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THE SECRETARY OF DEFENSE
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: NATO Defense Issues

European leaders and General Lemnitzer are likely to raise with you on your forthcoming trip some important defense issues. For your background information as to how these issues look to us in the DoD, the following summary may prove helpful to you. JCS comments, keyed to this memorandum by footnotes and including differences of view on a number of issues, are attached as Tab E hereto.

The Adequacy of NATO's Conventional Forces

It is sometimes said that NATO's conventional forces are today so out-classed by the Warsaw Pact that NATO would have to use nuclear weapons within a few days, or even hours, of any substantial attack. General Lemnitzer also believes that his NATO forces are not equal to the opposing Warsaw Pact forces, and that they are not capable of engaging in sustained combat.

The adequacy of the balance of conventional forces in Europe is a subject of considerable differences of view in the Alliance and in the US.

All elements of the DoD are agreed that there is not a hopeless superiority on the part of the Warsaw Pact; but there is considerable difference of opinion about what advantage, if any, the Warsaw Pact does have over NATO, under what circumstances, and how that advantage, if any, should be measured.

The OSD staff and my last two predecessors have generally taken the view that NATO and Warsaw Pact forces are close to being in balance in a variety of important respects, and that a small increase in expenditures would improve the quality of NATO forces and reserves so that a balance would be unquestionably achieved.

The JCS believe that there is neither a "balance" nor a hopeless Pact superiority; instead they believe that there is a distinct, overall Pact edge in conventional capability which could be decisive unless our Allies increase their conventional forces, and unless the US maintains and improves its own forces now in Europe.

Office of the Secretary of Defense
Chief, RDD, ESD, WHS

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We shall review the issue of the balance of forces in Europe and expect to have a report for you shortly. We are, of course, aware of General Lemnitzer's views, and shall take them fully into account.

Some background may be useful:

NATO's current strategy, formally adopted two years ago, calls for a range of adequate forces across the whole spectrum of military capabilities--nuclear and conventional--to meet whatever contingency may arise with a response suitable to the aggression. In effect, the strategy calls for greater emphasis on conventional forces, since these had been neglected for years in favor of nuclear forces, which were generally agreed to be adequate.

The United States has for years urged its Allies to provide better conventional forces. (There are some Europeans, of course, who continue to believe that the best defense is the threat of an immediate nuclear response to almost any aggression. Having a substantial conventional option makes that threat less credible, in their eyes, and is therefore undesirable. The US has argued that good conventional forces show a determination to fight, and the capacity to engage strong conventional forces at once in a forward defense is a better deterrent than the incredible threat to go to nuclear war even over smaller aggressions.)

The debate over the feasibility of good NATO conventional forces turns in part on how close to our goal we are now. Statements as to the effectiveness of NATO's existing conventional forces turn on such matters as how one weighs the effect of larger numbers of Warsaw Pact divisions against the effect of the existing rough balance in numbers of men in the opposing forces in Europe's Center Region; the significance of the various "qualitative" indicia of combat capability, such as different types and quality of aircraft, different amounts and quality of major equipment pieces, and different capacities for support, logistics and ammunition replenishment, etc.; how one gauges the advantage of initiative, the likelihood of warning time, relative speed of reinforcement, and so forth. Some of these factors are discussed in more detail at Tab A.

We will in the near future be reviewing the conventional balance and related issues within the DoD and in the course of the NSC review of NATO strategy and alternative force postures. Without prejudice to the outcome of that review, it is well to remember that some European countries might welcome a convenient rationale for cutting back their own defense effort, in favor of a cheaper, if more dangerous, reliance on the US nuclear guarantee. The idea that NATO is hopelessly outclassed in conventional warfare would be likely to increase Congressional and domestic pressures in the US to reduce US forces in Europe. It would be said that if the whole conventional effort is pointless anyway, we might as well withdraw some of our expensive conventional forces from Europe and rely more on nuclear weapons.

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I would therefore counsel, pending completion of the NSC review, against any suggestion that the United States has departed from its past emphasis on the importance and feasibility of improved NATO conventional forces.

Burden Sharing

The above considerations are closely related to the burden-sharing issue. The United States has told its Allies for the past several years that they can and should take over a greater share of Europe's direct defense. The US now devotes about 10% of its gross national product to defense; our European Allies average around 5%, with Germany at 4.5%. (Arguments that the US devotes far less than 10% of GNP to Europe-oriented forces ignore the fact that NATO is an alliance to defend North America as well as Europe.) Congress has shown increasing irritation with Europe's failure to do more to redress this imbalance, and to help us relieve the US balance of payments deficit on military account caused by our deployments in Europe (about \$1 billion). Pressures for a substantial reduction in our Europe-based forces have grown progressively stronger; Czechoslovakia has provided what may well be only a temporary respite.

The US has urged that the European allies make their existing large conventional forces fully effective by manning, training, equipping and supporting them adequately. We have asked that they provide adequate stocks of war reserves, and design mobilization systems capable of providing selective reinforcements rapidly whenever needed. Our success has been limited. Even in the wake of Czechoslovakia, only modest improvements have been pledged by some countries.

The Europeans will be watching closely for any sign from you that their worries are over; that their effort is adequate; or that balance of payments is essentially our problem, not theirs. I believe we should not suggest, even by silence, that these are our views. To do so would, in my judgment, risk dissipating what little momentum there now is in the European Improvement effort, and complicate our forthcoming dialogue with Congress.

US Force Levels in Europe

There is some concern in Europe about the durability of a substantial US military presence on the Continent. Here, I would judge the need to be for a nice balance between (i) reassurances about the American commitment to NATO, which are clearly in order, and (ii) polite reservations in response to any invitations to "stabilize" (i.e., freeze) US force levels in Europe, which might pose serious Congressional and policy problems for us.

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US Forces in Europe

The United States now maintains in Europe and the Mediterranean area about 320,000 military personnel, organized in 4-1/3 divisions, 2 armored cavalry regiments, 32 air squadrons (640 aircraft), the Sixth Fleet of 25 combatant ships in the Mediterranean, and the support and logistic units for these forces. Additional conventional and nuclear forces committed to or available for Europe are described at Tab B.

Balance of payments problems, and Congressional pressures (which stem in part from dissatisfaction with burden-sharing within NATO) have exerted a general downward pressure on US force levels in Europe. Force removals from France in 1967, and last year's redeployment of some Army and Air Force "dual-based" units from Germany reduced authorized personnel spaces in Europe by roughly 50,000. (Actual reductions in personnel were only about half that number.)

We are currently reviewing (and implementing some minor portions) of a program of streamlining of our headquarters and administrative and logistic forces, designed to eliminate some 34,000 additional military personnel spaces in Europe by mid-1973. No major combat units are involved. The program is designed to save annually \$400 million in budget costs and \$150 million in foreign exchange costs when fully accomplished in 1972/3.

Combat and Logistics Readiness of US Forces in Europe

General Lemnitzer has told my staff that the combat readiness of US forces in Europe needs substantial upgrading; that the forces have no line of communications (LOC); have a critical aerial port problem; lack adequate storage facilities for POL (petroleum, oil and lubricants) and ammunition; and are short of tanks and modern tactical vehicles, electronics counter-measures equipment and modern tactical aircraft.

We have looked into this matter and find actions underway to cure many of the problems by June 30, 1969. The fact is that readiness in all Services is not as high as we would like. The basic reasons for our reduced readiness are twofold: (1) the priority diversion of resources to Southeast Asia; and (2) the on-going process of adjustment to the removal of our line of communications and air bases in France. Aging tactical vehicles and ships, lack of facilities (aerial ports, depots and storage space for ammunition and petroleum, oil and lubricants), and shortages of some types of ammunition, vehicles and repair parts are the principal deficiencies. Personnel shortages have largely been made up, but lack of experienced middle range leaders and senior enlisted technicians obtains in Europe as elsewhere. We are now taking a series of actions and studying others to improve the combat support of our forces in Europe. Although remedial actions will overcome many of the problems by June 30, 1969, it will take two to three years to build all of the storage space that is required.

(More detail on the current logistics posture in Europe is at Tab C.)

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Germany

1. Defense Effort. The FRG, second largest nation in NATO in both population and economic power, does not make a defense effort commensurate with its strength. The German defense budget is about 4.5% of GNP, compared with about 10% for the US. Of the other principal NATO nations, the UK and France also make relatively greater defense efforts than the FRG. The previous Administration has pressed the Germans for years to do more in the defense field, and after Czechoslovakia urged that they increase their defense budget by about 15%. Such an increase by the Germans would have restored a 9% reduction in projected defense expenditures which the Germans made in 1966/67, and permitted some improvements in their forces, and some help with our foreign exchange problems in Germany. Instead, the Germans plan an increase of only about 3%, to be used largely for pay and benefit increases.

2. Offset. Our annual adverse balance of payments on military account will, in the absence of special arrangements, average \$700 million in Germany and \$200-300 million elsewhere in NATO Europe for FY 1970-72. We are about to begin (in March) formal "offset" negotiations with the Germans. Both the Germans and we would prefer a long-term solution, to avoid the annual political strain of these negotiations. In recent years the Germans have filled most of the gap by purchasing US securities; this only postpones the problem. In exploratory talks last fall the major new US proposal was that the Germans assume about \$400 million annually of US costs paid out in Germany (mainly local employees' pay and upkeep of US facilities). The Germans find this proposal very difficult to accept for political and financial reasons, but have suggested no satisfactory substitute.

In my opinion the offset problem is one of the most difficult facing us in the Congress. Clark Clifford discussed it with Chancellor Kiesinger and Minister of Defense Schroeder on behalf of President Johnson in October 1968, stressing the importance to both of us of reaching a satisfactory long-term agreement to offset the foreign exchange cost of our military expenditures in Germany. (You may wish to see especially pages 5-7 of the memorandum of conversation attached at Tab D.)

You will probably meet suggestions that in return for FRG offset agreement the US commit itself to stabilizing US forces in Europe at their current level. While a satisfactory agreement would assist you to deal with domestic pressures to withdraw American forces from Europe, I am in agreement with the State trip papers cautioning you against any pledge on this score. We may need our flexibility, not only to streamline and save costs, but also to make use of our growing strategic mobility in the early '70's.

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3. Streamlining of US Forces in Germany. We have recently informed the German Government (both in NATO forums, and bilaterally) of certain portions of our plan, mentioned above, to save money and foreign exchange by streamlining our military establishment in Europe. If the Chancellor asks about this, or about newspaper reports (which have revealed the scope of the entire plan), you might assure him that what is involved is largely administrative streamlining, that we are reviewing a set of proposals for such streamlining, and that we have no plans to withdraw major combat forces.

France

French defense officials have recently expressed interest in closer cooperation with the US and NATO on military matters, including nuclear questions. Some of these approaches are undoubtedly known to de Gaulle; others may have been deliberately made without informing him.

We shall soon be discussing in the NSC machinery a variety of possible ways of cooperating more closely with France, even in the nuclear area. (For example, it may be possible to talk about nuclear planning without requiring France to join the NATO Nuclear Planning Group outright, by devising, together with our allies, a form of association or discussion with the French acceptable to all.) Until such a thorough examination of the existing and new possibilities has taken place, I would conclude only that (a) closer French cooperation with NATO would be to the advantage of France, as well as of the Alliance; and (b) we should be willing to work toward closer bilateral military cooperation with France whenever possible, and be willing to explore new ideas from any source.

"European Caucus"--a Note of Caution

The US has long advanced the general principle that European unification is our goal. In the defense field nothing solid seems to be on the horizon. The so-called "European caucus" is really British Defense Minister Healey's idea to try to develop common European views on a variety of defense issues. So far it has amounted to no more than dinners on the occasion of NATO meetings attended by a number of European Defense Ministers. The Germans are extremely leary of it because they fear trouble with the French over it and also fear that a European grouping could hasten American disengagement. The "European" character of the dinner group is rapidly expanding to include all countries but the US and France. Many Europeans suspect that the main substantive business of the group will be British attempts to sell British aircraft projects to the continental Europeans, and to make a bid for leadership in Europe in a forum where the French are not present.

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While we have generally encouraged any sign of greater European cohesion, we have also said that we hoped that any European group would offer positive European contributions, such as greater European defense effort, as well as joint demands upon the United States.

It is not entirely clear that the current trend of the European caucus is an unmixed blessing for the United States. Ambassador Cleveland has strongly warned against the anti-US tendencies latent in the European caucus and has suggested mildly discouraging it. Mr. Nitze, in a conversation with Minister Healey on January 16th, raised a note of caution and expressed his hope that the European caucus would balance any demands upon the United States (for example, positions to be taken with the Soviets in the strategic arms talks, US force levels in Europe, etc.) with constructive offers of what the Europeans as a group could do for the joint defense and to relieve American problems.

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Attachments:

- Tab A - The Balance of Forces in Central Europe (S)
- Tab B - Additional US Forces Committed or Available to NATO (S)
- Tab C - Logistics Posture of US Forces in Europe (S)
- Tab D - MemCon of Clifford/Schroeder Meeting in Bonn, Oct. 12, 1968 (S)
- Tab E - JCS Footnotes on Memorandum (S)

