pledged America's best efforts to support the movement toward Western European unity.

This address, in which the President sought to build bridges between Eastern and Western Europe, made clear that Western European unity would enhance the possibilities for the far-reaching improvement in East-West relations so much desired by Americans and by the peoples of Western Europe.

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d. Development of US-EC Relations

(1) The United States and the EEC in the Kennedy Round*

For five years -- 1962-67 -- US economic relations with Europe were dominated by the Kennedy Round trade negotiations. The period saw the emergence of the European Communities as a nearly-completed customs union and as a recognized full-fledged participant in international trade negotiations.

The origins of the Kennedy Round were closely related to the formation of the Common Market, as the United States adopted the Trade Expansion Act of 1962 largely to lay the basis for limiting the discrimination against the United States inherent in the formation of the customs union. In addition, the terms of the Trade Expansion Act were designed to encourage the expansion of the European Economic Community (EEC) by the inclusion of Great Britain.

*For an overall account of the Kennedy Round, see Chapter IX, Part A.

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As it worked out, the United States and the EEC held the center of the stage throughout the Geneva negotiations. The main disputes over both procedure and substance were between the United States and the EEC. So were the central negotiations on which the success or failure of the Kennedy Round hinged. The timing of Kennedy Round progress repeatedly depended on the EEC's ability to resolve its internal problems. The final signature (by no coincidence) took place within hours of the expiration of the US law. Implementation of the cuts was in five annual stages to reflect the terms of the TEA, with an alternative to accommodate the EEC. As a postscript, the trade problems remaining among industrialized countries that threatened the world trading system were principally those involving the United States and the EEC.

The initial disputes were over the rules of the negotiation. The US law included authority for across-the-board 50 percent cuts partly because Europeans had earlier proposed such an approach, but the EEC and others were in 1962-63

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unwilling to accept it without qualification.

The main qualification concerned "disparities" -- the claim that a 50 percent reduction of a high duty level was worth less than a 50 percent reduction of a low duty level, because the remaining protective effect (and future bargaining leverage) could be substantial in the case of the former country and nil in the case of the latter. The EEC, largely under French inspiration, proposed that where the disparity was great the low duty on an item be cut less than the high duty on that item. The dispute reached its peak at the GATT ministerial meeting of May 1963, when, although no automatic formula was agreed, the United States concurred in a resolution that the negotiations should be based on a plan of substantial, equal linear reductions with a bare minimum of exceptions, and that there should be special rules of general and automatic application to cover disparities.^{1/} The resolution left for later decision the

^{1/} Document GATT/794, May 29, 1963, "Conclusions and Resolutions Adopted at Meeting of Ministers, May 21, 1963." US views were put forward in GATT document Spec(63)58 of April 24, 1963.

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development of the special disparities rules, as well as the depth of tariff reductions and the rules for exceptions.

In fact, no rules on disparities were ever agreed. Formulas were proposed by both the EEC and the United States, but none gained general approval.^{2/} The issue waxed and waned until near the end of the negotiation, but it was not until the end of March 1967 that the EEC finally produced a list of disparities that it claimed.^{3/} By the time of the basic agreements six weeks later, the whole disparities issue had been submerged under a variety of factors: the allowance for disparities implicitly contained in the separate agreement on chemicals, the elimination of disparity claims where third countries (e.g., Switzerland) were the principal suppliers, and the fact that, because it was impossible to measure benefits precisely, disparity credits and debits were swamped in the calculation of overall benefits in the final agreement. Thus did an issue over which much heat had been

^{2/} See Draft Memorandum "The Disparity Issue," by E. H. Preeg, dated December 11, 1963 (LIMITED OFFICIAL USE).

^{3/} Preeg-Blumenthal memorandum dated April 3, 1967 (CONFIDENTIAL).

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generated disappear, not with a bang but a whimper.

The experience with the American selling price issue (ASP) was very different. Throughout the negotiations the Europeans (and others) complained that the ASP system (by which ad valorem duties on certain products, principally chemicals, were calculated on the basis of domestic prices rather than the prices of the imported competing products) was inconsistent with GATT and created damaging uncertainties in the trade it affected.

While ASP affected only a relatively small portion of total US chemical imports, the ASP issue acquired a psychological and political importance in the negotiations far beyond its economic significance. For the EEC and the UK it became a test of US willingness to reduce trade barriers (particularly non-tariff barriers) in the Kennedy Round. By the beginning of 1966 it was clear that EEC and UK political sensitivity on this issue would in all likelihood lead to the exclusion of the chemical sector from the Kennedy Round

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if the ASP issue was not resolved.^{4/}

ASP was also politically sensitive for the United States, since the President, under the Trade Expansion Act, did not have authority to eliminate ASP without Congressional approval. In addition, elimination of ASP would be going beyond the already unprecedented US offer to reduce by 50 percent the duties on virtually all chemical products and, therefore, require additional concessions from the EEC and the UK. In order to resolve the ASP dilemma the United States on May 3, 1966, offered (1) to negotiate on all chemical products in the Kennedy Round under normal procedures and (2) to negotiate separately on the elimination of ASP, subject to Congressional approval, based on the conversion of current ASP rates to equivalent rates calculated under normal customs valuation methods. These latter rates would then be subject to reduction based on equivalent concessions, including the elimination of some non-tariff

^{4/} From Brussels, Airgram ECBUS A-88, August 13, 1966 (LIMITED OFFICIAL USE).

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barriers, from the others.

This was the basis on which the ASP issue was finally resolved, but it was not until the very end of the negotiation in May 1967 that the elements of the separate package including ASP elimination were agreed. The EEC, not unreasonably, felt that it should put a large area of concessions in the separate ASP package to give Congress a good reason to pass the necessary legislation. The US negotiators, on the other hand, recalling the Congressional uproar over the Canadian-US automotive products agreement, argued that Congress would interpret an unbalanced package as pressure and balk at it. The final result was a relatively small separate package, including ASP elimination and reduction of exceptionally high chemicals duties on the US side, and the completion of certain concessions on chemicals along with the elimination of some non-tariff barriers by the Europeans.

The United States had consistently taken the position that both the agriculture and the industrial sectors would

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have to be included in the Kennedy Round. We hoped, moreover, that negotiations in these sectors would move ahead at roughly the same pace. That this did not prove to be the case was due in large measure to the fact that throughout much of the agriculture negotiations the EEC member states were concurrently struggling to reach agreement on a Common Agriculture Policy (CAP). At the political level this involved a search for balance within the EEC between French and German interests in which France took a position that its commitment to the EEC and to the Kennedy Round hinged on agreement on a CAP. The Bureau of European Affairs believed that our tactics in the Kennedy Round agriculture negotiations affected this issue and could be used to strengthen the hand of the positive elements within the EC.

In the absence of a Common Agricultural Policy, the EEC was unable in 1964 to reach agreement with the United States on the rules for conducting the Kennedy Round agriculture negotiations and was prevented from tabling its agriculture exceptions on November 16, 1964 as scheduled.

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Agreement by the EEC in December 1964, however, on a Common Agricultural Policy for grains did permit the tabling of proposals for a world cereals agreement in May 1965. The political crisis in the EEC in 1965-66, partly over the question of agriculture financing, prevented the EEC from tabling meaningful agriculture offers in September 1965. This created a dilemma for the United States, since to table agriculture offers without waiting for the EEC to do so would mean a loss of some negotiating advantage. On the other hand, failure on the part of the United States to table full or even partial agriculture offers on schedule would have delayed further progress in the Kennedy Round, possibly resulting in only a limited agriculture agreement, or in no agreement at all. In order to maintain pressure on the EEC and momentum in the Kennedy Round, the United States decided to table full US agriculture offers on schedule, it being understood that the EEC would table its offers at an early date. Others declared their intention to make appropriate withdrawals, if the EEC offers were unsatisfactory.

With the tabling of the EEC's agriculture offers, it

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became evident in the US-EEC bilateral discussions throughout 1966-67 that any agricultural agreement would be minimal, with the possible exception of a grains agreement. The United States concluded that (a) the industrial sector within itself contained sufficient balance and enough of substantial benefit to be a success and, (b) a minimal agricultural agreement could be presented as progress to meet the US presentational problem if it was accompanied by a grains agreement which furthered US access to commercial markets.

Attention shifted late in the Kennedy Round to seeking a formula in the grains agreement which would provide the United States with an access commitment from the EEC. An EEC proposal to bind the level of its internal support and border protection relative to an agreed international reference price at a level (the MDS or margin of support concept), which it claimed would limit EC grain production, was unacceptable to the United States since it offered insufficient guarantees on production controls. An offer by the EEC to bind its self-sufficiency ratio (SSR) under the

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grains agreement was also considered. However, the EEC refused to accept a level of self-sufficiency which limited the share of its domestic market reserved for EEC production to an acceptable level. In the end, agreement was reached on a separate food aid convention as a companion to the grains agreement. The commitment of the EEC under the food aid convention for noncommercial exports of over one million tons was the best which the United States was able to obtain in guaranteeing a minimum level of EEC imports.

From the beginning of the negotiation, it was generally agreed that an agreement would have to be reached in time for signature by June 30, 1967, the date of the expiration of the President's authority under the Trade Expansion Act. The pressure for agreement, therefore, built up slowly. Progress was made with the tabling of the industrial exceptions list on November 6, 1964, but it was seriously hampered by the crisis that overtook the EEC from the French walkout of July 1965 until the Luxembourg meeting in January 1966.

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EEC inability to make agricultural offers on September 16 led to a debate within the US Government. The Department of Agriculture felt we would be putting ourselves in a dangerously disadvantageous negotiating situation if we tabled our agricultural offers before the EEC, while the Department of State and others argued the importance of maintaining momentum in the negotiations by tabling offers (conditional on EEC offers at a subsequent date).^{5/} The United States and all other principal participants in the negotiations except the EEC tabled their offers on schedule.^{6/}

Through the period of the EEC crisis, talks continued with the EEC negotiators, but they were limited to the technical level and only very limited progress was made.^{7/}

Events subsequent to the Luxembourg agreement allowed

^{5/} See memorandum from Secretary Freeman to the President, August 9, 1965; and memorandum from Assistant Secretary Solomon to Secretary Rusk, August 10, 1965 (both CONFIDENTIAL).

^{6/} Airgram TAGG A-574, October 7, 1965 (CONFIDENTIAL).

^{7/} Airgram TAGG A-583, October 16, 1965 (CONFIDENTIAL).

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negotiations to resume gradually, but it took some time for momentum to be resumed.^{8/}

As the negotiations continued through 1966, the United States negotiators became increasingly concerned that the EEC and others were planning to utilize the pressure of the June 30 deadline to extract last-minute concessions from the United States, believing the great US interest in the success of the Kennedy Round would prevent it from allowing the negotiations to fail. The United States therefore set February-March 1967 as the latest time for initialling a final agreement^{9/} and made it very clear that the United States would not be so pressured. On the other hand, within the US Government there was also some concern that preoccupation with a deadline could lead to the withdrawal of offers and acceptance of a lower level of advantages. For its part,

^{8/} From Geneva, Telegram TAGG 3818, February 10, 1966 (CONFIDENTIAL).

^{9/} Department of State Circular Telegram 1149, December 15, 1965 (LIMITED OFFICIAL USE).

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the EEC aimed at April 30 to May 15 as the real deadline, an estimate that proved remarkably accurate.^{10/}

When March arrived, the most difficult substantive problems with the EEC remained to be resolved -- the grains arrangement, other agricultural concessions, chemicals and ASP, and the disparities issue. Successive meetings of the EEC Council and continuous sessions in Geneva failed to lead to agreement. The US negotiators proposed that member countries send ministers to Geneva for a final negotiating session; the Bureau of European Affairs opposed this suggestion on the grounds that success was more likely through the Commission negotiators than with six country representatives. In the face of opposition of the EEC, the United Kingdom, the GATT Director-General and others, the United States withdrew the proposal.^{11/} Finally, the EEC at its May 10-11 meeting gave a more flexible mandate to its

^{10/} From Brussels, Telegram 4507, March 10, 1967 (LIMITED OFFICIAL USE).

^{11/} From Geneva, Telegram 3529, May 7, 1965 (CONFIDENTIAL).

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negotiators.^{12/} After three days of intensive negotiations, agreement was reached on May 15.^{13/} The EEC Council ratified the agreement on June 26 and it was signed June 30.

The agreement showed that the EEC was now able to negotiate through its Commission on an equal basis with the United States and other countries. The Six had overcome great handicaps -- negotiating on external tariffs while fashioning a common market in industrial and (even more difficult) agricultural products, reconciling the views of six separate governments on sensitive trade issues, negotiating in conditions where the secrecy of mandates was almost impossible.^{14/} In the end, the EEC negotiators were successful because they had earned the confidence of the six member governments and were therefore able to negotiate, in effect, ad referendum. The Commission was strengthened immeasurably by this accomplishment.^{15/}

^{12/} From Brussels, Telegrams 5971, May 11, 1967 (CONFIDENTIAL); and 6004, May 12, 1967 (LIMITED OFFICIAL USE).

^{13/} From Geneva, Telegram 3684, May 16, 1967 (UNCLASSIFIED).

^{14/} From Brussels, Telegram 5261, April 12, 1967 (CONFIDENTIAL).

^{15/} From Brussels, Airgram ECBUS A-633, June 26, 1967 (LIMITED OFFICIAL USE).

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(2) Post-Kennedy Round US/EC Agricultural Problems

By the early 1960's it had become evident that the Common Agriculture Policy of the European Communities (EC) would, if allowed to progress along its current path, bring US and European Community agricultural policies increasingly into conflict. During the Kennedy Round, we felt that a possible agricultural trade war (of mounting export subsidies and import restrictions) could well wreck the Kennedy Round. Therefore the Department of State did everything possible to avoid such a conflict.

We tried to influence the Common Agricultural Policy favorably through the final Kennedy Round decision. This did not work out.

After the completion of the Kennedy Round it became increasingly obvious that the developing Common Agricultural Policy would result in increased European production, reduced imports for most products and increased competition for third countries on other markets from subsidized EC

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efforts.

Problems arose in the fields of poultry, lard, feed grains, dairy products, canned hams, canned tomatoes, alfalfa, canned fruit, and pesticides, among others.^{1/} The Department's Bureau of European Affairs urged that the growing risk of an EC/US confrontation be met by (a) US/EC consultations on these matters, working toward agreement on immediate problems in bilateral or multilateral forums, and (b) avoidance of precipitate actions while we tried to work out a long-term solution to the basic incompatibility between the Common Agricultural Policy and US interests.

The first serious problem to arise was that of canned hams. US producers had requested the Treasury to institute counter-vailing duties against Dutch exports of canned hams which received export payments authorized by the European Communities.^{2/} The case was ambiguous, (a) since this

1/ Memorandum from John Ray, EUR/RPE to Abraham Katz, EUR/RPE of June 12, 1968 (LIMITED OFFICIAL USE).

2/ Department of State Telegram 46595, September 3, 1967 (LIMITED OFFICIAL USE).

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subsidy had been in effect when the United States gave the European Communities a duty binding in the Kennedy Round (would we thus be violating a GATT binding?) and (b) since part of the current payment consisted of a duty drawback ^{3/} (was this thus an allowable payment and not a subsidy?)

The dispute over canned hams thus raised the possibility of an immediate countervailing duty war between the United States and the EC. ^{4/}

The Bureau of European Affairs developed the State Department position with which, after considerable debate, the Department of Agriculture agreed, that we propose generalized discussions with the EC on both the existence of export aids and on legitimate levels of export aids. The Department of Agriculture's position had been that all export aids

^{3/} (a) Memorandum from John Ray, EUR/RPE to Abraham Katz, EUR/RPE of February 5, 1968, and (b) Memorandum from Stephen Rogers, EUR/RPE to Abraham Katz, EUR/RPE, Para 5, of February 7, 1968 (both LIMITED OFFICIAL USE).

^{4/} From Brussels, Telegram 2433, October 24, 1967 (LIMITED OFFICIAL USE).

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should be eliminated.^{5/} The US Government offered to discuss the canned ham problem and the general problem of aids to exports with the Community. The Commission responded positively ^{6/} and proposed to discuss this in the countervailing duty working party to be established in the GATT. However, apparently because of EC fears that the working party would get into areas the EC did not want to discuss, the working party had not been established and GATT discussions of the export aid program had not been held as of summer 1968.

US Customs officials met with the Commission in Brussels in December 1967 and discussed the technical side of the US countervailing duty problem.^{7/}

^{5/} Department of State Telegram 64555, October 3, 1967 (LIMITED OFFICIAL USE).

^{6/} From Brussels, Telegram 2685, November 6, 1967 (LIMITED OFFICIAL USE).

^{7/} From Brussels, Telegram 2794, November 10, 1967 (LIMITED OFFICIAL USE).

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The United States again suggested serious US/EC discussions of the export aid/countervailing duty problem during EC Commission President Rey's visit to Washington in February 1968, but neither Rey nor the other members of the Commission responded to this offer.^{8/}

However, the EC was showing some new flexibility. In response to our pressure, representations and the threat of US countervailing duties, the Commission had decided in December 1967 to reduce its export subsidy on canned hams;^{9/} and during the February meetings the Commission offered to reduce similar export subsidies on tomatoes if we would agree to drop our countervailing duty action.^{10/}

In the meantime, a problem had been developing with imports of subsidized canned tomatoes from Italy and France. In February 1968 the Department took advantage of a remark

^{8/} Department of State Telegram 113390, February 10, 1968 (CONFIDENTIAL).

^{9/} From Brussels, Telegram 3573, December 16, 1967 (CONFIDENTIAL)

^{10/} Department of State Telegram 113390, February 10, 1968 (CONFIDENTIAL).

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by Wellenstein of the Commission to our Mission during a discussion of this new problem that the United States and the European Communities were on a collision course ^{11/} to propose once to the EC Commission again that we discuss the general export subsidy problem. ^{12/} Even though the initial response to this offer was limited to agreement to discuss the canned tomato problem where the Department had no negotiating flexibility, ^{13/} we ignored the clear intent of the EC proposal and responded as if this had been an offer for generalized bilateral talks. ^{14/}

The first meeting with the EC Commission took place in Geneva in June ^{15/} and the second in Brussels in September 1968. ^{16/}

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- ^{11/} From Brussels, Telegram 6516, May 14, 1968 (LIMITED OFFICIAL USE).
^{12/} Department of State Telegram 167661, May 2, 1968 (LIMITED OFFICIAL USE).
^{13/} From Brussels, Telegram 6728, May 23, 1968 (LIMITED OFFICIAL USE).
^{14/} Department of State Telegram 173910, May 31, 1968 (LIMITED OFFICIAL USE).
^{15/} From Brussels, Telegram 7226, May 11, 1968 (LIMITED OFFICIAL USE).
^{16/} From Brussels, Telegram 9605, September 28, 1968 (LIMITED OFFICIAL USE).

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While no problems were solved, these consultations appeared to bring about better understanding and some suggestions on how progress might be made. The next such bilateral consultation was set for early December 1968.

In the meantime, Assistant Secretary Solomon had in mid-July suggested to President Rey that we hold high-level discussions of trade in agriculture products.^{17/} Rey's response was favorable.

In addition to the problem of establishing talks, an inter-Departmental position was needed. This was complicated by the fact that our countervailing duty law ^{18/} is mandatory. Hence we must legally countervail against all export subsidies. On the other hand, we knew that the Europeans would not agree to a solution which required them to give up export subsidies. The best we could hope for, in the absence of an agreement to maintain world prices, would be an agreement

^{17/} From Brussels, Telegram 8127, July 18, 1968
(LIMITED OFFICIAL USE).

^{18/} Sec. 303 of Tariff Act of 1930.

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to limit export aids and countervailing duties. Even this would require amendment of the US law, according to which no exports to the United States (unlike exports from the United States) may legally be subsidized.

The Bureau of European Affairs, working with the Office of the Special Representative for Trade Negotiations, developed the idea of going ahead with talks on the export subsidy/countervailing duty problem which became the US position. According to this scenario, when the EC Commission would ask us about agreement on a certain allowable level of subsidies, we would explain our legal situation. We would then ask them what they had to offer to the United States for a change in the US law legalizing some subsidized imports. Thus we would have something which we could take to the Congress in return for a change in the US law.

Hence the Bureau of European Affairs and the Office of the Special Representative for Trade both sought to include in all instructions to Brussels on this subject and all US position papers the phrase "limitation of subsidies" or its

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equivalent rather than calling unequivocally for the elimination of subsidies.^{19/} Hopefully, this would signal to the EC Commission the outline of what we hoped finally to negotiate. In the absence of specific agreement with Congress, we could go no further. We could only hope that the EC Commission would pick up the ball and come back with a negotiable offer.

This is an unfinished story. We have been unable to resolve any of the basic differences between the United States and the European Communities in the field of agricultural trade. In the absence of new broad negotiating authority from the Congress or of a fundamental change in the agricultural policies of the Communities, there is little prospect of such a resolution. Through good will on both sides, certain irritants have been removed and an early collision has been avoided. A system of consultations has been laborously

^{19/} Department of State Telegrams 203133, July 16, 1968; 211215, March 7, 1968; and 161475, May 10, 1968 (all LIMITED OFFICIAL USE).

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created to work on the irritants and to limit the effect of a collision when and if it occurs. Each day new sources of potential trouble arise from these basic differences. How long this state of affairs can continue is unknown.

(3) Trade Relations Between Developed and Developing Countries*

Background - The first UN Conference on Trade and Development (UNCTAD I) in March-April 1964 was marked by considerable division between the United States and the West European countries. The United States was often in a small minority and, on several issues, alone in voting against resolutions pressed by developing countries. A major issue on which the US position differed sharply from that of most other developed countries was on tariff preferences to developing countries, which the United States believed offered benefits more apparent than real.^{1/}

^{1/} Final Act of UN Conference on Trade and Development (E/CONFIDENTIAL 46/L.28) June 16, 1964; Report of the US Delegation to UNCTAD, March 23-June 16, 1964 (LIMITED OFFICIAL USE).

*For a detailed account of US policy development on trade preferences, see Chapter IX, Part C.

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Following UNCTAD I, the United States decided that it should (a) take the lead in more closely coordinating the views of the Western industrialized countries on trade relations with developing countries through the OECD, and (b) undertake to develop positions more responsive to the developing countries' political and economic needs by the time of UNCTAD II (held in 1968).

The Problem of Selective Preferences - Complicating the achievement of these aims was the system of selective (and sometimes reciprocal) preferential trading arrangements between the six nations of the European Communities (EC) and a number of less developed African countries, consisting of dependent territories that were associated with the European Communities under the Rome Treaty. From an economic standpoint, these arrangements tended to erode the commitment of both developed and developing countries to the most-favored-nation principle embodied in the GATT. From a political standpoint, they tended to promote the establishment of spheres of influence and the

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alignment of relations between developed and less developed countries into North-South blocs,^{2/} since discrimination by the European Communities against exports from non-associated developing countries encouraged Latin American countries to seek special trade advantages in the United States market.

The United States thus favored the gradual abolition of selective preferential trading arrangements, whether by the European Communities, the United Kingdom, or other developed countries, and resisted the extension of such preferences to additional countries. We particularly opposed the inclusion of reciprocal preferences (preferences for exports from developed countries in developing countries' markets) in the EC-African agreements, since they

^{2/} US Position Paper on Preferences of LDCs in Markets of Developed Countries (UNCTAD D-3) April 13, 1964 (LIMITED OFFICIAL USE); Department of State Circular Telegram 2065, May 5, 1964 (LIMITED OFFICIAL USE); Department of State Circular Airgram CA-5638, January 30, 1967 (LIMITED OFFICIAL USE).

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(a) directed developing countries' imports from lower to higher-cost sources; (b) implied that developing countries should compensate for aid benefits through trade concessions; and (c) discriminated against other developed countries who were also major aid donors.

In the development of this policy, the Department's Bureau of European Affairs was fully cognizant of the political and economic dangers of the European Communities' selective preferences but recognized also that European and African realities made achievement of our goal possible only through a gradual evolution of relations between the European Communities and its associated developing countries. Development of the US position was also influenced by the view of some parts of the US Government (e.g., the African Bureau of the Department of State) that these special advantages for some less developed countries were essential, at least temporarily, to maintain the economies of the newly independent states and provide a stabilizing influence during a period of transition.

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Reflecting these conflicting interests, the United States acquiesced in the establishment of a special relationship between the European Communities and the former dependent territories of France, Belgium and Italy and in their incorporation in the June 1, 1964 Yaounde Convention with 18 African countries who had gained their independence. These association arrangements provided for both selective and (for most of the African associated countries) reciprocal preferences. Although we maintained our opposition to trade preferences in principle, the long-standing political, economic and defense ties of these African countries with Europe and certain more liberal advantages, particularly in aid obtained through multi-lateralization of former bilateral ties, were special circumstances which, it was felt, justified this policy. In addition, the Yaounde Convention reduced the margin of discrimination against non-associated developing countries and left hope for further erosion of the preferential arrangements when it expired five years later. The United States, however, did not consider that the arrangements

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were consistent with the GATT rules and continued to maintain that they must be temporary.

Fears that conclusion of the Yaounde Convention would lead to efforts by other developing countries to establish preferential trading arrangements with the European Communities were proven justified when the latter began negotiations with Nigeria in 1964 ^{3/} and with the East African states (Tanzania, Kenya, Uganda) in late 1966. ^{4/} The United States consistently opposed the conclusion of agreements with these countries, which did not have the same historic ties with members of the European Communities that the original associated countries had. However, an association agreement between Nigeria and the European Communities similar to the Yaounde Convention was concluded in July 1966, and agreement was reached with East Africa in June 1968. These agreements

^{3/} Department of State Circular Airgram CA-11991, May 18, 1964 (CONFIDENTIAL).

^{4/} Department of State Circular Telegram 28, July 2, 1964 (CONFIDENTIAL); and Circular Airgram CA-3556, November 8, 1966 (LIMITED OFFICIAL USE).

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and the Yaounde Convention were scheduled to expire on June 30, 1969 and discussions on their renewal were under way in late 1968.

Coordination on Generalized Preferences - As the European Communities extended special trading arrangements to new African associates, the proposal pushed at UNCTAD I of generalized tariff advantages for all developing countries in all developed countries' markets was gaining increased popularity. Initially the United States expressed serious doubts that an acceptable or meaningful generalized system could be worked out. We were convinced that a more fruitful approach would be an improvement in the conditions of trade in developing countries' exports of commodities and in placing a high priority in the Kennedy Round on tariff reductions on products of interest to the developing countries. With the aim of bringing to light the long-term economic, political and social consequences of setting a pattern of preferential trade relations between developing and developed countries and having a multilateral examination of the

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difficulties in establishing a generalized preference scheme, Under Secretary Mann proposed at the November 24-25, 1965, OECD Ministerial meeting a major study of these trade relations.^{5/} The OECD Ministers approved the setting up of a Special Group within the OECD consisting of senior trade officials of the UK, France, Germany and the United States to conduct this study.^{6/}

The focus of the OECD Special Group's study narrowed in the course of 1966 and 1967 to achieving a consensus among the divergent views of the OECD countries on the principles which might form the basis of a generalized preference scheme. The United States, in these discussions, adopted the position that essential features of any generalized preference scheme would have to include the phasing out of selective preferences

^{5/} Airgram CEDTO A-316, November 27, 1965
(LIMITED OFFICIAL USE).

^{6/} Department of State Circular Airgram CA-7857,
February 3, 1966 (LIMITED OFFICIAL USE).

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(e.g., EC-African and Commonwealth arrangements) and the gradual elimination of reciprocal preferences.^{7/}

In April 1967 President Johnson announced at Punta del Este a significant change in US policy on generalized preferences, stating that the United States was "ready to explore with the industrialized countries, and with our people, the possibility of temporary preferential tariff advantages for all developing countries in the markets of all industrialized countries."^{8/} This was a major factor in permitting the OECD Special Group to reach a consensus on the basic guidelines for a generalized scheme.^{9/} This consensus agreement was approved by the OECD Ministers on December 1, 1967 and

^{7/} US Position Paper for OECD Ministerial Meeting on the Report of the Special Group, November 15, 1966 (LIMITED OFFICIAL USE).

^{8/} Department of State Circular Telegram 17246, April 14, 1967 (LIMITED OFFICIAL USE).

^{9/} Solomon memorandum to Secretary Rusk on US Position on Tariff Preferences for Developing Countries (LIMITED OFFICIAL USE).

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subsequently served as the basis of a common OECD member countries' position at UNCTAD II in February-March 1968.^{10/}

At UNCTAD II all countries, including the United States and the member states of the European Communities joined in a resolution establishing an UNCTAD Special Committee on Preferences with the view toward working out the details of a generalized preferential system in the course of 1969.^{11/} Discussions among OECD countries on these details were begun in July 1968 with the aim of developing a common position for meetings with the developing countries in November 1968 and again in early 1969.

Moratorium Proposal - Recognizing that progress toward a generalized scheme to which the United States and the European Communities were now committed was jeopardized by the continued existence and extension of selective and

^{10/} OECD Document TC(67)16 of October 2, 1967.

^{11/} From New Delhi, Telegram 11956, March 27, 1968 (UNCLASSIFIED).

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reciprocal preferences by the European Communities,^{12/}
Under Secretary Rostow at the 1967 OECD Ministerial meeting
called for a moratorium on all negotiations for new selective
preferential arrangements. During an official visit to
Washington in January 1968, President Rey of the European
Communities was partially responsive to this proposal and
suggested bilateral consultations on preferences.^{13/}

In addition, the United States embarked in June 1968
on a diplomatic effort to convince other countries that
(a) a moratorium should be declared on negotiations for new
discriminatory preferential trading arrangements between
developing and developed countries, (b) existing preferences
including reciprocal preference should be phased out, and

^{12/} Under Secretary Rostow's Statement on Trade at
the OECD Ministerial Meeting, November 30-
December 1, 1967.

^{13/} Department of State Telegram 150741, April 22,
1968 (LIMITED OFFICIAL USE).

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(c) the European Communities and the associated African countries should recognize that existing preferences would be subsumed in a generalized scheme to the extent possible.^{14/} Bilateral discussions with the Commission of the European Communities in July 1968 indicated that the latter was reconsidering its previous position in regard to these objectives.^{15/}

The outlook, however, remained uncertain. On the one hand, there were only a few, inconclusive signs that the European Communities might reverse its position on selective preferences, and serious practical problems continued to prevent agreement on the details of a generalized scheme in the OECD. On the other hand, the United States had made a radical change in its policy in accepting the idea of generalized preferences and all of the developed countries in the OECD were fully engaged in the discussions to reach agreement.

^{14/} Department of State Circular Telegram 204924, May 30, 1967 (LIMITED OFFICIAL USE), and Circular Airgram CA-8937, June 25, 1968 (LIMITED OFFICIAL USE).

^{15/} US Mission EC Brussels Telegram 8126, July 18, 1968 (CONFIDENTIAL).

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(4) US-EURATOM Relations

The United States has given its full support to Euratom, the Atomic Energy Agency side of the European Community, ever since Euratom's creation by a separate treaty in 1958. An integral part of the European movement, Euratom strengthened the economy and unity of Western Europe -- major aims of US foreign policy. It was a vital link in the network of non-discriminatory agreements incorporating West Germany into the Western European and Atlantic structures. Through Euratom's safeguards, fuel supply ownership and management provisions, and the unilateral German declaration of nuclear disarmament, Germany has been able to develop one of the largest peaceful nuclear industries in Western Europe, without causing alarm to its neighbors or the rest of the free world. Relations with Euratom have helped to strengthen the trans-Atlantic tie -- still another vital US policy objective.

From a technical, scientific point of view, the United States, as part of its Atoms for Peace Program, has been eager to make available to cooperating nations the benefits

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of peaceful applications of atomic energy. Furthermore, in 1958, we found ourselves with the technology, skills and capital to develop nuclear energy, but with no urgent need for it, while Western Europe had greater immediate need for new sources of energy but lacked the means of providing them. US-Euratom technical cooperation was thus a natural complement of US political support.

In the first full year of Euratom activity -- 1958 -- the basic Euratom-US Cooperation Agreement was signed.^{1/} This was a joint executive and legislative commitment to Euratom which had immense importance in strengthening the organization and helping it carry out its integrative function. The agreement provided for a joint power program, a joint research program, and the supplying of enriched uranium fuel to the Euratom Supply Agency. The Supply Agency was given the authority, under the Rome Treaty, of providing nuclear materials to the Member States and the Euratom facilities. In November 1958 a further, implementing agreement was signed, establishing

^{1/} TIAS 4091 (UNCLASSIFIED).

a joint program of nuclear reactor development and operation.^{2/}
In 1960, 1962 and 1963 the US commitment to Euratom was further expanded by the signing of additional undertakings to the basic US-Euratom Agreement, expanding the possibility of supply by the United States to Euratom of nuclear materials. These agreements provided the framework for significant exchanges of information and scientists, of complementary research and development work totaling approximately \$30 million on each side -- and for the transfer or ability to transfer of over 200,000 kilograms of enriched uranium and 1500 kilograms of plutonium.^{3/}

In 1964 an important new phase of this cooperation was begun. The earlier programs had been primarily of benefit to the European Community, because Europe was far behind the United States and Great Britain in developing its peaceful nuclear technology. The United States had been actively helping to close that gap by sharing its technology and providing fissionable fuel. On May 27, 1964, the United States

^{2/} TIAS 4173 (UNCLASSIFIED).

^{3/} TIAS 4650, 5103, 5104, and 5444 (UNCLASSIFIED).

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and Euratom concluded a new ten-year program for cooperation in research in the field of fast neutron or breeder reactors. Fast reactors were an area where both the United States and the Europeans planned major research expenditures, and where there was a rough equality of starting point, effort and mutual advantages to be derived from the cooperative undertaking.^{4/}

The United States also strengthened the role of Euratom in Europe by "folding-in", as they expired between 1965 and 1967, our bilateral agreements with all the Member States of the Community except Italy, whose agreement did not expire until 1978, into the one agreement we have with Euratom. As a result of these "fold-ins", the United States further demonstrated its desire to work through Community institutions to the greatest extent possible in such areas as information exchange, and research and development of new reactor types.

^{4/} Department of State Telegram BUSEC 351, December 13, 1964 (LIMITED OFFICIAL USE); from Brussels, Airgram ECBUS A-414, December 23, 1964 (LIMITED OFFICIAL USE); from Brussels, Telegram ECBUS 1327, April 15, 1964 (LIMITED OFFICIAL USE); AEC Press Release No. G-129, May 27, 1964.

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Furthermore, the Euratom supply agency became the exclusive channel for US nuclear fuel supply, thereby eliminating the necessity of bilateral safeguard arrangements. As Secretary Rusk wrote to AEC Chairman Seaborg:

I attach political importance to this evolution of our relations with Euratom and its members. It is a valuable contribution to the complementary objectives of European integration and Atlantic partnership which have been consistently supported by recent administrations. Using the preeminent US position in peaceful uses of nuclear energy as a means of cooperation with Europe has contributed to these goals in the past and can continue to do so in the future. In both civil and military uses of nuclear energy, we want our cooperation to be channeled, to the extent feasible, through multilateral arrangements. Renewal of Euratom member bilaterals, all of which were negotiated prior to creation of Euratom, would be contrary to our basic policy objectives in Europe and would weaken the type of European multilateralism which we have continuously sought, often at temporary expense to ourselves, to strengthen. I am assured that aside from these important political considerations, consolidation of supply channels for Euratom members would also have strong advantages in pragmatic day-to-day operations. Our agreement with Euratom has

unprecedented flexibility together with effective safeguards as to peaceful material use, and would facilitate transfer to US^{5/} supplied materials among member states. 5/

The United States has provided Euratom with large quantities of enriched uranium. The Europeans accepted our word that we would supply these nuclear materials without "special ties". Thus far, with this understanding, the Europeans have not built an enrichment facility to supply at least some of their domestic peaceful requirements. They are virtually entirely dependent upon US sources for this special material. (US-supplied enriched uranium equals approximately 99 percent of

5/ Department of State Telegram 607 to US Mission Geneva, September 7, 1964 (SECRET); from Brussels, Airgram A-92, August 4, 1965 (CONFIDENTIAL); Department of State Circular Airgram CA-1483, August 22, 1966 (LIMITED OFFICIAL USE); from Paris, Telegram 7477, November 19, 1966 (CONFIDENTIAL); from Paris, Airgram A-1046, January 5, 1967 (LIMITED OFFICIAL USE); Department of State Circular Airgram CA-6384, February 23, 1967 (LIMITED OFFICIAL USE); Department of State Circular Airgram CA-8366, April 28, 1967 (LIMITED OFFICIAL USE); from Bonn, Airgram A-154, July 31, 1967 (UNCLASSIFIED); and from The Hague, Telegram 547, August 8, 1967 (UNCLASSIFIED).

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the total amount used for peaceful purposes within the Six.) During the mid-1960s, however, a growing uneasiness with regard to our reliability as a supplier stimulated the Europeans to study more closely the political and economic case for an independent enrichment facility. This nervousness was attributable basically to uncertainties as to the future supply and demand situation and was aggravated by exaggerated fears in some quarters in Europe over how the United States would interpret the supply provisions of Article III on Safeguards, of the Non-Proliferation Treaty. It seemed not unlikely that some form of European cooperation might eventually produce plans for a European isotope separation plant.

To meet immediate additional material requirements for Euratom's reactor development and nuclear power program, US legislation was enacted on December 14, 1967, to permit the AEC to transfer to the Community 1,000 kilograms of plutonium in addition to the 500 kilograms previously authorized, and

145,000 kilograms of uranium 235 (U235) in addition to the 70,000 kilograms previously authorized. This legislation also authorized the AEC to provide Euratom with enrichment services after December 31, 1968.^{6/}

In the course of negotiations over the US-Euratom 1958 Agreement the issue of safeguards was a major issue. Initially, Euratom -- with no experience in safeguards or materials management -- relied almost exclusively on US experience and counsel. Euratom safeguards personnel, from top-level administrators to technical specialists, spent significant periods of time consulting with their AEC counterparts and observing AEC and AEC-contractor practices. However, as the staff grew, and its competence and experience likewise, Euratom developed new concepts and procedures of its own. Exchanges of views on the safeguards question have been one of the most active aspects of the US-Euratom relationship. In 1965, a technical-level group known as the US-Euratom Joint

^{6/} Public Law 90-190, 90th Congress S.2644.

Technical Working Group was established, to facilitate communication on safeguards matters.

The United States, as AEC Chairman Seaborg told the Senate Foreign Relations Committee on July 12, 1968, feels that the "procedures followed by Euratom have been adequate..." In negotiations on the Non-Proliferation Treaty, however, the issue arose of the relationship of Euratom safeguards to a universal safeguards system under IAEA.

The United States maintained its support for the European Communities throughout these negotiations and went to great length to protect the interest of the members of the EC in preserving the integrity of the Euratom safeguards system. As Secretary Rusk said, "The United States has been clear in its negotiations...that both systems should be permitted to continue."^{7/}

^{7/} Statement before the US Senate Committee on Foreign Relations, July 10, 1968 (Hearing on the NPT) (UNCLASSIFIED).

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(5) The Non-Proliferation Treaty: Safeguards and Euratom

Introduction - This section does not purport to be a history of the safeguards provisions of the Non-Proliferation Treaty. It relates only to the concern of Euratom and its member states with safeguards (and the related, if secondary, issue of fuel supply) and the Department of State's evolving policy in response to these concerns. The safeguards problem arose out of the existence of both an international safeguards system within the International Atomic Energy Agency (IAEA) and a regional system created somewhat earlier by the European Atomic Energy Community (EURATOM) for the six countries of the European Community. While IAEA safeguards were the logical world-wide instrument to enforce the Non-Proliferation Treaty (NPT), the European Community (EC) countries feared that imposition of the IAEA system in the territory of EC member non-nuclear signatories of NPT would weaken one of the principal binding forces of the Community, the principle of non-discrimination.

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Why Euratom Safeguards? - Safeguards were an essential part of the 1958 Rome Treaty that established Euratom. Many forces were at work in shaping the safeguards provisions of the Euratom Treaty such as the fact that the United States could not provide fissionable materials without inspections to ensure that they would be used for only peaceful purposes. The Six insisted on Euratom inspection alone as they felt to do otherwise was to accept a status vis-a-vis the United States inferior to that afforded the UK and Canada in their bilateral agreements with the United States where those countries were provided with fissionable materials without US safeguards. The most direct way to satisfy the United States that Community safeguards were sufficient was to use a system of safeguards similar to those suggested for the IAEA by the United States. This was in fact done. "When the relevant articles of the Treaty were being drawn up, an endeavor was made to bring them as near as possible into the analogous provisions of the Statute of the IAEA."^{1/}

^{1/} Eschauzier, Director General of Political Affairs of the Netherlands Foreign Office, Summary of the Euratom Treaty (The Hague, Despatch 539, February 18, 1957).

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The Six had motives for including strict safeguards other than satisfying suppliers such as the United States. The Euratom system was a basic element in the construction of institutions for European unity. The French had opted for nuclear weapons production. The Germans had unilaterally renounced this right in 1954. One of the basic objectives of the Common Market conception was to tie a truncated Germany into West Europe in a framework which would permit the Germans to participate on a basis of complete non-discrimination. At a time when nuclear industry was rapidly rising in importance, the Euratom Treaty provided the elements for a common market in this field by permitting German peaceful atomic industry to flourish with complete assurance to Germany's neighbors and the rest of the world. The key element in this assurance was the non-discriminatory application of the safeguarding of materials in peaceful nuclear industry throughout the EC, i.e. in both France and Germany.

NPT Safeguards - Euratom members were concerned that NPT safeguards would threaten this key political element in the carefully built structure of European institutions. France's partners feared that a Treaty which provided for the

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system of IAEA safeguards on the territory of the non-nuclear EC members would lead, sooner or later, to the disappearance of Euratom safeguards, thereby leaving the French completely free of safeguards over peaceful nuclear activities. This would create a discriminatory situation intolerable politically in the context of evolving Western European unity. Germany was particularly sensitive to a situation in which its peaceful nuclear industry would be subjected to an IAEA safeguards system as demanded by the Soviets, a demand closely related to the Soviet propaganda campaign aimed at sowing suspicions regarding the FRG's nuclear intentions.

Despite these European misgivings, safeguards became part of the NPT. As the US position on NPT developed, we decided that such safeguards were necessary. ACDA Deputy Director Foster so informed Soviet Ambassador Roshchin in October, 1966.^{2/} On December 2, Soviet representative Timerbaev told ACDA's De Palma in New York that the Soviets

^{2/} USUN Telegram 1355, October 7, 1966 (SECRET/LIMDIS).

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had also decided safeguards were desirable.^{3/} But there was no agreement on definition of these controls. The Soviets insisted on mandatory IAEA safeguards; the United States told the Soviets it could not ignore the existence of Euratom. On December 20, 1966, we instructed Embassies London, Ottawa, Bonn and Rome to give to their host governments draft treaty language we had worked out with the Soviets. As part of our explanation, posts were instructed to say that the safeguards article had not been resolved. We were considering a stronger article that would specify IAEA safeguards. Although this would bring the IAEA-Euratom problem to a head, we argued it would not discriminate against the FRG. The United States had to decide whether to have IAEA safeguards or none. Failure to include them "might seriously jeopardize the political acceptability of the treaty in the United States Senate." Posts were to emphasize that the formulations thus far worked out had not been accepted by the US Government, which wished to have "the most discreet and thorough consultations with its

^{3/} USUN Telegram 2877, December 2, 1966 (CONFIDENTIAL/LIMDIS).

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Allies before deciding its position."^{4/}

The Allies were not slow with their comments. January 6 saw the beginning of a series of FRG questions regarding such issues as review conference, US interpretations, security assurances, and safeguards.^{5/} While these consultations with a restricted group of our Allies continued, ACDA sent a memorandum to Secretary Rusk recommending that we tell all of NATO our plans to work out with the Soviets an Article III specifying IAEA controls.^{6/} The Secretary's views were summarized in a letter to AEC Chairman Seaborg, "I believe that we should seek to find a solution which will take advantage of Soviet willingness to support mandatory safeguards for non-nuclear weapon signatories and be acceptable to key non-nuclear weapon states including those in Euratom."^{7/}

^{4/} Department of State Telegram 109454 to London, December 20, 1966 (SECRET/NODIS).

^{5/} From Bonn, Telegram 7872, January 6, 1967 (SECRET/NODIS).

^{6/} Foster-Rusk Memorandum, January 11, 1967 (SECRET/LIMDIS).

^{7/} Rusk-Seaborg letter, January 12, 1967 (SECRET/LIMDIS).

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Thus, while on January 21, 1967 we did inform the rest of NATO where we stood with the Soviets, repeating much of what we had told the British, etc. a month earlier, Article III still remained blank.^{8/}

The safeguards issue was finally fully joined on January 30, 1967, when the United States informed Canada, the United Kingdom and the Euratom countries that we were considering exploring with the Soviets a compromise safeguards article, still ad referendum "pending further consultations with our Allies", which would read:

Each Non-nuclear weapon state party to this treaty undertakes to accept the safeguards of the International Atomic Energy Agency on all its peaceful nuclear activities as soon as practicable.

We pointed out that the Soviets would not accept any language endorsing Euratom safeguards, but were willing to agree to a transition period for phasing IAEA safeguards into the Euratom area.

^{8/} Department of State Telegram 123166, January 21, 1967 (SECRET/LIMDIS).

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European reaction was critical. FRG Ambassador Schnippenkoetter was extremely disturbed by our proposal on safeguards and told us that it would be better to leave them out. He said that it would be discriminatory to subject Euratom countries to both Euratom and IAEA safeguards.^{9/}

Ambassador McGhee predicted that the safeguards article would encounter serious opposition in Bonn. It was one thing for the Germans to give up the hypothetical option of a European defense force and quite another to weaken Euratom, "a European institution in being."^{10/} FRG Ambassador Knappstein soon informed the State Department that any safeguards article that did not recognize Euratom safeguards as "equivalent" would deprive Euratom of one of its essential foundations.^{11/} EC Commission officials considered it unrealistic for us to expect the member states of Euratom to

^{9/} From Bonn, Telegram 8892, January 31, 1967 (SECRET).

^{10/} From Bonn, Telegram 8953, February 1, 1967 (SECRET/LIMDIS).

^{11/} Department of State Telegram 132903 to Bonn, February 7, 1967 (SECRET/LIMDIS).

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carry the burden of maintaining the Euratom safeguard system after they had accepted IAEA safeguards. They also echoed the German fear that France would gain an advantage over the other members since it would not have to accept IAEA safeguards on its peaceful nuclear activities.^{12/}

On February 16, 1967, shortly before the ENDC reconvened in Geneva, Foster told Roshchin that we had encountered difficulty with mentioning only IAEA safeguards in Article III. He unsuccessfully tried to persuade Roshchin to accept "effective international safeguards", a formulation we had previously proposed. Roshchin was still willing to accept a treaty without safeguards. If there were to be safeguards, however, Euratom controls would not be acceptable to the Soviet Union. He again expressed willingness to agree to a transition period.^{13/}

It was at this time that safeguards became a major unsolved issue. During February much work was done inside the

^{12/} From Brussels, Telegram 3866, February 8, 1967 (SECRET).

^{13/} From Geneva, Telegram 2365, February 16, 1967 (SECRET/LIMDIS).

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US Government concerning the development of a compromise between the Soviet and Euratom positions. Euratom's reaction to IAEA had been so negative as to demonstrate the need for something in between. The idea of IAEA verification of the Euratom safeguard system on a basis to be mutually agreed between the two organizations received considerable attention, particularly in the Department of State's Bureau of European Affairs. AEC Chairman Seaborg opposed, however, any weakening of US support for IAEA controls. ACDA argued for a procedure stressing consultation with the Soviets rather than the Europeans. Nevertheless, on March 4, Secretary Rusk, prompted by European reserve, and in particular reports of an aroused German public and official opinion, decided to seek Allied reaction to a verification solution. He instructed Foster and De Palma to make a tour of the major European capitals, and to indicate to the Germans, Dutch, Italians and Belgians the US "desire to consider with the Euratom countries the following changes in the safeguards article which might be discussed with the Soviets after this phase

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of Allied consultation is completed. Indicate that we have no draft to propose of such a revised article but are prepared to consider the idea of Article III requiring IAEA safeguards or international safeguards accepted by the IAEA under verification procedures mutually agreed with Euratom."^{14/}

Foster did not raise the matter in Bonn because of the decision taken there to conduct further discussions with the FRG in Washington. De Palma, on a personal basis, did suggest to Ambassador Schnippenkoetter that the FRG might want to explore the possibility of IAEA verification of Euratom safeguards.^{15/}

As a result of these consultations the United States presented, on March 31, a new draft Article III built around verification. The key phrase read "international safeguards shall be either those of the IAEA or such other international safeguards...as are accepted by the IAEA under verification procedures mutually agreed...." This draft also contained,

^{14/} Department of State Telegram 151197, March 8, 1967 (SECRET/LIMDIS).

^{15/} From Bonn, Telegram 10530, March 10, 1967 (SECRET/LIMDIS).

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however, a three year deadline for the IAEA-Euratom agreements to be worked out. The so called "guillotine clause" read: "In any case where agreement on implementation of IAEA verification of another international safeguard system, as provided for in this article, has not been reached within three years from the date of original entry into force of this treaty, the safeguards of the IAEA shall be applied."

This deadline troubled a number of the Euratom countries as well as the EC Commission. On April 18, the Euratom Commission informed Ambassador Schaetzel that "the Commission welcomes negotiations with IAEA looking to conclusion of an agreement for technical cooperation and the verification of the effectiveness of safeguards... The Commission considers unacceptable, however, the automatic application of IAEA controls in the event that no agreement on verification arrangements is reached between Euratom and the IAEA within three years. Such a clause could compel Euratom member states to accept, on nuclear materials owned by the Community, application of a discriminatory safeguards system under

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conditions incompatible with the Euratom Treaty and with the institutional competencies laid down in that Treaty..."^{16/}

FRG Ambassador Schnippenkoetter came to Washington in mid-April for further bilateral talks on such matters as nuclear blackmail, review conference and the safeguards time limit. A substitute for the guillotine was proposed by the FRG and accepted by the United States and the rest of Euratom. The new formula read "agreement on the implementation of IAEA verification of another international safeguard system, as provided in this article, shall be reached as soon as practicable but no later than three years from the date of the original entry into force of this treaty."

On April 25, 1967 the United States and the USSR once again exchanged draft NPT's. The US Article III -- approved by the Allies in the NAC -- centered on verification and contained no time penalty. The Soviet draft repeated their requirement of mandatory IAEA control. Ambassador Roshchin said that the USSR could not accept Euratom safeguards in

^{16/} From Brussels, Telegram 5400, April 18, 1967
(SECRET).

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the treaty even if the IAEA verified them. He also criticized the US proposal for not explicitly stating that IAEA safeguards would be applied after the three year period. Mr. Foster replied that the Euratom countries opposed the Soviet proposal and this was the best we could do. ^{17/}

It soon became evident that it would not be possible to settle the safeguards and amendments issues before the ENDC resumed on May 18. The United States therefore sought Allied consent to tabling in the ENDC a joint American-Soviet draft treaty leaving these two provisions blank. Italy and Germany opposed such tabling. In fact, the Germans sought to persuade us to table yet another revised version of Article III, referring the safeguards question to the review conference if the IAEA and Euratom failed to agree within three years. The Germans also wished to stipulate that no state refusing to accept safeguards on its territory could administer them in another nation's. The Secretary then sent a personal letter to FRG Foreign Minister Brandt stating that the

^{17/} From Geneva, Telegram 3373, April 25, 1968
(SECRET).

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understanding reached with the Soviets on most elements of the treaty would be jeopardized if a separate draft were submitted. Moreover, this would leave the Soviets free to introduce clauses unacceptable to the United States and the FRG. The United States would have private discussions with the Soviets on safeguards and amendments. If these discussions failed, the Secretary wrote, we would propose our present draft Article III to the ENDC. If it nevertheless proved impossible to get general agreement on safeguards, we would have to reassess the situation. "Any such reassessment would be made in close consultation with your government and with all our Allies in the NATO Council".^{18/} The FRG, thus reassured, agreed to joint US-USSR tabling with blanks; and Italy followed suit, although both governments emphasized^{19/} that they were not committed to the draft treaty.

More US-Soviet negotiation was necessary before Moscow finally agreed to the official presentation to the ENDC on

^{18/} Rusk-Brandt letter, May 17, 1967

^{19/} From Paris, Telegram 18563, May 18, 1967 (SECRET).

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August 24, 1967, of a jointly-agreed draft with Article III still blank. On September 1 the Soviets gave the US a new text of Article III. While a little more elaborate in form, the Soviets once again called for each non-nuclear weapon state party to the treaty to undertake "to accept International Atomic Energy Agency safeguards". However, this version did appear to permit Euratom as an entity to negotiate the acceptance of IAEA safeguards.

As time went on and the fate of the entire NPT seemed more and more dependent upon resolution of the safeguards issue, pressures mounted within the US Government to find some new formula for surmounting the impasse. The goal was language which would permit Euratom to negotiate a satisfactory arrangement with the IAEA after the opening of the treaty for signature. Some thought the Soviet's draft would provide such a possibility. Others in the US Government found the Soviet formulation too heavily stacked against Euratom. On October 3, the State Department's Bureau of European Affairs cautioned, in a memorandum to the Secretary, "that we should

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not move so quickly at this juncture that we give the appearance of dictating to our NATO Allies, and in particular undercutting the consultations in the European Communities which they have undertaken at our request. In this regard, we are especially concerned about German sensitivity. The FRG, after all, is a key to the whole NPT Treaty, and attempts to force the German hand could work against our overall objective." Despite this warning, a US Aide Memoire was sent on October 4 to all NATO capitals, indicating that we could accept the Soviets' September 1 formulation of Article III with some changes. At the European Bureau's suggestion, however, the Secretary agreed that the October 4th note should label these US views as "tentative" and avoid any hard deadlines.

In this same note, the United States also enunciated three basic "principles" which guided our interpretations of Article III. These "principles", given the Soviets on November 2, 1967, and later read into the ENDC on January 18, 1968, said, in part, that an agreement covering NPT safeguards

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obligations could "be entered into between the IAEA and another international organization, the work of which is related to the IAEA." We further stated that "In order to avoid unnecessary duplication, the IAEA should make appropriate use of existing records and safeguards." By these two statements we assured our European Allies of our position that 1) Euratom could be the negotiating body for its six member states and 2) Euratom safeguards would play a major role under the NPT.

On October 11, Mr. Foster, while waiting for a reply from the Europeans, listed in a memorandum for the Secretary the policy alternative of negotiating with the Soviets on the basis of their September 1 draft without a "green light" from our Allies. The European Bureau sent the Secretary a short additional note the same day, pointing out that "if we were to negotiate Article III with the Soviets on the basis of our Aide Memoire (October 4), without a 'green light' from NAC, we would have to anticipate a major political confrontation with Germany and Italy, possibly supported by the Benelux countries. Our Allies, especially Germany, would consider

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such a step as being against our commitment to them, notably the President's statement to Kiesinger to consult and your letter to Brandt of May 17." That same afternoon (October 11) the Secretary telephoned Ambassador McGhee in Bonn and asked him to return to Washington to discuss German concern over the NPT.

Before McGhee could return, Foreign Minister Brandt wrote Secretary Rusk, on October 13, a long letter emphasizing the importance of maintaining Euratom safeguards. Brandt noted:

the problems raised for Euratom by a Non-Proliferation Treaty go far beyond the question of safeguards. Rather, they touch on a basic political question of intra-European coherence. France's role after conclusion of a Non-Proliferation Treaty is decisive in this.

Brandt continued:

the introduction of double control on the five non-nuclear states of Euratom would be equivalent to unacceptable discrimination in an area of science and economics which is growing in importance and would additionally burden European coherence as a result of the special nuclear position of France.

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In reply, Secretary Rusk wrote Brandt on October 19:

In our approach to the Treaty in general and Article III (safeguards) in particular, we have been governed by two fundamental concerns. The first is to maintain the integrity of the Alliance; the second is to facilitate the continued development of the European Community. It was with these principles in mind that we engaged in the comprehensive consultations last spring which resulted in the emergence of the verification concept for safeguards. This concept is the basis for the Western position in our negotiations with the USSR on Article III.

The Secretary further assured Brandt that "for its part the United States Government will be guided by the result of these consultations /with the Allies/. If we are not successful in this approach, we are fully prepared to carry out the assurances contained in my letter of May 17."

On October 27, in response to the US note of October 4, the five non-nuclear members of the EC agreed on five principles "as a common basis for discussion of a safeguards article in a non-proliferation treaty":

1. Safeguards under the NPT must be applied to source and special fissionable material and not to facilities.

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2. There should be no misunderstanding that as far as EC member states are concerned, safeguards under NPT will be applied on the basis of an agreement to be concluded between EC and IAEA.
3. This agreement should be based on the principle of verification of EC safeguards by IAEA: The implementation of this principle shall be negotiated between the two organizations.
4. Pending the conclusion of the agreement between EURATOM and IAEA, EC member states concerned wish to stress that there should be no misunderstanding, that the obligations with regard to EURATOM (or to its member states) entered into by any party to a NPT shall not be affected by provisions of Article III dealing with supply.
5. EURATOM member states concerned, determined to act in common, have to be sure that the position of EURATOM when negotiating to arrive at a satisfactory agreement with IAEA will not be prejudiced by any

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eventual provision of Article III, as for example
on a time period.^{20/}

As a result of this firm Allied stand the United States gave the Soviets on November 2 a reformulation of the first sentence of Article III which read:

Each non-nuclear weapon state party to the Treaty undertakes to accept safeguards, as set forth in agreement to be negotiated and concluded with the IAEA in accordance with the statute of the IAEA and the Agency's safeguards system...

On November 9th, the Soviets proposed the following revision of that sentence:

Each non-nuclear weapon state party to the Treaty undertakes to accept safeguards in accordance with the statute of the IAEA and the Agency's safeguards systems set forth in an agreement to be concluded with the IAEA...

The difference was clear. The US version put the stress on the possibilities of a negotiation between the IAEA and

^{20/} From Brussels, Telegram 2529, October 27, 1967
(CONFIDENTIAL).

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EURATOM, thus protecting the verification principle. The Soviet version made it clear that the substance of the agreement could only be acceptance of the IAEA safeguards system. On November 11, Secretary Rusk wrote to Gromyko urging that the USSR reconsider its opposition to the US November 2 ^{21/} formulation.

On November 13, the United States sent another Aide Memoire to all NATO capitals informing its Allies of the text of the US compromise Article III; its interpretations of what it meant and of how the United States felt it protected Allied concerns; what the US representative had told the Soviets when presenting the US language; and initial Soviet reaction. The United States noted that while originally the Soviets had objected to several key points of the US draft and had questioned some of the US interpretations, at a meeting on November 9 the Soviet Co-Chairman said he would recommend to his Government as a package all US proposals of the November 2 draft, provided the United States agreed to a

^{21/} Department of State Telegrams 68053 and 68054, November 11, 1967 (SECRET/EXDIS).

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reformulation of the first sentence along the lines the Soviets had indicated. The Aide Memoire ended by stating that the US representative said he could not recommend this reformulation to his government since he believed the Soviets should accept the US formulation.^{22/}

Fuel Supply - This US Aide Memoire also commented in detail upon EURATOM's five principles. It should be noted that principles 4 and 5 reflected Euratom's uneasiness regarding continued US supply of enriched uranium, an uneasiness which was never answered to Euratom's full satisfaction and which persists to this day. While having removed the so-called "guillotine" clause from its draft (see above), the US Article III still contained a two-year time period starting at entry into force of the NPT, at the end of which parties would be under obligation not to ship nuclear fuel (essentially U-235 and Pu for peaceful nuclear power reactors) to any State that did not subscribe to NPT safeguards. A Europe dependent on the United States for this vital energy source

^{22/} Department of State Telegram 68052, November 11, 1967 (SECRET).

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could not easily accept any weakening of the US commitment to maintain its supplies. The Europeans could envisage a situation where despite their best intentions they still had not been successful in concluding a mutually satisfactory arrangement with the IAEA before this time elapsed. Earlier European concern had caused Secretary Rusk on April 17, 1967, to write to FRG Foreign Minister Brandt and Italian Foreign Minister Fanfani that "the treaty of course would not prevent in any way the safeguarded transfer of nuclear fuels." In its Aide Memoire of November 13, 1967 (see above), the United States said that not only was there ample time for the IAEA-Euratom negotiations to be concluded successfully, but that also, "the United States, whose ratification is also necessary to entry into force, will obviously have to take into account the status of the IAEA-Euratom negotiations before ratifying." The aide memoire added that "We do not expect any conflict to arise between our NPT obligations and the supply obligations we have to Euratom."

On December 1, 1967, the Belgians gave the United States an Aide Memoire focusing on "the possibility of an interruption

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of supply of fissile material by the United States to Euratom member countries...in the event where no satisfactory safe-^{23/}guards agreement was reached between Euratom and IAEA."

The US reply repeated many of the arguments we had made earlier, concluding that "given preparations of the kind discussed above and the detailed good faith negotiations that can be expected, we are confident that no conflict will arise between our supplying fuel to Euratom and obligations under the NPT".^{24/}

The fuel supply issue still remains of keen interest to Euratom's member countries and the EC Commission. The Europeans are aware that the NPT may enter into force, and the fuel supply time clock start running, before they are able to enter into the negotiations with the IAEA in order to settle the safeguards issue. As of December 1968 neither Italy nor the FRG had signed the Treaty. France has maintained

^{23/} From Brussels, Telegram 3302, December 2, 1967
(CONFIDENTIAL).

^{24/} Department of State Telegram 138975, March 30, 1968
(CONFIDENTIAL).

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in EC Council meetings that until all the non-nuclear weapon member states have signed, there cannot be any formal discussion of a detailed Community negotiating position on verification. It appeared unlikely that Germany and Italy would sign until after the US Senate had given its "advice and consent".

To return to the question of safeguards, on November 21 ACDA recommended to the Secretary that the United States now inform its Allies that the Soviets had tentatively rejected our November 2 draft and that the United States was prepared to fall back to the Soviet November 9 draft, or a new variation thereof, specifying acceptance of IAEA safeguards. The European Bureau of the State Department counselled against this course of action. In a memorandum from Assistant Secretary Leddy to the Secretary on November 21, EUR noted:

The November 9 draft would not be acceptable to the FRG because it does call for the acceptance of a single safeguards system - namely the IAEA...The important country whose signature we must have on the NPT is the FRG, and that country has made it quite plain to us as recently as yesterday that it is not

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prepared to accept anything which calls for 'acceptance of IAEA safeguards.'

The Secretary accepted EUR's view. On December 6, 1967 the Secretary told Ambassador Cleveland:

What we are trying to do is assess more completely than we have been able to do thus far the view points of the Euratom countries on this specific text before them, and to gauge the strength of feeling behind these views. If, for example, we are now to work with the Soviets on the November 9 text or the UK alternative, we need to know how far these texts would be acceptable to the Allies. Or, if we are to press further with the Soviets on the November 2 draft, ...despite Soviet opposition to date, we need to know whether that text would be acceptable to the Allies and how strongly they might feel about our pressing it. In short, we have not yet abandoned any of the three alternative texts, but are trying to obtain a full understanding of a reaction of our Allies, especially the five Euratom countries, if we decide to go for any of the three.25/

At the December 6, 1967 NAC meeting the Germans, Italians, and Belgians again all indicated a strong preference for the

25/ Department of State Telegram 80090 (SECRET/EXDIS).

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November 2 draft. None of the Euratom countries were entirely happy, however, with the November 2 version. Grewe, the German Representative said, "additional political assurances would still be necessary." On December 9 the Secretary instructed Ambassador Foster in Geneva to urge the Soviets again to accept the November 2 first sentence. Foster was instructed to say: "That we have consulted our Allies about the November 9 variation and have been unable to achieve their agreement to it. As a result of exhaustive Allied consultations, we believe the road to agreement lies through the November 2 sentence." The Soviets remained adamant until the last minute when, unexpectedly, on the morning of January 18, 1968, they agreed to accept the US language.

The success of this operation still awaits final determination. While verification remains a largely undefined concept, the carefully worded language of the final Article III provides the possibility for Euratom to negotiate a satisfactory arrangement with the IAEA. The legislative history of the Treaty, plus the three US interpretive principles of Article III, give additional support to the Treaty text.

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The Europeans seem to agree, although they are still cautious. In June the Euratom Commission, in letters to the Member States, found, under Article 103 of the Euratom Treaty, that the NPT was basically compatible with the Euratom Treaty. The Commission advised the Member States, however, to announce, when signing the NPT, that they would not ratify the Treaty until an adequate verification agreement had been reached between Euratom and IAEA.^{26/} The EC Member States accepted the Commission's counsel, and agreed to make such declarations. All the member countries who have signed thus far (Netherlands, Belgium and Luxembourg) have made known that their ratification would await a successful IAEA-Euratom agreement.

^{26/} From EC Brussels, Telegram 7940, July 10, 1968
(CONFIDENTIAL).

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3. Atlantic Economic, Scientific and Technological Cooperation

a. Organization for Economic Cooperation and Development

(1) Background

During 1960-1961, the United States was largely instrumental in the transformation of the Organization for European Economic Cooperation (OEEC), an exclusively European group which had been established in 1948 to administer Marshall Plan aid, into the Organization for Economic Cooperation and Development (OECD), a successor organization concerned with a broad range of worldwide economic problems affecting the entire Atlantic Community. The OECD was established officially on September 30, 1961. From that time it has served as the principal forum for economic consultation and cooperation among the governments of the Atlantic Community and, since 1964, Japan.

(2) The Consultative Process: Key to the OECD

The United States considers the most important feature of the OECD to be its role in bringing together

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policy-making officials from the national capitals of member governments for periodic, high-level meetings covering the entire range of modern international economic, development and trade problems.

The OECD provides a forum in which these policy-making officials consult directly with one another, within their respective fields of responsibility, on major issues of mutual concern. Used most effectively, the OECD consultative process enables member governments to ensure that international considerations are taken into full account in the formulation and execution of national policies. The United States believes this is the real value of the OECD, and that the close relationships which have been established by high-level government officials with their counterparts in other countries through participation in OECD policy meetings have contributed significantly to the more effective handling of major world problems over the past

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decade.^{1/}

(3) OECD Membership

The charter membership of the OECD included Austria, Belgium, Canada, Denmark, Federal Republic of Germany, France, Greece, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. In addition, Finland and Yugoslavia became "special status" associates, taking part in certain of the activities of the Organization but not possessing full membership.

Japan joined the OECD in 1964, and in 1968 formalities were being completed to convert Finland to full membership status. When Finnish membership becomes effective, the OECD

^{1/} "Appraisal of OECD and Suggestions for Further Action," Department of State Memorandum (EUR/RPE), June 18, 1963 (UNCLASSIFIED); "The Organization for Economic Cooperation and Development" (Unpublished address by Ambassador Philip H. Trezise before a German-American Business Meeting, Duesseldorf, Germany), March 18, 1966 (UNCLASSIFIED); Annual Budget Submission to Congress by the Department of State (IO/OIA), 1961-1968 (UNCLASSIFIED).

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will have twenty-two full members. These countries have a population of 650 million, 20 percent of the world total, are responsible for 60 percent of world industrial production, conduct 70 percent of world trade, and provide 90 percent of the development assistance granted to the developing nations of the world.

From time to time, other countries have participated on an ad hoc basis in certain OECD activities. These have included Australia, Cyprus, Israel, New Zealand, and Poland. In general, we have welcomed such participation when the non-member countries have a direct interest in the subject under consideration and can make a meaningful contribution to the work of the Organization.^{2/}

At US initiative, furthermore, the OECD established a Development Center in 1963 which acts as a permanent liaison body between it and the developing countries of the world. The Center is active in transferring to the developing countries the

^{2/} Department of State Telegram to Paris TOCED 527, January 24, 1966 ~~(CONFIDENTIAL)~~

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economic knowledge and technical expertise of the OECD member countries.

(4) US Policy toward the OECD

At the time of ratification of the OECD Convention by the US Senate in March 1961, Secretary of State Dean Rusk defined United States policy toward the OECD as follows:

We consider the establishment of the OECD as potentially a historic step in our economic relations with our friends of the Western world.

By building upon the spirit of cooperation which has guided the work of the OECD we hope to create a forum in which, by consultation and cooperation, we can join with our friends in meeting the growing challenges of the sixties.

This statement has continued to represent the US policy.^{3/}

On the occasion of the OECD's fifth anniversary, September 30, 1966, President Johnson assured the Secretary-

^{3/} "The Organization for Economic Cooperation and Development," Address by Dean Rusk before the Government Industry Conference, Washington, D.C., Department of State Publication Series S, No. 1, February 13, 1961.

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General of our "strong and continuing support" of the OECD in meeting "the challenge of the future." The President affirmed our belief that the OECD member countries had "learned the power of unity, of a common approach to common problems," and that this would "be our strength in the future as it has been in the past." Accordingly, the United States continues to support the strengthening of OECD consultative arrangements, and improved concentration by the OECD on major economic issues of current importance to the industrialized countries of the world.^{4/}

(5) The OECD and East-West Relations

In addition to its consideration of international economic, development and trade problems, the United States has encouraged the OECD to undertake exploratory initiatives looking toward the expansion of East-West economic relations. In his New York speech of October 7, 1966, on US relations with Europe, President Johnson stated that "the OECD can

^{4/} OECD Press Release A(66)52.

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also play an important part in trade and in contacts with the East. The Western nations can there explore the ways of inviting the Soviet Union and the Eastern European countries to cooperate in tasks of common interest and common benefit."

At US initiative the OECD Ministerial Meeting of November 24-25, 1966, approved an expression of interest in widening the areas of East-West economic relations. However, due to the sensitivity and complexity of this subject, no meaningful advances were achieved in this field during the succeeding two years, although the United States continued to support further efforts whenever appropriate.^{5/}

(6) US Attendance at OECD Meetings

The Department of State has always endeavored to obtain maximum participation in OECD policy meetings by key

^{5/} "OECD Role in Exploring Expanded East-West Relations," Department of State Position Paper (OECD/TP-26), November 18, 1966 ~~(CONFIDENTIAL)~~; "Expanding East-West Contact through the OECD," Department of State Airgram CA-9266, July 9, 1968 (LIMITED OFFICIAL USE).

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US Government officials from all of the major executive agencies. Since the establishment of the OECD, the United States has been successively represented at annual Ministerial meetings by Under Secretary of State George Ball, Under Secretary of State for Economic Affairs Thomas Mann and Under Secretary of State for Political Affairs Eugene Rostow.

Important economic policy meetings have been attended by the Chairmen of the President's Council of Economic Advisers, Gardner Ackley and Arthur Okun. The Treasury Department has been represented by Under Secretary Frederick Deming, and the Federal Reserve Board by Governor Dewey Duane, at major financial policy meetings. Under Secretary of Agriculture John Schnittker has attended major agricultural meetings, Assistant Secretary of Labor Stanley Ruttenburg has represented us at manpower policy meetings, and the President's Science Adviser, Dr. Donald Hornig, has participated in major science policy meetings. The Administrator of the Agency for International Development, William Gaud, and his predecessor, David Bell, have attended major development

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policy meetings.^{6/}

During an official trip to Europe, Vice President Humphrey visited the OECD and spoke to its Council, April 7, 1967. In his remarks, the Vice President emphasized the importance of the OECD to the achievement of peaceful world economic improvement and development. Referring to the OECD Council as the "Peace Committee," the Vice President stated that he believed the OECD was "capable of doing more for peace than any other single group that has been organized on the international scene." The Vice President reaffirmed the strong support of OECD activities by the US Government.^{7/}

(7) The United States and the OECD Secretariat

In keeping with its policy of support for the work of the OECD, the United States has encouraged the placing of

^{6/} US Attendance at OECD Meetings;" Monthly Reports from USOECD Paris to the Department of State (CEDTO Airgram Series), 1961-1968 (UNCLASSIFIED).

^{7/} From Paris, Airgram CEDTO A-448, April 15, 1967 (UNCLASSIFIED).

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qualified Americans with the Secretariat of the OECD. However, despite the fact that we contribute 25 percent of the OECD budget, the total number of Americans working with the OECD Secretariat is less than 10 percent of the total professional staff.

Even so, the Department of State does detail officers to the OECD who fill a number of key positions in the Secretariat, under special legislative authority permitting the detail of US Government personnel to international organizations. Among these key positions are the Deputy Secretary General, the Chairman of the Development Assistance Committee, and the Director of the Information Service. The Department continues to explore all opportunities for detailing additional Americans to important Secretariat positions.^{8/}

(8) Major OECD Policy Discussions

During the period 1964-1968, the OECD has engaged

^{8/} Annual Budget Submission to Congress by the Department of State (IO/OIA), 1961-1968 (UNCLASSIFIED); "United States Personnel with the OECD Secretariat," Department of State Memorandum (EUR/RPE), January 25, 1968 (LIMITED OFFICIAL USE).

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in major policy discussions on such subjects as the balance of payments adjustment process, the improvement of capital markets, the establishment of generalized trade preferences for the developing countries of the world, the "technological gap" and scientific development, the world food problem, and the Middle East oil crisis.

The US Government frequently has utilized the OECD during the Administration of President Johnson as the best international forum in which to pursue specific policy objectives or initiatives. Among these have been the world food problem, studies of the "technological gap," and the coordination of international oil supply arrangements.

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b. The OECD and the World Food Problem

(1) Background

While the Organization for European Economic Cooperation (OEEC) was being reconstituted into the OECD during 1959-1961, agreement was reached that one of its major new responsibilities should be the coordination of policies to increase economic and technical assistance to less developed countries. The need for assisting these latter was considered so urgent that a provisional Development Assistance Group (DAG) was established in January 1960 to begin work on development problems while the reconstitution of the OEEC was still under consideration.

The membership of the Development Assistance Group consisted of the major European aid donors: Belgium, France, the Federal Republic of Germany, Italy, the Netherlands, Portugal, the United Kingdom, and the Commission of the European Economic Community -- plus the United States, Canada and Japan.

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The DAG began working immediately to improve the flow of financial resources to the developing countries, to increase the effectiveness of development assistance, and to coordinate the national aid programs of the DAG members.

When the OECD Convention came into effect, the DAG became the OECD Development Assistance Committee (DAC). The original eleven members of DAC were joined by other aid donors during the period 1961-1968. New members were Australia, Austria, Denmark, Norway, Sweden, and Switzerland, and by 1968 the total membership was seventeen.

(2) "Food for Freedom" and the DAC

During 1965-1966 the Indian food crisis caused worldwide concern with what became known as the "world food problem," especially as to the needs of the developing countries. President Johnson, in his February 10, 1966, "Food for Freedom" Message to Congress, warned the world of the imminent danger of famine: "The time is not far off when all the combined production of all of the acres of all of the agriculturally productive nations will not meet the

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food needs of the developing nations -- unless present trends are changed." He proposed that the United States "lead the world in a war against hunger," and he said that "we must encourage a truly international effort to combat hunger and modernize agriculture."

Pursuant to the President's message the US Representative to the OECD, Ambassador Trezise, proposed that the US Government take the initiative to focus the attention of the OECD Development Assistance Committee on food. He suggested that the annual DAC High Level (Ministerial) Meeting scheduled for July 1966 be devoted mainly to the food problem and to consideration of the possibilities for DAC action.^{9/}

In advance of the High Level Meeting, the DAC held a special meeting on April 4-5 to consider food as a world problem. General agreement was reached that the problem was indeed sufficiently grave to call for the DAC's giving it priority attention, and that it should be at the top of

^{9/} Paris Telegram to Department, CEDTO 723, February 16, 1966 (LIMITED OFFICIAL USE).

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the July High-Level Meeting agenda.

(3) 1966 DAC High-Level Meeting

In his reporting on the April 4-5 meeting, Ambassador Trezise further proposed that the US Government invite the July DAC High-Level Meeting to be held in Washington, in order to underscore US concern and also to give the meeting an "exceptional" quality with attendance of key political leaders from Europe and Japan.^{10/}

Washington agencies and the White House accepted this proposal, and accordingly, Secretary Rusk sent a formal invitation to OECD Secretary General Thorkil Kristensen on May 28. The invitation was accepted and the Meeting was scheduled for July 20-21 in Washington.

At this DAC Meeting, the United States succeeded in focussing high-level international attention on the world

^{10/} From Paris, Telegrams CEDTO 962, April 6, 1966 (LIMITED OFFICIAL USE); and CEDTO 968, April 8, 1966 ~~(CONFIDENTIAL)~~.

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food problem and in obtaining approval of a formal DAC Recommendation which, recognizing the seriousness of the latter, called for increased efforts by donor and recipient countries to deal with it through continuing interim food aid and stimulating agricultural productivity in the developing countries.

At the concluding session, July 21, Secretary Rusk read a message from President Johnson emphasizing that "in two-thirds of the world, people are threatened with a future of unrelieved hunger. Unless we act together now, they will suffer mass famine in the years just ahead." The President's message added that the DAC Recommendation on the world food problem meant that member-states were "joining with the developing nations to win the war on hunger." He added: "I pledge the support of the United States to this cause in which all of us now are joined."

Vice President Humphrey also spoke, affirming the US high-level concern over the world's urgent food needs. He described hunger as the greatest problem facing the developing countries, and emphasized the need of top priority

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for agricultural development in the foreign assistance programs of DAC members.

The main lines of US policy regarding the food problem were outlined at the same Meeting by Secretary of Agriculture Orville Freeman. He pointed out that the United States no longer had available vast quantities of surplus food to cover world shortages and emergencies. Hence, to meet the growing needs of the developing countries it would be necessary to "allocate a greater proportion of assistance to the agricultural sector in developing countries," to respond "to the growing need for sharply increased quantities of agricultural inputs (fertilizer, irrigation equipment, seeds) in the developing countries," and to concentrate on the urgent requirement to reduce "food-population imbalances through family planning programs."

The DAC Meeting marked the first official recognition by a major international organization of the related problems of the reduced US food surpluses, the need for greater agricultural inputs to raise productivity in the developing countries, and the growing imbalance between food and people

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in these areas. It thus marked a major turning point in multilateral efforts to alleviate the world food problem.^{11/}

(4) OECD Secretary-General's Food Report

The Recommendation of the July 20-21 DAC Meeting called upon the OECD Secretary-General, Thorkil Kristensen, to consult with member governments, the heads of other international organizations and agricultural experts to determine actions needed for dealing with the world food problem, and to report his findings to the OECD. Following the Meeting, Kristensen worked for a year to prepare a comprehensive report, which he presented to the 1967 OECD Ministerial Meeting held November 30 - December 1, 1967. In it he outlined proposals for multilateral action by OECD member governments -- particularly emphasizing the related needs for larger agricultural inputs and population planning

^{11/} "World Food Problem," Department of State Position Paper (OECD/TP024), November 17, 1966 (LIMITED OFFICIAL USE).

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in the developing countries.^{12/}

During the 1967 OECD Ministerial Meeting the Ministers reviewed the Secretary-General's Food Report and instructed the OECD to pursue further work on its proposals. The United States strongly supported this Ministerial action.^{13/} Subsequently, January 17, 1968, the DAC decided to undertake detailed studies of the agricultural problems of the major recipients of food aid during the recent past (Brazil, India, Indonesia, Pakistan, and the United Arab Republic). Following completion and review of the detailed country studies, the DAC will identify specific areas where OECD action is needed.^{14/}

^{12/} "The Food Problem of Developing Countries," OECD, Paris, December 1967 (UNCLASSIFIED).

^{13/} "World Food Problem," Department of State Position Paper (OECD/T-3), November 25, 1967 (UNCLASSIFIED).

^{14/} From Paris, Telegram 9271 to the Department, January 1968 (LIMITED OFFICIAL USE).

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c. The United States, Europe and the Middle East Oil Crisis

(1) Background

West European disquietude with the dominant position of Anglo-American oil companies in the production, refining and distribution of oil products for European consumption was evident through most of the postwar period. The evidence included the maintenance of historic French market-sharing laws, the aggressiveness of the Italian company ENI in developing sources and outlets for oil, the vigorous German reaction to Texaco's purchase of one of the few remaining German oil companies in 1966, and proposals for a common energy policy for the European Communities that seemed likely to give special benefits to non-US companies.

(2) European Reaction to the Oil Crisis

European uneasiness came rapidly to a head at the time of the Arab-Israeli war of June 1967. The war and its aftermath threatened to cause a serious shortfall of oil

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supplies to Western Europe and Japan as a result of the closure of the Suez Canal, the shutdown of the Eastern Mediterranean pipelines and the curtailment of Arab oil exports.

Many Europeans tended to see themselves as innocent victims, since the Arab oil embargoes were directed primarily at the United States, Great Britain, and their oil companies. It appeared reliance on American and British oil companies exposed Europe to political disputes in which the continental Europeans did not consider themselves directly involved. The most striking exposition of this view came from German officials, who stressed the responsibilities of US companies in fulfilling their commitments and hinted at a reappraisal of German energy policy if the US companies failed.^{15/}

^{15/} From Bonn, Telegrams 15340, June 28, 1967, and 15304, June 26, 1967 (~~CONFIDENTIAL~~).

In addition to the direct threat to the large US investments in oil facilities related to the European market, it was evident that there was danger of repercussions on European policies affecting US investments in Europe and in other fields.

(3) US Response

It thus became urgent to demonstrate US determination to assist in avoiding and overcoming a potential European oil supply shortage, and to activate mechanisms designed to assure continued supplies of oil to Europe. The Department of State's Bureau of European Affairs -- with the concurrence of the Bureau of Economic Affairs and the Department of the Interior -- felt that the OECD Special Committee for Oil was the best forum in which to pursue these objectives.

The OECD Special Committee for Oil was convened in emergency session on June 12-13, 1967, to discuss how to cope with the impending oil shortage. The key question was whether to invoke an emergency plan of action that had been agreed to by

the OECD in 1960 as a result of the disruptions in oil supplies during the 1956 Suez crisis. The plan provided the framework, depending upon the requirements of the situation, for (1) the establishment of an International Industry Advisory Body (IIAB) to concert and advise the Special Committee for Oil on the adequacy of supplies and transport facilities; (2) the coordination of tanker movements, and (3) the rational apportionment of available supplies among member countries participating in the emergency plan.

The Bureau of European Affairs, with the concurrence of the Bureau of Economic Affairs and the Department of the Interior, strongly supported invocation of the emergency plan; our delegation was instructed accordingly at the June meetings of the Special Committee for Oil.^{16/}

^{16/} Department of State Circular Telegram 212280, June 17, 1967 (LIMITED OFFICIAL USE).

(4) The Role of the OECD: Example of Effective Policy Coordination

It was important that the OECD recognize the existence of an oil supply emergency in the OECD area in order for our State and Interior Departments to make a persuasive case, to the Office of Defense Mobilization and the Attorney General, in favor of granting an anti-trust waiver to the major American oil companies, so that these might meet among themselves and with European companies to assess the seriousness of the oil and tanker shortage and to recommend to the US Government and the OECD appropriate measures for coping with it. The US companies were the major oil suppliers to Western Europe and Japan, and their joint participation was essential to make an accurate assessment of the seriousness of the oil crisis.

The US position was adopted by the OECD Council at a meeting on June 27, 1967 with all member countries supporting except the Federal Republic of Germany, France, Japan and Turkey. These countries abstained on the ground that concerted

Western measures might antagonize the Arab governments and thereby aggravate rather than alleviate the disruptions in oil production and tanker movements. In addition, the German Government was reluctant for domestic political reasons to admit that an emergency existed. Nevertheless, an International Industry Advisory Body (IIAB) was formed, the US companies were permitted to participate, and industry representatives from the abstaining countries participated in the work along with those from other member countries. the IIAB submitted three comprehensive reports to the Special Committee for Oil on the adequacy of oil supplies and transport facilities. These reports were of great assistance to member governments in determining how best to utilize available oil supplies. They also put member countries in a better position to act quickly if the situation worsened.^{17/}

^{17/} From Paris, Telegram 20828, June 27, 1967
(LIMITED OFFICIAL USE).

(5) End of the Crisis

In succeeding months Arab oil production and exports gradually returned to pre-war levels, and the Arab boycotts on shipments to the United States, Britain, and the Federal Republic of Germany were lifted. In these circumstances members of the OECD Special Committee for Oil decided that it was unnecessary to authorize formal coordination of tanker movements or apportionment of oil supplies. By the end of 1967, member governments were ready to maintain the IIAB in inactive standby status pending Middle Eastern developments.

Thus, through a combination of circumstances, including the cooperative approach under the OECD and the inability of Arab countries to maintain a prolonged oil embargo, serious consequences for US investments were avoided. Many Europeans were impressed by and grateful for the cooperation shown by the US Government and the US oil industry. European political sensitivity over reliance on Anglo-American sources of oil subsided somewhat, though the major consumer countries continued to seek more independent sources of supply.

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d. Science and Technology

(1) Background

The predominance of US economic and military strength in relation to Western Europe was an underlying factor in a growing European concern that, scientifically and technologically, the United States was leaving Western Europe far behind. This concern, moreover, reflected Western Europe's frustration over an evident inability to organize its resources and talents on a scale and at a pace which would match America's technological capabilities, particularly in advanced science-based industries. In part, it was also a reaction to the impact of extensive direct American investment in Western Europe. Initially this attitude, commonly (but misleadingly) called the "technological gap," was often characterized by a strong anti-American bias, particularly in the French press. By late 1965 it was becoming evident that the technological gap was a serious political and psychological problem in our relations with

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(2) United States - European Space Cooperation

The United States had by 1965 a well-established policy of demonstrating our willingness to cooperate with Western Europe in science and technology. US-European intergovernmental cooperation was limited to those fields in which the US Government played a dominant role. Thus, cooperation in space activities was far more feasible than cooperation in computers (development of which is essentially in the private sector) although both were fields in which Europe felt a great deficiency. Furthermore, we recognized that our policy of developing a viable partnership between the United States and Europe in science (as in other fields) depended on the willingness and ability of the Europeans to mobilize their resources on a broader-than-national basis.

1/ Department of State (EUR/RPE) Paper on the Technological Gap -- Its Political Aspects, January 16, 1967 ~~(CONFIDENTIAL)~~.

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Recognizing the need to reemphasize our policy and encourage greater intra-European scientific cooperation, the President, in a December 20, 1965, meeting with German Chancellor Erhard, proposed joint US-European cooperation in the scientific exploration of space -- suggesting as one of several possibilities a probe to Jupiter. ^{2/} In this case the European participation would presumably be through the European Satellite Research Organization (ESRO) consisting of ten Western European countries.

ESRO was a relatively successful attempt at intra-European cooperation, partly because its exclusive emphasis on scientific exploration avoided many of the problems raised in other fields. ESRO's seven-member companion organization, the European Launcher Development Organization (ELDO), fared less well as members disputed over projects and contract allocation and over the high costs of launcher development. A British threat in May 1966 to withdraw from ELDO caused

^{2/} Department of State Telegram 421, January 8, 1966 (~~CONFIDENTIAL~~), to Bern.

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concern, both as a demonstration of the fragility of intra-European space cooperation and for the danger that it would be used to emphasize the divisions between Britain and continental Europe.

Reflecting these concerns and the belief that development of launch vehicles in Europe should be subject to multilateral controls while absorbing national resources which otherwise might be diverted to military programs, the United States decided to cooperate with the ELDO program through the provision of technical assistance and advice and in facilitating access to US technology.^{3/} We continued our policy, however, that launch vehicles supplied by the United States or developed with US assistance could only be used for peaceful purposes and in a manner consistent with our commitment to a global telecommunications system under INTELSAT.^{4/}

^{3/} Department of State Memorandum, Percival (EUR/RPE) to Nesbitt (SCI), subject: ELDO - Some Political Aspects, May 17, 1966 (~~CONFIDENTIAL~~); National Security Action Memorandum NSAM 354, July 29, 1966 (~~CONFIDENTIAL~~).

^{4/} National Security Action Memorandum NSAM 294, April 20, 1964 (~~SECRET~~) and National Security Action Memorandum NSAM 338 (Revised), July 12, 1967 (~~CONFIDENTIAL~~).

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The continuing difficulties of Europe in organizing itself for major scientific efforts to parallel or complement those of the United States were again evident in the April 1968 announcement that the UK would withdraw from ELDO. Threatening the demise of efforts to develop jointly an independent European launch vehicle capability, the UK action raised serious questions about the efforts then under way to develop a coherent European space policy under the aegis of the European Conference of Ministers of Space.^{5/}

A major question then facing Europe and the United States as the negotiation of the definitive INTELSAT arrangement approached (set for early 1969) was the possibility of establishing regional satellite telecommunications systems which would be separate from or in some way related to the global system under INTELSAT. At the Europeans' initiative, the United States in July 1968 consulted with representatives of the European Ministers and reaffirmed our willingness to

^{5/} From Paris, Airgram A-1494, February 21, 1968 (LIMITED OFFICIAL USE).

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cooperate particularly with the programs of ELDO and ESRO. The United States clarified its position on INTELSAT, which does not exclude the possibility of regional telecommunications systems, and on the provision of US launch vehicles and services for European experimental and operational satellites. ^{6/}

(3) The "Technological Gap"

In our more general efforts to broaden multilateral scientific cooperation with Europe we stimulated, in 1965 and 1966, a strengthening of the OECD's capability as a forum for consultations on science policies and research cooperation. At an OECD Ministers of Science meeting on January 12-13, 1966, to endorse this new direction, Belgian Foreign Minister Harmel raised officially the European concern over the economic and political consequences of growing disparities in technological development among OECD countries. ^{7/}

^{6/} Department of State Position Paper - Visit of European Space Conference Mission, July 10, 1968 (UNCLASSIFIED); Department of State Circular Airgram CA-10678, September 6, 1968 (LIMITED OFFICIAL USE).

^{7/} From Paris, CEDTO Airgram A-429, January 22, 1966 (LIMITED OFFICIAL USE).

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Privately, Harmel sought from the United States a statement that we had no intention of economically dominating Europe.^{8/} In response, and with the support of the United States, the OECD Science Ministers initiated a major study of the technological gap.^{9/}

Later in the spring of 1966, Italian Foreign Minister Fanfani raised the technological gap issue at the Brussels NATO Ministerial. Subsequently he presented proposals for Atlantic technological cooperation, which he hoped would give greater content to the Alliance.^{10/} The technological gap issue was also discussed in various other bodies in Europe, including the Commission and the Medium Term Economic Committee of the European Communities.^{11/}

^{8/} Harmel - Hornig Memorandum of Conversation, January 20, 1966 (UNCLASSIFIED).

^{9/} Press Communique of the OECD Ministers of Science, January 12, 1966.

^{10/} Italian paper, "Europe's Technological Gap," September 16, 1966; and supplement of December 3, 1966 (both UNCLASSIFIED).

^{11/} Medium Term Economic Policy Committee Report on Scientific and Technical Research Policy, July 1967 -- (UNCLASSIFIED).

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The United States undertook to respond positively to the European concern over technological disparities, stating that we were willing to cooperate in achieving a better understanding of the nature, causes, and possible remedies of the technological gap, and continued to welcome initiatives for scientific and technological cooperation. We took the initiative in supporting and directing the OECD study along fruitful lines. ^{12/} In September 1966, the President, in a joint communique with Chancellor Erhard, welcomed the Fanfani proposals and stated our willingness to cooperate. ^{13/} In his October 7 speech to the National Conference of Editorial Writers in New York the President again affirmed the US desire for the mutual exploitation of science and technology as a common resource. Similarly, the Vice President referred approvingly to a proposal of Prime Minister Wilson

^{12/} Department of State Telegram 3063, July 7, 1966 (LIMITED OFFICIAL USE).

^{13/} Department of State Circular Telegram 57197, September 30, 1966 ~~(CONFIDENTIAL)~~.

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for a European Technological Community, and Commerce Secretary Connor responded to the Belgian request by stating clearly that the United States had no intention of economically dominating Europe. ^{14/} In November 1966 the President announced the formation of an interdepartmental Committee under the chairmanship of his Science Advisor, Dr. Hornig, to examine possible responses to the technological gap problem. ^{15/}

As discussions of the technological gap issue proceeded in the OECD, NATO and elsewhere in 1967, the United States pursued the objectives of (a) clarifying the nature of the problem in order to deal with the belief that the United States was somehow responsible; (b) transforming the European concern into an impetus toward intra-European cooperation and unity; (c) underlining that the determinative factor in technological development is the complex environment for technology utilization which poses problems only the

^{14/} Department of State Circular Airgram CA-3898, November 21, 1966 (UNCLASSIFIED).

^{15/} National Security Action Memorandum NSAM 357, November 25, 1966 (~~CONFIDENTIAL~~).

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Europeans themselves can solve; (d) supporting, in a low key, the UK's use of its scientific and technological base in furthering its application for Common Market membership; and (e) strengthening cooperation within the Atlantic Community and with the developing countries. ^{16/}

The elements of this policy related to European unification and Atlantic cooperation were of particular interest to the Department's Bureau of European Affairs, but occasionally created problems with other agencies on specific issues. Dealing with the Europeans on a multilateral, rather than bilateral, basis was often seen as inconvenient and time-consuming, particularly when the Europeans were unable to agree among themselves. There were circumstances, such as the US-Italian agreement, when for political reasons a bilateral cooperative arrangement was in the US interest. A major effort of the Bureau, however, has been to relate our scientific relations with Europe to our wider political

^{16/} Department of State Circular Telegram 118575, January 13, 1967 (~~CONFIDENTIAL~~), and Circular Airgram CA-6693, March 7, 1967 (~~CONFIDENTIAL~~).

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objectives of intra-European unity and cohesion in the Alliance. The broad policy was accepted and prevailed in most cases.

The completion of the OECD studies in late 1967 and the publication of a highly popularized account of the technological gaps by French editor Servan-Schreiber (The American Challenge) ^{17/} indicated a marked change in European attitudes and an understanding that the key long-range remedy for disparities lies in actions which the Europeans themselves must take.

The possibility that European concerns would be translated into specific policies and actions inimical to the United States remained, however. Particularly worrisome were the various proposals that seemed to be aimed directly or indirectly at restricting government procurement of "high-technology" items (such as computers) to European sources of supply, and the suggestion, which subsided but never disappeared, that US investments in Europe should in one way or another be controlled.

^{17/} From Paris, CEDTO Airgram A-246, November 6, 1967 (UNCLASSIFIED).

^{18/} Scope Paper, OECD Science Ministers' Meeting, March 11-12, pgs. 3-4.