

Logistics *b*

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CONTROL: 1696

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FROM: BONN
TO: USRO PARIS FOR INFO

ACTION DEPT A-1493 INFO PARIS TOPOL A-196 USCINCEUR A-130

SUBJ: US/FRG Wartime Logistics Support Agreement

REF: a) Deptel 2685, rptd Paris 5236
b) Embtel 2376, rptd Paris TOPOL 141, USCINCEUR 393
c) MAAG Germany tel MGL-8-255, April 7, 1962

Paris for USRO, Stoessel and McGuire;
DEPT PASS DEFENSE (OSD/ISA) & TREASURY

In view of commitment (ref c) to provide US counterproposal to General Becker's draft on US/FRG wartime logistics support, and particularly since it seemingly intended that any agreement on this subject would ultimately be negotiated through diplomatic channels, Country Team proposes following procedural and substantive points for consideration by State-Defense-Treasury in planning course of future action:

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a) Procedure - Although recognizing advantages of dealing exclusively with MOD in early stages of discussion, CT believes it desirable not rpt not proceed too far before consulting other FRG Ministry repts. FONOFF generally inclined to follow MOD lead in defense questions but FINMIN--particularly under Min. Starke--tends to play more independent financial commitment beyond one fiscal year.

b) Scope of FRG requirements - Indications are that FRG MOD envisages agreement including assurances that "across-the-board" support for German forces would be provided for U.S. after utilization FRG reserves in being. German thinking based on premise that FRG facilities east of Rhine (i.e. bulk of FRG industrial capacity) would be unavailable in event of major conflict. It is not clear on basis information available here whether USG is prepared to undertake commitment of this magnitude, even "in principle" at this time, although US interest in assuring continuation Bundeswehr combat capability is self-evident. Extent to which USG may be willing to go in providing guarantee of wartime logistic support for FRG forces is, however, a basic question and particularly relevant to following point.

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c) FRG Contribution - Given the aforementioned premise underlying German thinking which, together with FRG conviction that reliance on intra-European sources for full scale wartime logistics support is unrealistic provides the motivation for Gen. Becker's proposal, it seems probable that the only quid pro quo which U.S. can reasonably expect in exchange for its commitment would be FRG advance payments to finance buildup of U.S. standby capacity for armaments production, stockpiles of raw materials, and expanded war reserve stocks, perhaps for storage in U.S.

An arrangement whereby U.S. would build up such stand-by capacity, stockpiles, and reserve stocks could provide basis for continuation of FRG commitment to offset foreign exchange expenditures by U.S. in connection with U.S. troops stationed in FRG. It is extremely difficult to envision an alternative, long-range basis for such FRG offset payments. As FRG buildup to establish goals and modernization draw to close, the capability of German procurement authorities to satisfy competing demands from U.S., UK, France, et al, must inevitably diminish.

In this connection, it is worthy of note that so-called "continuing" expenditures (as opposed to "one-time" outlays--in large part for procurement of new equipment) have risen from 31.4% (GFY 1958) to 44.6% (GFY 1962) of the defense budget. Although part of the "continuing" expenditures is of course for replacement procurement of major items, they consist, in the main, of personnel, maintenance and similar outlays. cf. Embdesp. 1167, Feb. 21, 1962, and 1420, April 19, 1962.

At the same time, the pressure for military orders from the French and the British may be expected to continue or even increase; and should the current moderate deceleration in the rate of growth of the German economy continue, domestic industry may also demand an enlarged share of FRG military orders.

d) Weapons Standardization - US/FRG standardization of weapons seemingly would be a decided collateral advantage and, in fact, an almost essential consequence of a US/FRG wartime logistics support agreement, since U.S. support of other than common weapons systems would at best be impractical. In other words, it would have to be made clear to the FRG that the extent of the U.S. support commitment would be directly contingent on the extent of standardization of weapons.

This would not necessarily entail FRG procurement of all requirements from the U.S. since the standardization objective could be attained by FRG production under license of U.S.-developed equipment or vice versa. FRG willingness to work toward weapons standardization would undoubtedly be facilitated by an increase in U.S. acceptance of FRG-developed equipment and by closer cooperation in weapons development, starting with alignment of tactical and strategic concepts determining

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Weapons utilization.

e) Enhancement of U.S. Influence on FRG Military Policy - This would be a further collateral advantage which would flow from a properly implemented U.S./FRG wartime logistics support agreement. U.S. influence could be brought to bear directly on such problem areas as the deficiencies in the FRG logistics system (inadequate reserve stocks, shortages of trained personnel, etc.) and of FRG production and procurement decisions (e.g. helicopters, standard tanks, aircraft) which are of concern to the U.S. both from a military and from a balance of payments point of view.

U.S. influence could also be exercised indirectly on significant FRG policy decisions, e.g. as a counterweight to such remote, but nonetheless conceivable, factors as a Franco-German "third force" approach to European defense or any future tendency of the FRG to pursue an independent (be it neutralistic or adventurous) military policy vis-a-vis the Soviet bloc.

In view of the magnitude of the potential U.S. commitment, the Country Team believes the foregoing points should be weighed in developing U.S. policy guidance on the Becker proposal.

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