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DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING
WASHINGTON, D. C. 20301

Folder "NATO 400-499 1975"
Box 75, 78-0058, 330

21 AUG 1975

#90

Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 21 NOV 2018 Authority: EO 13526 + 5 USC 552
Declassify: X Deny in Full:
Reason:
MDR: 18-M-2104

MEMORANDUM FOR THE SECRETARY OF DEFENSE
THE DEPUTY SECRETARY OF DEFENSE
THE ASSISTANT SECRETARY OF DEFENSE
(INTERNATIONAL SECURITY AFFAIRS)
THE SECRETARY OF THE ARMY

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SUBJECT: ROLAND Negotiations (US-FR-FRG)

I met with my counterparts Mr. Delpech (France) and Herr Eberhard (Germany) in Paris 18-19 August 1975 to negotiate several outstanding problem areas. The overall results were very favorable, in general meeting or exceeding our expectations. Specific results are:

1. Norway. The US has been granted the exclusive right to sell ROLAND (total system, spares, support equipment, etc.) to Norway, provided the missiles furnished to Norway by the US are obtained from Euromissile. We successfully isolated the Norwegian situation from the generalized MOU, and obtained a signed independent agreement (Attachment 1) together with more detailed draft memorandum of agreement (attachment 2) which is scheduled to be signed by the three Ministers of Defense by 31 August 1975. I recommend that Bob Ellsworth notify Ambassador Byrne (Norway), and suggest that you may desire to personally notify Minister Fostervoll of the successful resolution of this problem.

2. Royalties. We obtained very considerably higher royalties than expected for export of this European-designed system to third countries. This will result in a substantial R&D recoupment for us over the next decade or so. The royalties have been adjusted to encourage acceptance of the system by the NATO nations and to result in easy acceptance of reasonable changes in the system. Although the hard French/German position would have resulted in payments to the US of a fraction of one percent of French/German sales, the agreed royalties to the US are 3.2% for sales to non-NATO countries and 2.2% for sales to NATO countries, with a waiver of royalties on systems for French-German Army use.

3. Third-Country Sales. The US obtained sales rights to those countries we considered essential, plus several countries we did

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not expect, despite an initial French-German hard line against US third-country sales. In addition to Norway, the US retained the Western Hemisphere (with South America on a case-by-case basis), Israel, Philippines, South Korea, Taiwan, and most likely Iran and Jordan. The FRG has a minor problem with Iran, and indicated that a likely approval would be sent to the US by this weekend. Concerning Jordan, France and Germany agreed that the US can keep Jordan only if the US can indicate that they are legally and politically willing and able to satisfy the Jordanian request for ROLAND. I will discuss this matter with Bob Ellsworth.

4. The US secured an agreement to proceed on TACRAC, which the US Army wants to do immediately, subject to the Army's payment of the initial license fee.

5. We jointly took steps toward insuring commonality/interoperability. For example, we restructured the existing inter-company license agreements so as to provide positive motivation (rather than demotivation) for mutual adoption of meaningful changes in the system proposed by either side.

6. We have established a principle of partnership which is new. In addition to sharing the benefits commensurate with the respective national investments, we will be exploring new ground with the thought of a joint sales effort, common sales prices, and joint funding of continued performance improvements throughout system life by mutual contribution and mutual investment of profits. I will be working with ISA on this approach.

7. The general MOU is scheduled to be signed in Washington 7 October 1975 during the occasion of our Four-Power Principals Meeting.

In the final analysis, it is important that the positions negotiated in this definitive program should result in principles which encourage future programs in international cooperation. The negotiations established a structural and operating relationship which I believe will be precedent-setting in its implications for the future. It is clearly opening up new modes of operation and avenues not hitherto explored.



Malcolm R. Currie

Attachments - 2

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Folder "Europe 333 (28 Jun 75)"⁹

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COOPERATIVE RESEARCH, DEVELOPMENT AND PRODUCTION

IN NATO

SHORT RANGE AIR DEFENSE SYSTEM

SUMMARY

The selection by the U.S. of the ROLAND II system for fulfilling its short range air defense needs is a major step in the implementation of cooperative research, development and production in NATO. Current program efforts are directed at maximizing the benefits of this cooperation by sharing future ROLAND tests where possible with our European allies and maintaining system component interchangeability with the European-produced ROLAND versions.

FACTS/DISCUSSION

The initial program presented by the Army was of 64-month duration, cost \$238M, and included 195 missile firings. By exploiting the benefits of cooperative testing with our European allies, the program has been reduced to 54 months, it will cost \$177.2M, and includes only 129 missile firings. Moreover, it appears that the U.S. planned flight test program can be further reduced. The estimated \$300M to \$400M RDT&E savings to the U.S., resulting from adaptation of the European developed ROLAND, is indicative of the potential benefits to be obtained from cooperative research, development and production in NATO.

U.S. and European ROLAND Program coordinating organizations have been established. The National Armament Directors of the countries participating in the ROLAND program plan to closely monitor these organizations to insure that the goals of cooperation are obtained.

RECOMMENDATION

- A broad NATO adoption of the ROLAND should be encouraged.

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ODDR&E/LW
x 70638
23 Apr 75

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: NOV 01 2018