

TELEGRAPH BRANCH

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Info

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By AL NLT, Date 3-16-84

NIACT.

FOR THE PRESIDENT AND ACTING SECRETARY; FURTHER DISTRIBUTION
BY S/S to ECA AND DEF.

Further ref matter discussed in Amembassy Paris cable 2806 and 2827, we have been carrying on talks during past week with Lovett, Pace and Nash for Def, and with Harriman, Bruce and Labouisse (ECA).

Gen agreement reached that in view of problems faced by French as outlined in ref cable, US assistance and military expenditures in total amount of approx 650 millions by July 1, 1952 will be required if French are to meet Indochina burden and at same time come up with adequate contribution to def of Western Europe.

Difficulty recognized of making any reasonably firm estimate of military expenditures in view of interdependence of deployment on progress made toward readiness of bases and other facilities. Similar difficulty recognized in firming up estimated expenditures for US share of infrastructure costs and off-shore procurement. Nevertheless necessity recognized by all of giving French most definite ideas possible of what might be expected during 1952 in the way of US expenditures and assistance in order to permit them to support their def budgetary submissions in French Assembly debates which opened Friday, the 16th. Failing any definite info on this score, French wld be forced by seriously deteriorated balance of payments position to reduce def budget to level wholly unacceptable both for Indochina effort and NATO contribution. Moreover, as explained in detail in referenced cable, such action wld seriously impair progress toward resolution of problems of European def force and Ger contribution to def of Western Eur.

Since all agreed that with every effort on part of both US and French to cut red tape and expedite to maximum extent, level of US assistance and military expenditures in fiscal 1952 old reasonably be expected to approximate 650 millions, it was felt foolish in the extreme to deny this info to French at time when making it available to them might materially

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assist in strengthening their determination to go forward with an acceptable NATO and Indochina def effort.

Accordingly meeting was arranged for morning of Friday, the 16th (prior to the commencement of the Assembly debate) which was attended by Pleven, Schuman, Bidault, Mayer and Monnet for the French, and by Acheson, Harriman, Bruce, Nash (for Def) and Labouisse (for ECA).

Opening the discussions, I emphasized the great importance of the next 90 days in getting the NATO rearmament program into the best possible focus and balance, completing a constructive report by the TCC, forwarding the solution of the Ger problem, etc. The success of these efforts wld be in no (rpt no) small measure dependent upon the ability of French Govt to continue leadership it has been giving to program for def of Western Eur while at same time continuing its campaign against Communist aggression in Indochina.

I said it was recognized that unless means were found to improve the French dollar balance of payments situation, it wld be necessary for them to make drastic cuts in their program of essential dollar imports which in turn wld have serious adverse effects on their military budget. I added that in an effort to be of assistance in this connection, I had taken advantage of the presence of Mr. Lovett in Paris to carry on exploratory discussions with him and Mr. Harriman and others to ascertain the level of US assistance and military expenditures which might be anticipated between now (rpt now) and July 1, 1952. We believed that it wld be altogether likely that a total of some 600 millions of dollars cld be achieved, provided the French and ourselves cld eliminate red tape and get ahead rapidly with the construction of the bases and facilities required to achieve the planned deployment of US forces. To this might be added a cotton loan from the Export-Import Bank in the amount of 50 millions which I said I believed cld be arranged.

Pleven agreed that the French also look on the next 90 days as a period of great importance for the future of Atlantic Community plans. He stressed that the effort which France was being called upon to make in Indochina, involving an expenditure of more than \$1 billion in 1952, lay at the bottom of her present difficulties and expressed the hope that the US cld find some way of increasing the already highly important assistance we were giving in that area. He spoke of the difficult task his govt faced in getting through Parliament a budget involving heavy sacrifices, citing the necessity of cutting the postwar reconstruction program at a time when the French housing shortage continued to be acute. He said that he recognized the necessity of a business-like approach to cut through red tape and expedite the use of US aid but felt obliged to add that all the present difficulties cld

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not (rpt not) be attributed to slackness on the part of the French^{Govt}. The French had been "burned" on their expectations of aid from US during the first half of the present US fiscal year. The atmosphere of uncertainty in regard to US assistance in which France had been operating had destroyed any chance of rational planning.

Monnet expanded on this last point emphasizing that unless the US old say definitely and immediately what over-all sum in dollars wld be spent in France in the first 6 months of 1952 there wld be a serious disintegration of the French NATO program and this wld have an inevitable effect on the French def production program. He thought this wld be a great pity since he felt certain the dollars were eventually going to be spent and he felt sure that if some advance knowledge old be given, France old plan wisely and old make a real def contribution in 1952. But, he concluded, while the technicians argued, dissolution was taking place.

Both Bidault and Mayer stressed the importance of getting ahead with a program of off-shore procurement. Both felt, however, that actual expenditures for off-shore procurement wld not (rpt not) develop rapidly enough to be of much assistance in the first half of 1952, and Mayer inquired whether it might not (rpt not) be possible to use some method of pre-financing such as advance purchases of francs. Mayer added that without an amount of American assistance greatly in excess of what has heretofore been indicated, it wld not (rpt not) be possible for France to carry on at the same time the three principal tasks of Indochina, NATO, and postwar reconstruction. He said that he was contemplating asking Parliament for additional taxes that wld make France the highest taxed country in NATO, and that he wld have to adjust the import program to whatever level of revenue he was able to attain. Mayer expressed an interest in the composition of the figure of 600 millions (exclusive of the 50 million cotton loan) of expenditure referred to at the outset of the discussion.

In reply I stated that I was not (rpt not) prepared at this time to indicate any specific break-down of the figure which I had advanced, stating that the development of the figure [redacted] was a matter resting with Messrs. Lovett and Harriman. I added, however, that I felt the US old give assurance that the 600 millions of expenditures wld be achieved through one means or another provided that together we were able to make the maximum advantage of the limited time available for the development of the requisite bases and other facilities.

MESSAGE UNSIGNED

BOC:WJS

NOTE: (#) Apparent omission, correction to follow.

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