

DECLASSIFIED

E.O. 12958, as amended, Sect 3.5

NSC/ Spubers to Smith 09/06/02

By GA Date 02/12/07

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

~~SECRET~~

February 13, 1973

National Security Study Memorandum 170

TO: The Secretary of State
 The Secretary of Treasury
 The Secretary of Defense

SUBJECT: Offsetting the Costs of U. S. Forces in Europe

The President has directed that a study be conducted, on an urgent basis, of alternative arrangements which could ease the future balance of payments costs of keeping our troops in Europe and provide a firm economic foundation for preserving current levels of U. S. troop deployments in the future.

This should include consideration of:

- larger bilateral offset arrangements with the FRG;
- additional bilateral offset arrangements with other NATO countries;
- different models of multilateral offset and financial arrangements.

The analysis should be done in the total context of our balance of payments position with Europe. It should take into account other economic and financial measures which the USG already has or will initiate in order to correct our overall balance of payments position.

This study should examine our Allies' economic and financial ability to contribute offset arrangements and the impact, in specific terms, on Allied defense efforts. The costs of making further qualitative and quantitative improvements to European forces should be assessed and compared with the costs of increasing balance of payments support for U. S. forces. The consequences for the long-term U. S. balance of payments situation, in particular our military account, should also be assessed. Scenarios for pursuing these alternative measures should also be developed.

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These scenarios should take into account the ways in which U. S. policies could be used to influence the Allies to increase their defense efforts. Alternatives involving reductions in U. S. force levels should not be considered. Steps such as depending to a larger extent on our Allies for direct support for our troops (e. g. , in terms of food, labor, material, etc.) should be addressed.

In addition, the State Department should prepare a brief position paper on how we should deal with the FRG on this issue in a way that will keep our options open prior to the President's decisions. This paper should be forwarded to me by February 21, 1973.

The study will incorporate ongoing work being conducted within the Department of State and should be conducted by an ad hoc committee composed of representatives of the addressees and chaired by a representative of the NSC staff. A first draft of the study should be prepared by the ad hoc working group and submitted by March 8, 1973.



Henry A. Kissinger

cc: The Director, Central Intelligence
The Assistant to the President for
International Economic Affairs