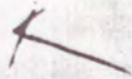


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Dear Mr. Merchant:

This letter responds to your communication of October 2nd which raises many questions concerning IRBM's for NATO. We have tried to be responsive but in some instances it has been impossible to reply completely, particularly with respect to European costs. An exhaustive survey of several months' duration covering the European industrial community would be necessary to provide authentic information. We have, however, developed estimates and these are attached at Tabs A and B. At Tab C we have replied to your specific questions to the extent possible.

Of greater importance, however, is the need to move forward with European production of 2nd Generation IRBM's, both because the U.S. has a commitment to assist and because it is in our interest to do so. If current trends continue, estimates indicate that missiles will be available to the Soviets by the mid-60's in sufficient quantities and of required accuracy to launch an effective surprise attack against our air base complex in Europe. Though planning and execution of a surprise attack with desired success would be most difficult for the Soviets, the effectiveness of our air base complex will deteriorate over the next few years. At the same time penetration by the NATO strike force will be increasingly difficult so that a NATO missiles force will tend to become the most credible retaliatory posture.

A 2nd Generation IRBM force will not be available from U.S. resources since the U.S. is not contemplating a national IRBM program. I believe that provision of a minimum IRBM force in Europe by 1963 plus creation of a manufacturing capability is a current major problem, and one to which we should now address our efforts. Tentative studies indicate that 80 mid-range missiles, in place and operational, in Europe by 1963 would meet ACE minimum requirements at that time. The ultimate number of such weapons required to meet the Soviet threat then and thereafter is as yet undetermined, although it will number several hundreds; however, a precise answer should not prevent us from moving forward.

DECLASSIFIED  
Authority NLE 2007-292 #16  
By MMK NLDDE Date 9/4/14

*Incl to:*  
Defense Control No 8373

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The 1963 goal set forth is within our reach, both production- and cost-wise. Cost to the U.S. should be under \$100 million, as illustrated in Tab A.

A brief tabulation of costs to the United States and the NATO countries (based on the information currently available) follows. These estimates cover provision by the U.S. of 50 complete missiles and technical assistance on a grant aid basis with the NATO countries bearing the costs of U.S. components for 30 additional missiles plus all ground environment and launch equipment.

	<u>Cost to the U.S. (Millions)</u>	<u>Cost to the NATO Countries (Millions)</u>
1. Technical and Facilities Assistance	\$ 47.5	--
2. Fifty (50) Complete Missiles and Spares	50.0	--
3. US Manufactured Components for 30 Additional Missiles	--	30.0
4. Licenses	--	10.0
5. Launch and Ground Environment (Average 2.2/M)	--	176.0
6. Overhaul Facilities	--	18.0
	<hr/>	<hr/>
TOTAL	97.5	234.0

A capital investment of at least \$100 million will be required for the NATO countries to produce missiles additional to the fifty "grant" missiles, but including the assembly of the thirty missiles from the purchased components. Without additional data on European industry, it is impossible to estimate the unit cost of European-produced missiles.

A 2nd Generation program, perhaps combined with General Horsted's concept of transfer of authority over the atomic stockpile to NATO, could give real impetus to the European military effort. We believe it important that the United States have a positive proposal to make with respect to the European IRBM program at the forthcoming December meetings. I recommend we make a proposal along the lines of Tab B.

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In considering this course, the fact must be faced that once we provide the European countries with complete missiles and with parts and components to be assembled in Europe, we will be giving them the know-how to produce such missiles and later generations on their own. However, no national missiles would be produced until NATO requirements were met. At the same time, I consider it inescapable that the European countries ultimately will attain a missile capability through their own effort, and believe that it is in the U.S. interest that they attain such capability with U.S. help. U.S. control is more likely to be enhanced if we assist the Europeans.

As the first step in this program I recommend that we proceed with the provision to NATO of full IRON technical information and technology to the extent legally permissible. Proposed instructions to USRD are contained in Tab E. Attention is invited to the stipulation concerning prior agreement on deployment of both missiles and warheads.

I recommend that this matter be given early attention with a view to reaching a favorable conclusion. We stand ready to consult with you about any details.

Sincerely,

Attachments  
Tabs A - E

Honorable Livingston T. Merchant  
Deputy Under Secretary of State

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