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Authority: EO 13526
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FACT SHEET

July 7, 1975

ROLAND II

1. (S) After consideration of several competing international systems, the Department of Defense announced, in January 1975, its decision to purchase the French-German Roland II missile system. Among the advantages of the selection, we emphasized the US use of a major European weapons system and its contribution towards NATO weapons standardization.
2. (S) At that time, the Department of the Army entered into a contract with the Hughes Aircraft Company in order to further develop and produce a modified version of the French-German Roland II in the United States. Hughes, together with the Boeing Company, had previously entered into a licensing agreement with Euromissile Company, composed of the French and the German prime manufacturing companies.
3. (S) It was then the understanding of the Army, and of Hughes-Boeing, that the latter's licensing agreement with Euromissile, including amendments concerning third country transfers which also had been negotiated prior to the Army contract with Hughes, had received the required approval of the French and German governments. The amendment concerning third country sales provided that such US sales could be made: a. with payment of a 16% royalty to Euromissile, of which the French and German governments would receive 20%; and b. with French and German government approval. US sales in France and Germany were excluded from the third country sales provisions. While it clearly appeared that any US third country sales would be subject to French and German approval, we also understood that such sales were only to be denied for cogent security or political (not economic) reasons.
4. (S) Evidence that the French and German governments had approved the amended licensing agreement in January includes: a. Euromissile then notified Hughes-Boeing that the agreement was "in effect," a notification which could only be given if the required governmental approval had been obtained; b. a \$250,000 payment was made by Hughes-Boeing to Euromissile upon notification that the agreement was in effect, in conformance with one of the amendments to the agreement; c. a continuing flow of technical data concerning Roland II was begun from Euromissile to Hughes-Boeing, an exchange which required specific French and German government approval.
5. (S) During February and March, Norwegian government officials inquired about the possibility of purchasing the US modified version of the Roland II, on a government-to-government basis, and requested briefings on the capabilities of the US version. We assured them that the licensing agreement permitted such a transaction with French and German government approval.

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

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2.

6. (S) On April 25, some three months after Euromissile notified Hughes-Boeing that their licensing agreement was in effect, the Norwegian Cabinet proposed to its Parliament the purchase of the US version of the Roland II on a government-to-government basis. On the same day, French Defense Ministry officials stated that the US does not have the right to make third country sales.

7. (S) Subsequently, French defense officials (with German defense ministry support) have forcefully expressed their desire to renegotiate many of the terms of the licensing agreement, which they claim they did not approve. In particular, they wish to reserve to France and Germany all sales of Roland II, including the US version, to Europe, Japan, Australia, and New Zealand, with sales to other countries to be negotiated on a case-by-case basis. In fact, the licensing agreement provides that French-German third country sales of the US version (likely to have greater worldwide appeal than the French-German version) require US government approval. We thus have some leverage in proposing French-German approval of an exceptional US sale to Norway in anticipation of negotiating the terms for French-German sales of the US version to third countries.

8. (S) The Norwegian Government asked us to obtain French-German approval by May 30, before their Parliament recessed for the summer. Approval could not be obtained by then, and the government now hopes we will obtain it by September 1, for a favorable Parliamentary decision to be made in their fall session. The Parliamentary Defense Committee is favorably disposed to the purchase and has also asked us to obtain the approval so it can recommend the purchase to the full Parliament.

Comment:

(S) The more exacting French position which has become apparent since 25 April seems to be tied to the French government's great disappointment over its loss in the competition with the US F-16 aircraft. It also seems to coincide with a French and German government realization that the US version of the Roland II may have considerable worldwide appeal (we have received expressions of interest from Australia, the Netherlands, and Saudi Arabia, as well as Norway), and could thus deprive them of sales that might otherwise be theirs.

(S) The assurances we have given the Norwegian defense minister, based upon our understanding that the licensing agreement permitted US third country sales (at an unusually high royalty, and with French and German government approval that we thought would be readily forthcoming) pose a potentially delicate problem for the Norwegian government. It has been publicly announced