

The Budget for the European Army and Germany's Contribution to Defence (19 November 1951)

Caption: An anonymous French note on the methods of funding the European Defence Community (EDC).

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The Budget for the European Army and Germany's Contribution to Defence

1. — Current position:

In planning Germany's contribution to defence, attempts have been made to date to achieve equality on two counts:

- equality between the French and German financial contributions within the Community itself,
- equality in the total defence burden on France and Germany.

This approach has produced deadlock in a number of areas:

(1) It requires the extra-Community burden assumed by France (Indochina, or other forces maintained outside the Community) to be counterbalanced by an equivalent burden on Germany: the more we are engaged outside Europe — and particularly the more forces we take out of Europe — the more we are tending to increase the forces available to Germany's military authorities and to increase occupation costs to the benefit of the USA and Great Britain.

(2) The total defence contribution of the other members of the Defence Community, which do not have an external burden, will be reduced if their participation in the Community, represented by their total contribution, has to be in proportion to France's and Germany's participation in the single Community.

(3) We do not appear to be restricting just Germany's actual involvement in defence, we also seem to be preventing the commencement of negotiations on the costs of occupation, since we are told that the amount available to cover those costs cannot be determined until Germany's share in the Defence Community is defined.

We therefore urgently need to reconsider our position on the Defence Community Budget, distinguishing between the standing arrangement required by the temporary circumstances of the war in Indochina and the costs of stationing allied troops in Germany.

2. — The standing arrangement:

The basic principle of the Community must be that France and Germany make equal financial contributions from their own resources, in proportion to the contribution from the other countries. The rules on apportionment must be based on simple proportions laid down in the Treaty, subject to periodic revision. In order to take account of population and national income most effectively, contributions in proportion to the following figures might be considered:

Belgo-Luxembourg Union, Netherlands: 2

Italy: 5

France, Germany: 9

The budget, adopted by the Commissioner in conjunction with the Council, acting by a majority to be determined, and approved by the European Assembly, will determine the total burden.

The compensatory economic aid received by the Member States will automatically be allocated to the budget. Each country's contribution from its own resources will be determined by applying the apportionment rules in the Treaty to the burden still to be covered. It will be for each parliament to decide on the revenue needed to meet this contribution.

As far as France is concerned, in addition to its contribution to the European Community (to which Germany's would be equal), it would continue to cover only the cost of units stationed in the Overseas Territories and not on NATO duties, even if it has to bring them back to the Community to counterbalance the increased weight and capabilities of a reunified Germany.

All the defence elements relevant to Europe would thus be pooled within the Community, and this would be offset by the right to withdraw certain land, air or sea units temporarily, by unilateral decision, up to a figure to be agreed in advance or, above that, with the Council's agreement. Furthermore, to ensure that units could be relieved, the Treaty would allow for possible rotation between external units and units allocated to the Community.

3. — Transitional arrangements:

In the current situation, the war in Indochina forms part of France's contribution to Western defence. France must therefore secure acknowledgement that its expenditure here, up to an agreed amount, must be credited as equivalent to a contribution to the European Defence Community.

The stationing of allied troops in Germany provides cover while the Defence Community is being constituted and consolidated. A contribution to the costs of stationing them should therefore be considered at a level deemed fair following the TCC's consideration of the net contributions paid by each country to NATO. If this contribution is paid directly by Germany, it must be credited to it in accordance with the method applied to France's expenditure in Indochina. As an alternative, which would be more acceptable to Germany and which would be exactly equivalent in scope, Germany would pay all of its contribution to the Defence Community itself, which, in return, would pay for aid to the allied forces, probably, in practice, through the German services set up for that purpose.

4. — Link with current burdens:

The transition from the current defence burdens would be covered by the following interim arrangements:

— until the Community budget is established, countries other than Germany would continue to cover the expenditure corresponding to their own budget, under the supervision of the Commissioner for forces declared to be European; the common budget would be established with retroactive effect on the date when the Treaty comes into force; the situation would then be regularised by comparing the burden provisionally covered by the Member States and the charge which falls to them under the common budget.

— Germany would have to have approved, when ratifying the Treaty, a contribution equal to that of France and would temporarily cover the initial costs corresponding to its own contingents and the costs of stationing allied units in Germany until the common budget is established; the situation would be regularised with the Community, the USA and Great Britain as soon as the common budget is established.

5. — Position reached in the negotiations:

France's position in the allied talks on Germany's defence contribution and the costs of occupation might thus be clearly defined as follows:

(1) Germany's total contribution must be determined in accordance with the same principles as those which the TCC applies to other countries, in other words on the basis of its ability to contribute. Its contribution would be the same as France's, minus France's regular expenditure in the Overseas Territories.

(2) Its contribution to the costs of stationing allied troops must also be assessed by the TCC on the basis of the Occupying Powers' net contribution to defence. In particular, US economic aid to the United Kingdom could be offset by a reduction in the costs covered by Germany, so that Great Britain's net contribution was not affected. Any fixed rules on coverage for a particular category of spending would be contrary to the principle of apportioning the net burden between the various countries.

(3) The surplus from Germany's contribution remaining after the initial costs of its own contingents and the costs of occupation would not benefit France: France's net financial contribution would not be reduced, and its physical contribution would actually increase. However, it would be one way in particular to cover the cost of the armaments currently in production, which is greater than the amount of funding available.

This solution may be put to Chancellor Adenauer immediately. Mr Blankenhorn's proposals to Mr Monnet and the statements made by the Minister of Finance, Mr Schaefer, to Mr Simon Meyer indicate that it is in line with Germany's thinking on this subject.

An agreement on the basis of a total burden equal to the burden assumed by France would be all the more easily achieved since there would no longer be any evident discrimination, and Germany would have an obvious political interest in making a contribution to common defence which places it on the same level as the other major continental power.

It would be important to stress that, unlike the impending negotiations, where it would have been difficult to obtain more from Germany than a reduction in the costs of occupation plus a financial contribution equivalent only to the initial cost of its own contingents, the proposed solution, far from causing any delay, will immediately bring the Western Community a full contribution from Germany's resources.