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MESSAGE

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DEPARTMENT OF THE ARMY
STAFF COMMUNICATIONS OFFICE

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NR: SECTO 42

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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.

CM IN 14616

(23 Sep 50)

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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, 3DLD, JCS, SEC DEF, NAVY, ONA,
OAGO, OSA, OOA

CM IN 14616

(23 Sep 50)

DTG 22 Sep/1:30 am

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