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Afskrift

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Reference is made to the correspondence between the Ambassador of Denmark and the Assistant Secretary of the Air Force (Material) with regard to future Danish participation in work in United States defense projects in Greenland. The subject has been thoroughly studied in the Department of the Air Force with the objective of ensuring as great a Danish participation in these projects as possible.

Under current procedures, a separate review for consistency with pertinent U.S.-Danish Governmental Understandings is conducted for each contemplated U.S. defense project in Greenland. It is believed that this results in a tendency to overemphasize certain aspects of individual procurements to such an extent that the over-all trend of total Danish participation in this defense work becomes partially obscured. In this regard, it may be noted that the total volume of Danish participation has increased since this program began to the point where it will exceed an annual rate of \$7 million, and result in the employment of more than 470 Danish workers by the end of Fiscal Year 1962.

During the review of the subject it became apparent that it was appropriate to consider the problem from the point of view of total Danish participation during the foreseeable future, rather than on the basis of individual defense projects per se. While there are both disadvantages and benefits to the Danish Government in such an overall approach

1 ekspl. sendt b.m. til

1. civiling. Just Sorensen, Industrirådet
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to the problem, it is nevertheless believed to be in the best interests of both Governments. The disadvantages and benefits are discussed below in that order.

As the Danish Government is aware the Greenland radar stations are essential elements of our early warning system of vital importance to the United States, as well as of concern to Denmark and our NATO allies. Subsequent responsibilities assigned to the Greenland segment of the Dewline have substantially increased the importance of these stations to the United States. As a result of intensive study of all aspects of this complex problem, [it has been determined that security and technical reasons dictate that competitive opportunities cannot be afforded Danish concerns for certain contracts and that Danish nationals cannot be employed in certain positions. The contracts concerned include the [operation] of HAWKS and the power ship related thereto, Dewline and Dew Drop.] The employment positions involved are 43 of the total number of positions currently occupied by Danish workers on the Dewline and Dew Drop contracts. It is contemplated that these 43 persons will be reassigned to other positions upon completion of their current contracts.]

[Studies in these vital areas are continuing. It is possible in the future that continually changing operational requirements may permit employment of Danes in positions now considered sensitive. During the interim, the Department of the Air Force will continue to assure that Danish workers are employed to the fullest extent practicable on other positions in accordance with our mutual understandings.]

On the other hand, an overall approach to the problem reveals that Danish participation in U.S. contracting activities can be substantially increased. Increasing the utilization of Danish contractors in the operation

of our vital support bases at Thule and Sondrestrom is anticipated. It is estimated that Danish participation in this field will increase from less than \$1 million at the end of Fiscal Year 1962 to approximately \$9 million by the end of Fiscal Year 1965. Participation of Danish suppliers in the areas of local purchase items and perishable subsistence will also be increased from practically no participation at the end of Fiscal Year 1962 to about a \$3 million level by the end of Fiscal Year 1965.

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If agreeable to the Danish Government, it is contemplated that the total volume of such purchases for the Greenland Defense Area would be solicited each fiscal year from Danish sources by a purchasing activity located in Copenhagen. Based on experience gained to date, it is anticipated that these requirements could be satisfied by Danish suppliers. A slight initial decrease, however, may be experienced during Fiscal Year 1963 due to the need to comply with standards set by U.S. specifications. Some re-tooling may be required by Danish industry to meet these standards, which in some instances may result in an inability to satisfy established delivery schedules.

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The Danish Government will also be interested in those areas wherein both Danish and U.S. suppliers compete on equal terms. Opportunities for increased Danish participation in competition with U.S. interests exist principally in base repair and maintenance work. It is possible that Danish participation could increase in this area since these requirements will be solicited, starting in Fiscal Year 1963, by the proposed procurement activity in Copenhagen.

As a further indication of United States interest in maintaining harmonious relationships in Greenland activities, it is proposed that discussions be resumed toward a settlement of the U.S. Maintenance Cor-

poration problem and the supplying of power to the Royal Greenland Trade Department Hotel at Søndrestrøm.

The net effect of the above procurement exclusions and inclusions, together with certain other miscellaneous contractual actions, is an unquestioned appreciable increase in total Danish participation even over the Fiscal Year 1952 level. During the ensuing Fiscal Year 1963 through Fiscal Year 1965 time period, it is estimated that the total Danish participation should increase from the \$7 million level at the end of Fiscal Year 1952 to about \$16 million by the end of Fiscal Year 1965. This estimate is exclusive of such additional business as may accrue to Danish sources resulting from base maintenance and repair competition. Due to the nature of U.S. requirements, it is not anticipated that this projected increase will take place at a rate of \$3 million per fiscal year. Based on current requirements data, it is expected that total Danish participation should increase by \$2 million during Fiscal Year 1963, by \$5 million more during Fiscal Year 1964, and by another \$2 million during Fiscal Year 1965. Factors which might cause some revision in these estimates during the projected time period include program changes, fund availability, and compliance with U.S. quality and delivery requirements.

It is accordingly hoped that the foregoing will meet with approval of the Danish Government, and that discussions regarding pertinent implementing details can take place in Copenhagen as planned by the U.S.-Danish Committee on Greenland Projects.

Department of State,

Washington, June 6, 1962