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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: SEP 18 2018

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

18 JUL 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Your Meetings with Chancellor Helmut Schmidt, Federal Republic of Germany (U)

(U) I suggest that in your meetings with Chancellor Schmidt, you discuss with him your appreciation of the Soviet threat and the steps we are taking to counter the adverse trends, and be prepared to give him your personal views on several security-related issues of mutual interest to the United States and the Federal Republic of Germany.

(U) US Response to Growing Soviet Military Capability.

- We view the threat posed by the Soviet Union's growing ability to project power, worldwide, in every dimension to be serious.
- Real growth in Soviet military spending, capabilities and potential is indisputable, regardless how measured, and gives rise to my genuine concerns.
 - It reflects the concentrated, single-minded efforts of 10 to 15 years to change the East-West balance of power in the military sphere.
 - Unless the West works to arrest these adverse trends, the Soviets will achieve military superiority.
 - All members of the Alliance must extend themselves to maintain and improve defenses.
 - It is also imperative that the West not contribute unwittingly to the momentum of the Soviet effort through technology transfer; technology is potentially our greatest advantage over the Soviets, and we must take great care not to dissipate this edge.
- The period in which the Soviets amassed their modern, costly arsenal coincided roughly with that in which our Congress steadily reduced by about \$45 billion the defense budgets proposed by successive Presidents of both parties.
- On the basis of irrefutable evidence of vastly expanded Soviet power, we have been able this year -- thus far -- to convince Congress and the public that extraordinary steps must be taken to counter the adverse trends we see developing in the military balance.

Handwritten: 09/14/76
15 July 76

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- The defense budget I put before Congress is the largest in our history and will begin the process of reversing these unfavorable trends, thereby helping ensure a more stable world. While there are naturally differing opinions about specific aspects of this budget, its main thrust is receiving the support of the Congress and the people.

(U) Specific US-FRG Defense Issues.

- Maintaining our forces in Europe is not now an issue in Congress. This pleases me and must please you. But, the situation is volatile and attitudes can change. It could change if in the future it appears the FRG is reaping windfall financial benefits as a result of our stationing forces there.

- I have no desire to engage in a discussion of offset arrangements now. I understand your position -- we both face elections. But I believe it imperative that we begin thinking about how to deal with these issues and avoid the problems of the past. I know your back ground in defense, finance and economic matters will help us in this

At the present time, Congress is watching closely our joint efforts to make the NORTHAG brigade a reality and to enlist NATO support for the Airborne Early Warning program. Failure of our joint efforts could detract attention in Congress, which might take it as a sign of decreased FRG support for US NATO forces and, perhaps, NATO defense efforts in general.

- This could well resurrect strong demands from Congress for a successor offset agreement along traditional lines. Even now I receive an undercurrent of concern from the Hill. Senator Nunn, for example, already has proposed an amendment which would prohibit the payment of taxes to host governments by US forces in NATO.
- Strong FRG financial support with regard to the initial stationing costs for the NORTHAG brigade and for an equitable share of the NATO AEW program would make it much easier for us in our discussions on the offset issue, and would mitigate Congressional pressure for further restrictive legislation.

(U) Background papers on defense-related issues are attached.

D. R. Ford

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Attachments

- A - NORTHAG Brigade Stationing
- B - NATO Airborne Early Warning (AEW)
- C - US-FRG Tank Commonality

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US-FRG TANK COMMONALITY

(M) SUMMARY.

In September 1976, US Army will begin testing the LEOPARD 2 "Austere Version" (AV) as a candidate for the future US main battle tank requirement. Meanwhile, a US XM-1 prototype will go into full scale development, with a provision to terminate the program in March 1977 if US Army judges the LEOPARD 2 (AV) to be clearly superior considering both cost and performance. Currently, the US and the FRG are negotiating in an effort to achieve maximum commonality between tanks if the US does not select LEOPARD 2 (AV). Senior-level US and FRG representatives, including Secretary Rumsfeld and MOD Leber, have recently held discussions to determine ways and means to achieve maximum commonality should both nations not opt for the same tank. We are continuing to explore possibilities in this area.

(M) FACTS/DISCUSSION.

Background. Two XM-1 prototypes began tests in February 1976, and in July 1976 US Army will award either GM or Chrysler a \$200 million full scale development contract for 11 additional prototypes. The LEOPARD 2 (AV) mounting a 105mm main gun will arrive for tests by 1 September 1976, and US Army will choose either US or FRG candidate in March 1977.

SecDef and various other DoD officials have indicated that if LEOPARD 2 (AV) proves to be a clearly superior design and of comparable cost considering all factors, then DoD would be prepared to recommend adopting it for production in US.

FRG Position. FRG has charged that US has prejudiced tank decision by deciding to award full scale development contract prior to evaluation of LEOPARD 2 (AV). At a 2 July press conference, MOD Leber was quoted as saying it was unrealistic from the start to assume the US would adopt and build the German tank. FRG has expressed no interest in procuring XM-1 and considers LEOPARD to be significantly better because (1) it can mount 120mm gun versus 105mm for the XM-1, and (2) it will be fielded two years earlier than XM-1.

US Position. Senate Armed Services Committee is concerned that US and FRG will not agree upon a standard tank and has requested that SecDef seek new agreements where NATO main battle tanks could be standardized or have interoperable major components. US Army feels that current MOU is sufficient and does not want to risk delay or cost escalation of tank program by new agreements. State Department fears that other programs, such as AWACS, will suffer if US decides against LEOPARD 2 (AV). Unofficial DoD consensus is that LEOPARD's chances of being selected by US are low, primarily because of excellence of US prototypes.

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Tank Gun Issue. In August 1975, Trilateral (US, UK, FRG) Tank Gun Working Group completed 20-month evaluation of US 105mm rifled, UK 110mm rifled, and FRG 120mm smooth bore main tank guns. It recommended that:

- XM-1 and 1st lot of LEOPARD 2 be produced with 105mm gun;
- 2d lot of LEOPARD 2 and possibly product-improved XM-1 use 120mm gun; and
- FRG, UK and US initiate joint tank main armament development program.

Subsequently, US reaffirmed plans to mount 105mm rifled gun on XM-1, and FRG decided to mount 120mm smooth bore gun on LEOPARD 2. UK and France have also opted for 120mm guns, rifled and smooth bore, respectively. Advantages of US 105mm gun with improved (tungsten penetrator or depleted uranium) ammunition: capability about equal to the 120mm; smaller size allows for more ammunition storage; lighter gun allows for increased armor and/or tank performance; and majority of NATO tanks will mount standard 105mm gun through 1980s. 120mm ammunition, on the other hand,

may support FRG perception that larger caliber gun is required. US is engaging in bilateral discussions with UK and FRG to evaluate their 120mm guns for possible use in XM-1.

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

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