

NLT (APP-SUBJ) 194  
White House  
The President

TELEGRAPH BRANCH

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~~TOP SECRET SECURITY INFORMATION~~

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FROM: Lisbon  
TO: Secretary of State

NO: ACTEL 10, February 25, 9 p.m., (SECTION TWO). DECLASSIFIED

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PRIORITY. Project NLT P3-10  
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3. Subject to two reservations indicated under paragraphs 1 and 2 immediately above, US Govt will take all practicable measures to provide that French Govt will receive for balance of payments purposes \$200 million before end of June 1952 or in any case as soon thereafter as is administratively feasible, although timing of actual payments of liabilities in French francs under contracts is to take place in accordance with terms of contracts. If US Govt so elects it may obtain this result by increasing sum of \$100 million foreseen under paragraph (B) above as a substitution for a comparable amount of off-shore purchases under \$200 million foreseen in this paragraph. US Govt may also substitute for part of \$200 million procurement program, if this cannot (rpt not) all be placed in France, purchase in US of items now (rpt now) budgeted by France for needs of forces in Indochina.

4. Off-shore purchases may, if US so elects, apply to contracts already placed if French Govt had been forced cancel such contracts.

5. US Govt is to elect items to be included in off-shore purchase program of \$200 million from contracts which are scheduled for franc financing under French defense program for 1952 as defined in Section V below.

6. US Govt may if it so elects and with agreement of French Govt make a contract with latter for all or part of these items. Appropriate procedures are to be evolved permitting reps of US Govt participate in inspection to ensure minimum quality standards of deliveries and in consultations to insure prompt payment arrangements with producing firms in France to encourage rapid production.

III. The two govts agree that receipts in dollars of French Govt coming from expenditures of American Forces in France, including contribution by US to infrastructure and purchase by US of material and supply are likely reach level of \$100 million before June 30, 1952. Accordingly present arrangements are considering superseding earlier discussions

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relative to assistance to France from fiscal year 1952 funds.

IV. The two govts agree that the conversations now in progress with a view to facilitating the placement in France by the US of contracts for material, supply and labor, and for infrastructure, including airfields and other installations must be brought to a prompt and satisfactory conclusion in the interest of the common defense.

V. In view of the new program outlined by the representatives of the US in Section II above, which will provide budgetary assistance not previously foreseen, the French reps stated that the French Govt will provide for a military budget of 1400 billion francs in 1952 (according to NAT's definition of def expenditures).

This budget of 1400 billion francs is to be based on provisions forces committed by France to NATO at ninth session of Council at Lisbon and included in Annex B of supplementary report of Temporary Council Comite, dated Feb 24, 1952.

VI. (A) The two govts recognize that French program of 1400 billion francs set out under Section V above will result, despite \$200 million off-shore purchases to be effected by US Govt, in cancellation of a certain number of production contracts and in severe curtailment of new contracts. Thus level of defense production in France will be seriously reduced.

It is therefore requested urgently by French reps that US Govt carry out purchases in France over and above program of \$200 million of off-shore purchases mentioned under Section II above, either for needs of French forces or for needs of Forces of US and of Forces of other countries of NATO. The reps of US indicated that this possibility was not (rpt not) excluded if prices and technical conditions were acceptable, without, however, being in position take any engagements on this subject. It was understood that French Govt would present to Govt of US a list of equipment which is now (rpt now) being produced in France or which could be undertaken within very short time for possible procurement by US. (B) French Govt pointed out that in any case French program as set forth in Section V above will only permit French Forces be equipped in small measure from French financial resources. In view of this and changes in French military program French Govt requests a review of end-item program with a view to offsetting shortfall in French production by a reprogramming of end-items and also to including if necessary a wider range of articles in end-item program for French Forces. French Govt

requests strongly

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requests strongly that any dels of end-items which may be feasible for these purposes be filled at least in part by production in France financed in accordance with paragraph (A) immediately above.

VII. Govt

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