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UNITED STATES MISSION
TO THE
NORTH ATLANTIC TREATY ORGANIZATION
(USNATO)

Brussels, Belgium
August 21, 1973

Memorandum of Conversation
August 14, 1973
in the office of Ambassador Rumsfeld

Participants:

Hughes Aircraft Company: Dr. Allan Puckett, Executive Vice President

Mr. George Todd, Vice President for International Affairs

US Mission to NATO: Ambassador Donald Rumsfeld *DR*

DCM Eugene V. McAuliffe

Mr. William Prendergast, Defense Advisor

Mr. T. J. Loveland, Director, ILD

Dr. Puckett had requested meeting with Ambassador Rumsfeld to bring him up to date on discussions in early July with SYG Luns on:

a. Follow-on problem in operating and maintaining the NADGE system.

b. NADGECO's efforts to achieve NATO recognition of and sharing in their losses of some \$56 million.

Dr. Puckett noted that the system would be completed in August 1973 and had been recognized as meeting all of the original requirements and more. Now, the NADGE consortium headed by Hughes Aircraft Company was concerned that the operation and maintenance might be more of a problem than the nations were prepared to face. He had talked to General Dougherty after his conversation with SYG Luns, and was satisfied that the problem was recognized in SHAPE. It was going to be difficult, however, for the nations to establish a logistics system and a training program which would allow them to maintain the readiness of the system at the level to which the contractor had delivered the individual sites. With some 84 sites, 41 of which were computerized, the learning curve



was bound to be long, but Puckett believed that the contractors from the consortium would be available for help as needed.

Dr. Puckett then went on to explain that the NADGE program had been the first of its type wherein an international consortium entered into what appeared to be a single contract, but which was signed in nine separate pieces with the individual host nations. To complicate the problem, there was a stringent balance of payments requirement that each country would benefit from contracts in approximately the amount of its contribution to the project. He believed that this contracting procedure was the most difficult one faced to date in NATO and that, under the circumstances, the extremely good results in furnishing a workable system to NATO was a near miracle. The delay in completing the system from the originally planned four years to the some seven-and-one-half years eventually required was due to all sorts of glitches attributable to all of the parties concerned: the contractors as well as the nations and NATO's management organization. Principally because of the delay and because certain of the problems turned out to be more difficult to resolve than had been foreseen, the contractor was faced with a loss on the contract of some \$56 million. The potential loss had been recognized by the consortium some two-and-one-half years ago, and certain of its members had then suggested the usual European remedy of stopping the implementation until NATO and the nations revised the total price for the contract. Hughes had prevailed upon its partners to finish the implementation by sharing the loss pending an eventual amicable settlement of the financial problems with NATO. The consortium had discussed its problem with the former SYG two years ago and had agreed to study possible remedies with a working group set up by the NADGE Policy Board. The consortium had presented its evaluation of the problem in a series of documents, the last of which was transmitted to NATO in January 1973. The consortium and the working group had been working together, and it was now planned that a fact-finding report would be issued by the working group in early fall of 1973. Puckett's discussions with Luns had been aimed at a negotiation between consortium technicians and the working group prior to the taking of a final position by the NATO nations. He now understood, however, that it would not be possible for the national members of the working group to discuss the results of the report with the consortium prior to having received instructions from their individual capitals.

In answer to a question by Ambassador Rumsfeld, Puckett indicated that Hughes Aircraft Company was doing a considerable share of its annual business with foreign governments. Their TOW and Maverick missile programs accounted for much of this



business, but they were also involved in bidding for air defense systems in Iran and Spain, both of which required compatibility with NATO's NADGE system. Mr. Todd indicated that the company was extremely satisfied with the help it had been receiving from US government representatives in selling their wares abroad, particularly in Iran, West Germany, and in NATO through the US Mission.

Ambassador Rumsfeld indicated that US government emphasis on aid to US contractors selling abroad had been increasing in recent months, and that a telegram from the State Department earlier this year had required response from all embassies and missions setting up a program calculated to help reduce the unfavorable US balance of payments. He commented that attitudes in the US were frequently unfavorable toward cooperation between government and industry. He believed that there should be a public dialogue on this matter. Mr. Loveland indicated that restrictions had not affected the work in NATO since the general case was fostering the interests of a single US contractor against those of foreign contractors. The only possible cases of suspected conflicts of interests would arise when two or more US contractors were the last survivors in a NATO call for bids. This was a rare occurrence, but when it did happen, USNATO's only role was to make sure the US contractors did not knock each other out in favor of a foreign contractor. Dr. Puckett considered that efforts to date had been highly successful and he agreed that everything possible should be done to continue to foster US industrial interests overseas and to instruct US opinion toward this end.

Distribution:

Ambassador
DCM
Dr. Prendergast
Defense - OSD/ISA:Asst. Sec. Hill
State - EUR: Asst. Sec. Stoessel

USNATO/ILD/Loveland

