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DEPARTMENT OF STATE
Counselor and Chairman
Policy Planning Council
Washington

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July 9, 1965

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MEMORANDUM FOR SECRETARY McNAMARA

You will find this report (which we have checked for accuracy with Messrs. Acheson and McCloy) of interest. It was one of the best discussions that I have attended.

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J. C.

W. W. Rostow

Attachment:

Memorandum re S/P
Consultants' Discussion

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MEMORANDUM

SUBJECT: S/P Consultants' Discussion of Atlantic Affairs

1. Introduction. The Policy Planning Council's Board of Consultants met on July 2 to discuss US policy toward Europe after the German elections. Ambassador Bruce joined these members of the Board: Messrs. Acheson, McCloy, and Smith; and Professors Neustadt, Millikan, Bowie, and Moseley. Messrs. Ball, Mann and Leddy joined the discussion at lunch; and a smaller group continued after lunch in Mr. Leddy's office.

2. Conclusion. The Consultants quickly put to one side the paper which had been prepared for this meeting. They thought that it focused too narrowly on NATO.

(a) They suggested that economic issues deserved urgent attention: notably the UK economic situation, the Kennedy Round, and monetary reform.

(b) So did political issues: policy toward Eastern Europe, proposals on German unification, and consultation about third areas.

(c) In the Politico-military area, they felt that non-proliferation and nuclear sharing was the leading issue.

Forward motion in each of these fields seemed to hinge on discussion among the three major Western powers dedicated to common action: the US, Germany, and the UK.

The Consultants suggested that US-UK-German staff level talks about this range of issues begin soon, if the Germans were willing. In any event, talks at a higher and more visible level should take place soon after the German election.

UK and German views were tending to converge along fairly sensible lines. A US initiative in bringing about trilateral talks could well translate this convergence

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- 2 -

into agreement on action. But clarity as to the US position and a US initiative in getting the talks started at the right moment would be indispensable ingredients.

Otherwise, nothing much was likely to happen. Neither the British nor the Germans were likely to take the first step in bringing the three governments together.

In this event, more than opportunity for forward motion would be lost. The UK - faced with a continuing economic problem and denied a constructive political role in Europe - might well drift off into becoming what Ambassador Bruce described as a bigger Sweden. The Germans - seeing no prospect of progress toward either German unification or European integration, and feeling that they are still traveling second class twenty years after the war - could also succumb to melancholy absorption in their own concerns which would alienate them, in some degree, from the rest of the Western community.

3. Key Issues. After this broad cut at the problem, the Consultants focused on two issues which they felt should figure prominently in a US-UK-German agenda, since they could soon create upheavals in Atlantic affairs:

- (a) The UK financial situation.
- (b) Non-proliferation.

4. UK Economy. Ambassador Bruce pointed out that pressure on sterling could become critical at any time, if the monthly trade figures were bad enough to trigger a crisis of confidence.

Such a crisis was met, last fall, when the US and other countries shored up sterling with very substantial short-term credits.

In another crisis, the US might well again feel compelled to provide aid - in order to protect the dollar,

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- 3 -

avoid a drastic cutback in UK defense commitments, and maintain US-UK solidarity.

Such an emergency operation might not, however, be the most effective way of providing aid. For, it would be difficult at short notice to put together a package of long-term aid, including other countries as well as the US, and involving meaningful pledges from the UK in return. The US might thus have to put up most of the aid, and without getting maximum return on its investment.

Preferable to such an emergency bail-out, the Consultants suggested, would be a long-term loan, made before the crisis broke. If the US and Germany (the other country most likely to see that it has a political stake in the matter) were to provide such aid, others might join in.

Any discussion of this possibility would be an extraordinarily sensitive business. The public UK position is that they are not in bad shape. A "leak" that long-term aid was being considered could damage this position.

No matter how useful preliminary contacts with German central bankers might be, the eventual German decision would be made by the political leadership - and at least partly on political grounds. The Consultants suggested that this topic should thus be given a large place in the high level US-UK-FRG talks which they had already suggested be addressed to political and defense, as well as economic issues.

4. Non-Proliferation. The Consultants saw pressures mounting for a choice between two possible approaches to averting the spread of nuclear weapons:

(a) Being willing to give up a collective nuclear force in order to obtain non-proliferation agreement with the USSR. When we have proposed such an agreement to the Soviets, they have made clear that this is their price. We and our allies have so far refused to pay that price.

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SECRET

- 4 -

The Consultants discussed possible effects of a non-proliferation agreement on other countries' courses of action.

Swedish, Japanese, and Indian representatives in the recent UN disarmament debate have suggested that their countries might well refuse to sign a non-proliferation agreement unless it also involved some nuclear disarmament by the great powers. The Soviet position on inspection makes such disarmament unlikely.

The Italians and Israeli have also intimated that they might not be willing to sign a non-proliferation agreement, standing by itself.

Schroeder said publicly a few days ago that "Germany would accede to a nuclear non-dissemination agreement only if an atomic organization within the Western alliance is established...a multilateral nuclear force or something similar...McNamara's suggestion of a Select Committee does not constitute an adequate alternative."

If these key non-nuclear countries - and China and perhaps France as well - abstained, the agreement would not amount to much. It would, on the other hand, arouse great concern among major European non-nuclear countries. The Germans would take our seeking agreement with the USSR, over their objections and - as they saw it - at their expense, as confirmation of de Gaulle's warnings against a US-Soviet condominium. We would strain the alliance without getting much in return.

(b) The other approach - creating a collective alternative to national nuclear programs - would also involve large difficulties, given bitter French and Soviet objections. The French could exert considerable leverage, in threatening to withdraw their support for German unity if the Germans joined a collective nuclear force.

On the other hand, the Consultants felt that this approach, if the Germans were ready to proceed, could do

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SECRET

- 5 -

avert the spread of nuclear weapons than a non-proliferation agreement. The UK (which has shown some surprising flexibility in the Paris ANF/MLF Working Group) has publicly indicated a willingness to submerge its national deterrent into a collective force. Elimination of one of the five existing national deterrents would constitute a dramatic and concrete non-proliferation success.

Moreover, once a collective nuclear force had thus come into being, the Soviets might, as Ambassador Kohler has suggested eventually reexamine their present insistence that a non-proliferation agreement must be couched in terms which would preclude such a force. So that we might, in the long run, conceivably get both the force and the agreement.

Here again, the Consultants saw the need as being for US-UK-FRG talks after the German election, to reach agreement on a non-proliferation strategy and thus choose between the two courses outlined above. There is no point in the US concluding that course (b) is preferable unless it is clear that the Germans will be ready to go forward, after the German election, in the face of grave French threats. Only high level talks, in which all the choices and possible consequences are thoroughly canvassed, can make clear whether this is the case.

5. Tactics. The Consultants discussed various tactical issues connected with getting US-UK-German talks going.

They thought that the first step should be early bilateral US discussion with the UK and with Germany about the need for having such talks at a high (e.g., Under Secretary) level after the German election.

They advised against focusing exclusively, in either these initial bilateral approaches or the later trilateral talks, on planning defensive reactions to possible moves by de Gaulle against NATO - although obviously this would have to be covered. The major emphasis should, instead, be on constructive moves that the US, UK, and Germany could take - moves which would not be directed against de Gaulle and in which France could, if she wished, eventually take part.

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- 6 -

It was recognized that a major thread running through all this was the likelihood of French attacks on both NATO and the EEC. (The full force of the EEC crisis had not yet made itself felt when the Consultants met.) Obviously, this prospect would color the attitudes and decisions of the US, UK and German governments on all the matters to be discussed among them.

6. Next Step. The Consultants concluded that the first need was for the US Government to decide that it wanted trilateral high level US-UK-German talks after the German election, and that it wanted them to result in:

(a) A US-German disposition to provide long-term aid to the UK, if such aid proved needed and if the UK, in return, (i) offered necessary pledges re economic performance (notably, an effective incomes policy), and (ii) agreed to fulfill its existing defense commitments in Europe and East of Suez.

(b) British willingness, at the same time, to offer the Germans prospective equality in a collective nuclear force, and a clear German decision, one way or another, as to whether they wanted to go forward with such a force, despite the risk of a confrontation with de Gaulle.

The Consultants suggested that the Department now prepare specific proposals on these points and on the rest of a US-UK-German agenda for higher approval. With sharp warnings against allowing the matter to bog down in "committees", they departed.

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