

NLT (PSF-SUBJ) 102

~~TOP SECRET~~

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INCOMING  
MESSAGE

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DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

18027/23  
13486  
PALMER

TOP SECRET

PARAPHRASE NOT REQUIRED

STATE DEPT MSG

FROM: USUN NEW YORK N Y SGD ACHESON

TO : SECRETARY OF STATE

NR : SECTO 42

REC'D BY STATE 22 SEP 50  
23 SEP 50

Department pass Paris. Sent Department SECTO 42, repeated Paris unnumbered.

Following tripartite meeting this afternoon and at French request Acheson and Marshall met bilaterally with Schuman and Moch.

Moch made presentation of problems involving activation of ten new divisions by July 1, 1951.

According to his calculations French calendar year 1951 military budget, if his announced plans were to be carried out, must total 850 billion francs (610 billion for France plus 240 billion for Indochina).

Current military budget totaled 420 billion francs. So far he had obtained Cabinet authorization to request Parliament for additional 160 billion francs (80 already announced by Pleven plus another 80 decided upon in last Cabinet meeting) for 1951 calendar year. This totaled 580 billion and the gap between this figure and the 850 billion required for 1951 was 270 billion francs. It was this gap which must be met if his plans for 1951 were to be realized and he asked US help to this end.

He pointed out that he must present his military budget by the end of October and that it must be voted before end of year.

American aid already promised and contemplated consisted of end items many of which could not be delivered in time for him to meet his deadline for ten new divisions.

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(23 Sep 50)

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By NLT-44 NARS, Date 11-27-79

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DA SCO FORM 22-1  
15 JAN 1949

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Yet it had been generally agreed during today's meetings that rapid activation of European divisions was essential. France, herself could produce, if devices of financing could be agreed upon, twelve ton tanks, reconnaissance cars and bazookas. He must know whether outside financing was to be available in order to place contracts now so that items could be delivered by July. He was now authorized by present budgetary limitations to order for instance only 135 tanks whereas he needed 1200. Furthermore, money was needed for basic infrastructure in France in addition to locally produced end items. He calculated that 40 billion of 270 billion franc gap would be needed for purchases in dollar area of essential raw materials to go into end items, the balance of 23 billion francs to be spent in France. He suggested that this sum could be advanced against the projected French share of 350 billion dollars presently authorized by Congress but was to be separate from French share of regular 1951 French MDAP program.

Acheson, while agreeing on urgency of solving French problem, said it raised many technical questions of both military and financial nature. For instance French military program must be approved by US military if US was to finance it. Secondly, US financial experts from various government agencies including Treasury and ECA must meet with French experts to clarify complex financial question. If both sets of experts agreed it might be possible to meet some of the French gap from already appropriated funds. It must be remembered, however, that most appropriated funds must be devoted to getting US military production pipeline going. It seemed that in order to finance rest of French financial gap we would have to go back to Congress. In order to lose no time, financial questions might be discussed by Petsche when he came here in early October.

Moch suggested that for military aspects he might join Petsche here about October 10 in advance of Defense Ministers' meeting.

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Acheson thought that sets of both financial and military experts should meet prior to arrival of Petsche and Moch. There must be a real understanding on our side between Treasury, ECA, State and Defense as dollar financing of foreign budgetary deficits presented many real problems of an inflationary nature of US.

After further discussion in which Spofford pointed out that some of Moch's problems re production of twelve ton tanks and bazookas might be taken care of under HPPP, the following plan was tentatively adopted:

- (1) The Nitze group should continue its present work with special emphasis on these problems;
- (2) About October 1, French military and financial experts should come to Washington for parallel bilateral discussions;
- (3) About October 10 they would be joined by Moch and Petsche who would meet with Acheson, Marshall and Snyder prior to meeting of Defense Ministers on October 16.

French then raised Indochina question. Both Schuman and Moch pointed to need to create immediately powerful national Indochinese armies due to necessity of repatriating as many French forces as possible since 20 percent of French regular officers and 40 percent of French noncoms were frozen in Indochina. There was 72,000 men presently in local armies but the desired, substantial increase in this number would present budgetary problems which neither France nor the Associated States could presently meet.

It was agreed that it was too late in the day to continue this discussion and French expressed hope it could be continued tomorrow before Moch's departure.

NOTE: This message has been relayed to Paris.

ACTION: G3

INFO: CSA, G2, G4, SDLO, JCS, SEC DEF, NAVY, ONA,  
OAGO, OSA, OOA

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(23 Sep 50)

DTG 22 Sep/1:30 am

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