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 ASSISTANT SECRETARY OF DEFENSE
 WASHINGTON, D.C. 20301

4 JUN 1975

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INTERNATIONAL
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Date: SEP 28 2018

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting Between SecDef and Secretary of State for Defence Roy
 Mason (22 May 1975) (U)

Participants:

United Kingdom Side

Secretary of State for Defence - Roy Mason
 Permanent Representative (Ambassador) to NATO - Sir Edward Peck
 Chief of the Defence Staff - Field Marshal Sir Michael Carver
 Deputy Under Secretary of State for Defence, Policy and Programs -
 Arthur Hockaday
 Assistant Under Secretary of State for Defence, International and Indus-
 trial Policy - G. C. B. Dodds
 Private Secretary to the Secretary of State for Defence - S. F. Mayne
 Defense Advisor, NATO - K. C. Macdonald

United States Side

Secretary of Defense - James R. Schlesinger
 Assistant Secretary of Defense, ISA - Robert Ellsworth
 Permanent Representative (Ambassador) to NATO - David K. E. Bruce
 Deputy Assistant Secretary of Defense (ISA), European and NATO Affairs -
 Harry E. Bergold, Jr.
 Defense Advisor, NATO - Dr. Laurence J. Legere
 Military Assistant to the Secretary of Defense - Major General John A.
 Wickham, Jr., USA
 Assistant for Central Europe, European Region, OASD(ISA) - Colonel David
 E. Hartigan, Jr., USA

Time: 0850-0935 hours, Thursday, 22 May 1975

Place: Ambassador Peck's Office, NATO, Brussels, Belgium

1. EuroGroup Initiative on Standardization

Secretary Mason said that he had noticed a report in a recent issue of
 The Financial Times which stated that the Secretary of Defense, if he
 can prove that a foreign-made defense article is more effective than

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its U.S.-developed counterpart, may "buy away." SecDef noted in response that the Department is in a somewhat delicate position, given the restrictions imposed by current U.S. statutes. He continued to say, however, that the Culver-Nunn Amendment -- now before the Congress -- provides that the Secretary of Defense shall report annually to the Congress concerning progress in the standardization of equipment within NATO. When he believes that foreign-developed or -produced equipment will increase the effectiveness of U.S. forces and NATO, he may procure such equipment from offshore sources. If the amendment is passed, the Secretary of Defense will not be required to dredge up excuses for not buying American. Citing the ROLAND II decision as an illustrative example of his current predicament, SecDef told Mason that he announced his decision on one day and on the day following was about to be sued by Philco-Ford, the U.S. competitor in the four-way SHORADS runoff.

Asked by Secretary Mason whether he was agreeable to obtaining foreign equipment, SecDef responded affirmatively. If a given item is suitable to American needs and after research and development have been completed and rigorous cost effectiveness studies made, he would be willing to fight Congress, if necessary, either to buy the item outright or to produce it in the United States under license.

Secretary Mason pointed out that EuroGroup -- mindful of Secretary Schlesinger's emphasis on standardization at the December DPC, heartened by his standardization report to the Congress, and keenly aware of the imbalance in United States-European arms purchases -- recently had decided to approach SecDef to determine his receptivity to pursuing a considerably expanded cooperative production and procurement program. Mason continued to say that if SecDef would support such a program in principle, EuroGroup -- in coordination with the Conference of National Armaments Directors -- would explore the matter in depth and develop a comprehensive list of European equipment from which the U.S. and other Western Allies might shop. Recalling that progress towards standardization has been slow and difficult, Mason pointed out that his newly proposed program -- one in which the U.S. would have to be prepared to buy more European equipment -- might make standardization a realizable goal and a success. Secretary Mason assured SecDef that he was not unaware of the fact that the U.S., of all the nations involved, stands to lose the most if the existing imbalance in reciprocal procurement were to be righted. On the other hand, he said, if the House and Senate are pressing for NATO standardization and its accompanying economies, this is one way to achieve those goals. SecDef interjected that Congressional pressures for standardization are "generated pressures," resulting in large part from concerted, but subtle, efforts by the Department of Defense. With respect to the ratio of U.S.-to-European purchases -- currently on the order of \$100 million-to-\$1 billion annually -- SecDef emphasized that, while righting the imbalance was supported, purchases must continue to be made on a two-way street, with both sides buying more and working to improve the ratio.

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Asked how the Congress would react when it realized that offshore procurement had increased substantially, SecDef said that the initial reaction would be that someone had "pulled a fast one." It's for this reason that we're anxious to get the legislation on the books before the protectionists intervene. If we are able to do that, we may be able to make some movement in the direction proposed by Mason. SecDef went on to say, however, that an essential qualifier involved in any procurement of foreign-made equipment would be that the equipment must be more cost effective than the same or similar equipment manufactured in the United States. It is also his view, he noted, that we would prefer to see a multilateral arrangement, such as that proposed by Mason as the Chairman of EuroGroup, rather than a bilateral one, since large-scale bilateral equipment deals would attract a lot of attention and might work at cross purposes with our objectives.

SecDef told Secretary Mason that in studying the Callaghan report he noted that its author was particularly struck by the abnormal amount of duplication, fragmentation and protectionism he found in, between and among the European nations, and had concluded that those nations must abandon their historical commitment to the status quo and get together if standardization is to be achieved and more and better equipment obtained for NATO's defense outlays. He also noted that Callaghan highlighted in his report the obstacles to standardization represented by the high degree of unfettered competition in Europe and the cartel arrangements which, while keeping high-cost European producers in business, result in grossly inflated prices. SecDef agreed with Callaghan's conclusion that what we should be looking for are reductions in costs through unconstrained trade and larger programs with longer production runs. He acknowledged that adoption of an expanded program, such as that proposed by Mason and the EuroGroup, would have a painful aspect where Europe's high-cost producers are concerned: if everyone plays the game according to its new rules, they will be forced out of business. We simply won't buy elsewhere if we can produce an item less expensively at home. Mr. Hockaday interjected that in some cases, certainly, high costs result because programs are small and production runs short; if a number of nations -- including the United States, Canada, the United Kingdom and others -- embarked on a common venture, production lines would be extended and costs would go down. SecDef remarked that, while this is true, of course, in theory, political impulse -- at least for the moment -- is not tied to reality. Using the F-16 program as an example, SecDef pointed out that, as little packages are parcelled out to Dutch and Belgian producers, costs will be more than they would be were the items involved produced in the U.S. He commented, however, that in this case we generally are willing to see the cost of subsystems go up in the interests of standardization and prolonged production. As a rule, it is bad when everyone must have a piece of the action, and we will be pecked to death if we go that route. The problem, of course, is that we just can't satisfy all national industrial interests, as was attempted, for example, in the case of the NATO Consortium's F-104G. The cost of the Consortium-produced aircraft was 2.2 times the cost of the same aircraft

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produced in America, which the Japanese, on the other hand, were able to produce at 40 percent of the U.S. cost. When SecDef remarked that the problem is not as acute in the nations with large industrial bases, such as the UK and the FRG, Secretary Mason noted that it is somewhat understandable that the small countries don't go along with reining-in their national industrial interests, and SecDef countered that a country can be small without being inefficient.

Addressing the organizational framework within which Mason's EuroGroup Initiative might be handled, SecDef said that in his judgment the CNADs are not the people to organize and control a new program such as Mason proposed. While they perform a very valuable function in exchanging scientific and technological information and remaining abreast of the latest state of the art in armaments developments, they are science and technology oriented and would not be capable of carrying out the major changes Mason has in mind. Perhaps, SecDef commented, a new NATO organization is required. He reminded Secretary Mason that he had discussed this subject with Ambassador Sir Peter Ramsbotham in Washington several weeks ago, and that, if the U.S. chooses to follow up on the EuroGroup proposals, the Office of the Assistant Secretary of Defense, International Security Affairs, will be the locus within the Department of Defense. What we need, SecDef emphasized, is a new institutional mechanism which will focus on cost effectiveness, force structures and mid- to long-range planning -- that is, five to seven years into the future -- not on the end product of the research and development process. If we are seriously interested in improving NATO's forces, then we can't permit ourselves to lose sight of that objective and to become enthralled, to the point of distraction, with the latest gadgetry.

Secretary Mason said that he inferred from SecDef's remarks that he could count on our support in principle when he delivered his statement on the EuroGroup standardization initiative at the afternoon restricted session of the DPC. SecDef responded that he welcomed the initiative and that Mason could expect his support, contingent upon a clear understanding by Mason and the other ministers that the objective of U.S. participation would be to acquire the most effective weapons available, whether produced in the U.S. or elsewhere, at the most reasonable cost.

2. Spain and NATO

Having assured Secretary Mason of his support in principle of the standardization initiative, SecDef asked whether, in return, Mason was prepared to support our initiative to secure NATO recognition of Spain's contribution to the defense of Western Europe. "No dice, Jim," Mason responded, "I simply cannot be helpful on the phraseology you propose to use." On the other hand, however, he did say that he probably could agree to a sentence or two for inclusion in the communique which would satisfy Spain. Reintroducing the Spain-NATO link would be tantamount to loosing a hornets' nest over the whole of Europe. At home, where he had successfully taken on the Parliament in the recent defense debates, Parliament would turn on him and political difficulties would arise

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throughout the nation. Mason again remarked that, unfortunately, he would not be able to support our initiative to the extent that SecDef wished. Mr. Hockaday stated that the Gibraltar problem again would be surfaced and would be an extremely difficult one to handle, and Secretary Mason continued to say that NATO's total image could be harmed if the Spain-NATO question were to be raised at this time. There are some in the United Kingdom who are anxious to opt out of Europe; they and others would seek to divorce NATO over the Spain-NATO issue.

Dr. Legere suggested that perhaps the two delegations would be able to work up some language that supported the United States' objectives, but at the same time would not cause difficulties for the Wilson Government with the Parliament and public. SecDef agreed, noting laughingly that perhaps we could work out something factual that says essentially what we want to get across, but doesn't say that the United Kingdom's State Secretary for Defence, Roy Mason, stood up and cheered!

3. Short Range Air Defense System (SHORADS)

Commenting on the ROLAND II decision, SecDef noted that the competitive evaluation had proved ROLAND a bit better than RAPIER, which, in turn, had a slight edge on our modified VULCAN/CHAPARRAL. All three systems, he said, were considerably better than France's CROTALE. He went on to say that the competitive evaluation had revealed that the RAPIER is well suited to defend against small-scale attacks, but that ROLAND edges out RAPIER in large-scale attack situations. On this basis, he speculated that the RAPIER system would be especially attractive to some of the nations in the Mideast.

4. Diego Garcia

Secretary Mason asked about the status of our plans for Diego Garcia, and SecDef noted that a Presidential Determination had been submitted to the Congress on 12 May. Congress has sixty days to turn it down if that's what it wants to do. Mason was incredulous, saying that when he thinks of his budgetary problems he simply can't understand the difficulties we're having in obtaining a small amount of money to improve the facilities at Diego Garcia.

5. Middle East Situation

SecDef asked Secretary Mason whether in his opinion the Mideast situation was about to flare up. Mason answered that he didn't think so and that he perceives a more earnest search for peace now than ever in the past. In his judgment, the Arabs now stress anti-communism and have softened their position with respect to the preservation of the State of Israel. It is essential, however, that the Israelis fall off their intransigent position.

6. Turkey and Greece

In response to SecDef's question concerning the situation in Turkey, Secretary Mason answered that it appeared to him that, given the fact

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we had resumed or were about to resume military assistance to Turkey, the problem was solved. SecDef cautioned Mason that this was not the case and that, while the Senate had approved resumption of aid by a very slim margin, he is not optimistic about getting similar legislation through the House.

Secretary Mason said that the real problem with the Greeks and Turks, as he sees it, is that they have elected or will elect to follow the French pattern and disassociate themselves from the integrated military structure of the Alliance.

7. (U) United Kingdom Defense Review

In commenting on the outcome of the recent United Kingdom defense review, Secretary Mason pointed out that, as a result of consultations with the U.S., the British were going to retain their Sovereign Base Areas (SBAs) in Cyprus and maintain their presence in Oman (Masirah and Sallala) and Diego Garcia.

8. Oman

Secretary Mason told SecDef that he recently had visited Oman and that, in his judgment, the Saudi Arabians probably now will be agreeable to lending some help to the Omanis in their continuing fight against tribal dissidents and the South Yemen communists. Field Marshal Sir Michael Carver noted his opinion that Saudi Arabia promises help but really doesn't provide it; in any event, Oman should not be totally dependent on outside help. More help from the outside wouldn't solve the Sultan's problems and would tend to make him totally dependent on others. Hopefully, the greater part of the problem may be cleared up by the end of the year; at best, however, some PDRY elements are likely to remain on Oman's borders. Mason remarked that he believes that the situation appears to be better now than it has for some time.

Memorandum of Conversation
Prepared by:
Colonel D. E. Hartigan, Jr.

Approved by:


Robert Ellsworth

Assistant Secretary of Defense
International Security Affairs

Date: 6/4/75

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