

Memo.

Ans. Nov. 21, 1951

November 20, 1951

MEMORANDUM FOR THE PRESIDENT

Subject: Economic Assistance for France

The Secretary has reported about the general agreement that he and Mr. Harriman reached with the French Government on November 16, to provide United States economic assistance to France in an amount adequate to make possible the French defense effort in the coming year. The Secretary's report to you is contained in the attached telegram 2967 from Paris, dated November 17. The agreement reflects the results of two weeks of negotiations with the French.

Our approach to the French in the aid negotiations has been that United States economic support for France in one form or another would be in an amount adequate to finance imports into France required to support the French defense effort and maintain a healthy French economy.

The French believe that the military situation in Indochina requires that they increase their military expenditures in that area by one-third next year. The French are also anxious, as are we, that they carry out a substantial program to increase their forces in Europe committed to Eisenhower. This latter program is not only essential to NATO defense plans in Western Europe but is also considered by the French to be a necessary prerequisite to the creation of German forces of the size which our military planners desire. It is the judgment of the United States negotiators that the French programs in Indochina and in Western Europe for the coming year are reasonable ones and justify our support.

The French Government is now presenting its calendar 1952 budget to Parliament. The budget presented, particularly as it relates to defense expenditures, is to a large extent dependent on how many dollars the French can count on having to cover their balance of payments deficit. Mr. Harriman and Secretaries Acheson and Lovett have agreed that the legitimate French dollar

requirements

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E.O. 12065, Sec. 3-402

State Dept. Guidelines, March 6, 1982

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By AL NLT, Date 3-16-84



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requirements during the current United States fiscal year would amount to \$650 million. They have assured the French that a total of some \$600 million will be available in the form of direct economic assistance and United States military expenditures in France. To this would be added a cotton loan from the Export-Import Bank of \$50 million.

The fulfillment of this commitment to the French will probably necessitate the exercise by you of the power contained in Section 101 (b) of the Mutual Security Act of 1951, which authorizes transfer of 10 percent of funds appropriated for military end-item aid for use as economic assistance. Of the total of \$580 million which is transferable in this manner, the French commitment might involve the transfer of \$150 to \$300 million, the exact amount depending on the rate of other United States military expenditures in France in 1951/52. Specific recommendations on the amount will be submitted to you on a subsequent date by the Director for Mutual Security.

Attachment:

Paris telegram 2967,
November 17, 1951.

MR - Mr. [unclear]

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