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BILDERBERG MEETINGS

WIESBADEN
CONFERENCE

25-27 March 1966

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LIST OF PARTICIPANTS

CHAIRMAN:

H.R.H. THE PRINCE OF THE NETHERLANDS

HONORARY SECRETARY GENERAL FOR EUROPE:

ERNST H. VAN DER BEUGEL

HONORARY SECRETARY GENERAL FOR THE UNITED STATES:

JOSEPH E. JOHNSON

HONORARY TREASURER:

JOHANNES MEYENEN

DEPUTY SECRETARY GENERAL FOR EUROPE:

ARNOLD T. LAMPING

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|---------------------------|----------------|
| ABS, HERMANN J. | GERMANY |
| AGNELLI, GIOVANNI | ITALY |
| ARON, RAYMOND | FRANCE |
| BALL, GEORGE W. | UNITED STATES |
| BASSETTI, PIERO | ITALY |
| BAUMGARTNER, WILFRID S. | FRANCE |
| BELL, DAVID E. | UNITED STATES |
| BENNETT, SIR FREDERIC | UNITED KINGDOM |
| BERG, FRITZ | GERMANY |
| BIRGI, M. NURI | TURKEY |
| BIRRENBACH, KURT | GERMANY |
| BOWIE, ROBERT R. | UNITED STATES |
| BROSIO, MANLIO | INTERNATIONAL |
| BRZEZINSKI, ZBIGNIEW | UNITED STATES |
| BUCHAN, THE HON. ALASTAIR | UNITED KINGDOM |
| CADIEUX, MARCEL | CANADA |
| CAMU, LOUIS | BELGIUM |

COHEN, SIR ANDREW
COLLADO, EMILIO G.
COOL, AUGUSTE P.
DEAN, ARTHUR H.
DUNTON, A. DAVIDSON
ERHARD, LUDWIG
ERLER, FRITZ
ESPIRITO SANTO SILVA, MANUEL R.
FARIBAULT, MARCEL
FRANKEL, MAX
GEORGES-PICOT, JACQUES
GILPATRIC, ROSWELL L.
GRIFFIN, ANTHONY G. S.
HARRIS, FRED R.
HAUGE, GABRIEL
HEINZ II, HENRY J.
HØEGH, LEIF
HOLIFIELD, CHET
JONES, THOMAS V.
KLEINWORT, CYRIL
KNUDTZON, HARALD
KRAG, JENS O.
LANGE, HALVARD
LECANUET, JEAN
LUNS, JOSEPH M. A. H.
MALFATTI, FRANCO M.
MASON, EDWARD S.
McCLOY, JOHN J.
McCORMACK, JAMES
McGHEE, GEORGE C.
MERKLE, HANS
MORSE, F. BRADFORD
MURPHY, ROBERT D.
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PETERSON, RUDOLPH A.
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AUSTRIA
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UNITED STATES

ROLL, SIR ERIC
SCHMID, CARLO
SCHMIDT, HELMUT
SCHWARZ, URS
SNOY ET D'OPPUERS, BARON
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STOLTENBERG, GERHARD
STONE, SHEPARD
TERKELSEN, TERKEL M.
THORODDSEN, GUNNAR
TINBERGEN, JAN
TUTHILL, JOHN W.
WALLENBERG, MARCUS
WHEELER, SIR CHARLES
WINTERS, ROBERT H.
WOLFF VON AMERONGEN, OTTO
WOODS, GEORGE D.
WYNDHAM WHITE, ERIC
ZIJLSTRA, JELLE

IN ATTENDANCE:

CHIUSANO, VITTORINO
ROY, BERTIE LE
VERNÈDE, EDWIN
WALDTHAUSEN, MICHAEL VON

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INTRODUCTION

The fifteenth Bilderberg Meeting was held at the Hotel "Nassauer Hof" in Wiesbaden (Germany) on 25, 26 and 27 March 1966 under the chairmanship of H.R.H. The Prince of the Netherlands.

There were 81 participants representing the United States, Canada, fifteen Western European countries as well as various international organizations, and drawn from leaders in the field of politics (governments and parliaments), business, journalism, public service (national and international), the liberal professions, trade unions and employers' organizations.

In accordance with the rules adopted at each meeting, all participants spoke in a purely personal capacity without in any way committing whatever government or organization they might belong to. In order to enable participants to speak with the greatest possible frankness, the discussions were confidential with no representatives of the press being admitted.

The Agenda was as follows:

- I. Should NATO be reorganized and if so how?
- II. The future of world economic relations especially between industrial and developing countries.

I. SHOULD NATO BE REORGANIZED AND IF SO HOW?

After recalling the Bilderberg rules of procedure, His Royal Highness opened the Meeting. Expressing regret that no spokesman for the Gaullist point of view would be present on the first day, he suggested that an effort nevertheless be made to establish what differences of opinion existed among participants on the Agenda items and to see what could be done to remedy the situation. (As it turned out, no Frenchman who could be regarded as a spokesman for the French governmental view was able to attend the conference at all.)

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The groundwork for discussion of this item on the agenda consisted of a paper prepared by an American participant which was distributed before the meeting.

The author of this paper began by stating that the question of how the Atlantic Alliance should be organized could only be answered in terms of (1) its purpose; and (2) the relations among its members. Both were affected by the world situation and its appraisal.

From the start, the Alliance had combined two aims. The primary purpose in 1949 was to meet the direct Soviet threat to Europe by a regional defense assuring the United States guarantee. But the Alliance also reflected a wider purpose:

- a) to construct firm bonds of many kinds between the United States and Europe;
- b) to build a strong, unified Europe by gradual stages;
- c) to counter the Communist threat and work toward a stable world order.

Not all members shared all these aims at all times or gave them the same priority. Yet over the ensuing years, they had been major guideposts for Atlantic policy and the progress achieved had been a decisive factor in transforming the situation in Western Europe, the Atlantic area, and the Communist world.

This process of rapid change had inevitably affected the relations of the allies among themselves and their attitudes toward the Alliance and its functions. One consequence had been a growing debate on how to adjust the Alliance to new conditions and a steady stream of proposals for reform.

The rapporteur said he had singled out a few key issues:

- i. The changed conditions now facing the Alliance;
- ii. How these had affected the need for joint action and the relations of the allies;
- iii. Selected proposals for improving Alliance operations.

I. THE CHANGED CONDITIONS NOW FACING THE ALLIANCE

1. *Soviet threat to Europe*

The Soviet military threat was largely discounted in Europe despite the steady growth in Soviet military power. Underlying this sense of security was the confidence that a nuclear balance, to which NATO contributed, had created a reliable equilibrium.

Also encouraging Soviet restraint were its serious domestic problems and the weakening of Communist cohesion.

The U.S.S.R. had been seeking to adapt its strategy and tactics to these complexities. In general, its policy toward the Atlantic world had been to cultivate an atmosphere of lower tension while making no concessions of substance and exploiting disruptive tendencies among the Europeans and between Europe and the United States. In the less developed regions, its aim was to expand its influence and erode their ties with the Atlantic nations.

2. *The widening challenges of international affairs*

Over the last decade, technology, decolonization and many other factors had made international affairs truly global.

The relations of the West with the Soviet bloc had taken on a new dimension. The ferment in Eastern Europe and the Soviet situation offered the Atlantic allies greater scope for an affirmative policy to encourage this evolution.

The pressure of Communist China posed a separate threat for the West and raised difficult questions of how to organize a framework for security in the Far East and to improve the capacity to resist disruption and subversion.

3. *Relations among NATO members*

Trans-Atlantic. A decade of growth and prosperity unmatched in its history had now restored European self-confidence but had not reduced the disparity in actual power between the European allies and the United States which was a source of trans-Atlantic tension.

Intra-European. Within Europe, the larger States, while sharing a desire for a greater influence in world affairs, diverged in their concepts of Europe and

of Atlantic relations and their priorities. The nuclear issue had also introduced disparities among them.

II. HOW FAR IS CONCERTED ATLANTIC ACTION NECESSARY AND FEASIBLE?

These changes had created a radically new setting for the Atlantic Alliance. The effort to contain the U.S.S.R. (and China) could be seen as only the negative side of a larger challenge. Its positive aspect was the building of a viable world order to accommodate both the advanced and the less developed regions.

In this process, the Atlantic nations could influence the outcome greatly, perhaps decisively. The crucial questions were: how far and by what means should they attempt to pursue joint policies? How should they organize relations among themselves?

On these issues the allies were far from unanimous.

Their differing reactions naturally produced very different assessments of the future of the Alliance. In one view the major tasks facing the Atlantic nations demanded wider concerted efforts. The most extreme counterview asserted (1) that the basic interests of Europe and the United States now diverged too far to justify joint action; and (2) that close Atlantic ties were bound to submerge the European allies under an unacceptable U.S. hegemony.

1. *Specific interests*

Security. The original foundation for the Alliance remained solidly intact: Europe's security was a vital interest of the United States and ultimately depended on United States nuclear power. Both Europe and the United States were primarily concerned to create an effective deterrent which would prevent any hostilities.

Detente. Any genuine detente depended on resolving the critical issues in Central Europe. This the U.S.S.R. had so far refused even to consider; and the experience of twenty years hardly suggested that the process would be hastened by a United States-European split. On the contrary, constructive change was most likely to result from maintaining the cohesion of the Alliance while concerting to foster the more hopeful Soviet trends. Only intimate and continuous joint policy-making would enable the Atlantic nations to combine both courses and to guard against cleavages and distrust among themselves.

Economic. The economic needs of both the advanced countries and the less developed world seemed to call for more joint action rather than less. With their economies steadily becoming more closely linked, the Atlantic nations must concert monetary and economic policies, and trade policies as well, for their own prosperity and well-being. And the measures essential to promote

growth and stability in Latin America, Africa and Asia all required combined efforts by the advanced Atlantic countries (and Japan).

Peace keeping. The problems of subversion, disorder and local war in the less-developed areas and Far East were not always seen in the same light by the United States and its allies. The cause was less a conflict of interests than differences about priorities and what should be done, and questioning of unilateral United States action.

The rapporteur added that the necessity for joint action would not make it easy to achieve. The problems themselves were complicated and offered much room for differences in approach and in judgement. The central issues required the interested nations to co-ordinate both major purposes and many specific actions and decisions on varied topics.

2. Roles and influence

Shared interests might not result in effective co-operation for pursuing them if the allies differed deeply about their respective roles and relative influence in the Alliance.

The imbalance in resources and influence between the United States and the several European members posed this problem sharply. It often produced resentment and frustration. It had to be frankly faced that separate states of Europe could hardly be full partners of the United States and that the degree of influence was bound to be closely related to the respective contributions. Some NATO members, while recognizing their interests outside NATO, were reluctant to become involved where action was so largely in the hands of the United States which often felt compelled to act on its own.

Such tensions arose as much among the European allies as across the Atlantic. The nuclear issue, for example, partly reflected a European demand for a greater voice on these life-and-death matters, but the non-nuclear allies also objected to the inequality inherent in the British and French national forces.

The interaction of Atlantic and European structures was therefore inescapable. In the long run, a viable Alliance was intimately bound up with how Europe organized itself but Europe would in fact attain effective unity only if its members were willing to forego efforts for primacy or domination and to accept basic equality among themselves.

Only the Europeans could decide that issue. But the interaction with the Alliance suggested one criterion for Atlantic action: the Alliance structure should be designed not to interpose obstacles to the emergence of a European political entity. Concretely, this meant that the handling of Alliance problems should not create or perpetuate inequalities among the European members which would impede such a European entity.

3. Guidelines for action

An ideal structure for the Alliance would (a) provide effective means for devising joint policies on the common tasks, and (b) satisfy the desires of various members as to their roles and influence.

There was no prospect of developing such definitive solutions under existing conditions. While Europe's structure was unsettled, the Alliance could not adjust its organization or procedures to satisfy fully either the needs for joint action or the aspirations of some of the European members, or to overcome the existing disparity in power between the European allies and the United States.

The only alternative was to proceed on a partial and interim basis and the rapporteur emphasized that even for this the Alliance would have to resolve two questions:

a) Should the Alliance limit changes to those which would be approved by all members, including the most hesitant or obstructive? Or should those who agreed on measures to strengthen NATO institutions or integration go forward over the objection of one or more who might oppose such action?

b) Given the differences in long-term outlook, would members who recognized the need for joint action be willing to proceed with intermediate measures which left open future outcomes? If so, some Alliance institutions and practices could be improved without pre-judging the ultimate structures which might be adopted for working together in Europe and the Atlantic area as and when the conditions become propitious.

To the extent that the Atlantic nations did concert their actions—political, military, and economic—they would, of course, make use of various institutions and agencies besides NATO—such as OECD, the European Community, the International Bank, the Monetary Fund, etc.

III. SPECIFIC MEASURES FOR REFORM

The rapporteur said that the various suggestions for modifying NATO organization or procedures he proposed to outline had generally been limited to measures which could be acted on in the near future.

A. INTEGRATED SYSTEM OF DEFENSE

Even if the Alliance widened its scope, its first task would continue to be to contain and deter the threat from the massive Soviet military capability. On this the members seemed fully in accord. But they differed on what was needed to achieve it.

1. *Should NATO dismantle its integrated system of defense and the Alliance continue merely as a guarantee?*

Most of the NATO allies rejected this position. They considered that integrated commands, strategy, and planning were still necessary in order to maintain an effective deterrent against the Soviet threat. While that threat seemed relatively quiescent now, it might not remain so if the NATO system were pulled apart.

2. *Should NATO create an integrated strategic planning staff?*

There had been various proposals, said the rapporteur, that NATO should have a focal point for defense planning where (i) political and military aspects could be integrated, and (ii) members of the Alliance could assert their views.

This could take the form of a NATO staff, headed by a man of high standing and ability, to perform for the Alliance functions analogous to those of a national ministry of defense. The small staff would be composed of professional officers and civilians qualified to analyze strategy, forces, weapons systems, resources, etc.

This "NATO Defense Minister" could work directly with foreign and defense ministries in developing strategy, forces, logistics, etc. By acting as a spokesman for the common interest, he should help bridge the existing gap between European members and the United States.

More specifically his functions could include: (a) recommending to the Ministerial Council, in the light of expert advice from NATO commanders, defense staffs of NATO members, and his own staff, strategy and force goals for the Alliance, (b) negotiating with national governments to carry out these programmes, as approved by the Ministerial Council, and (c) performing other functions regarding logistics, weapons systems, etc., related to the defense planning of the Alliance.

The existing NATO military structure could then be revised (a) to abolish the Standing Group or designate its members as military advisors to the NATO defense minister, making its staff the nucleus of the defense planning staff; and (b) attaching members of the Military Committee to the Council permanent delegations as military advisors to the Permanent Representatives.

3. *Should NATO create a larger integrated ground force?*

It had been suggested that the Alliance might usefully build up an integrated force which could be available for special tasks and could serve as a mobile reserve to re-enforce the centre. It would be of special value (a) as NATO strategy comes to place more stress on ability to deter and resist limited threats

below general war, and (b) if NATO members accept greater obligations for peacekeeping outside the NATO area.

This might be done by starting from scratch or by developing the existing ACE (Allied Command Europe) mobile ground force, which was now largely a token allied force. Such a force would be under a single commander and integrated as far down as feasible. It should have a single logistic and signal system and every effort should be made to standardize its equipment. It might ultimately need to be three or four divisions in order to play the suggested role.

The creation of such a force might test the feasibility of wider integration of NATO ground forces, with unified logistics and standard equipment.

B. IMPROVED METHODS FOR CONCERTING POLICY AND ACTION

1. A variety of measures had been suggested to improve the concerting of action among the allies:

a) Foreign ministers or their deputies might meet every two months for more intimate exchanges on specific topics;

b) Policy-making officials and experts from capitals should meet at regular intervals to develop courses of joint action and to prepare topics for ministerial discussion;

c) To tie the Permanent Representatives more closely into policy-making, they should regularly return to capitals for consultation;

d) A group of three to five senior advisors, who would be independent of governments, should be appointed as a standing group to appraise the situation of the Alliance and from time to time make reports and proposals, which would go on the agenda of the Council;

e) The Alliance might appoint a minister for political affairs who would be charged solely with promoting political consultation among the members.

2. Underlying these proposals were three principles based on experience with NATO and other agencies:

a) Those consulting should as often as feasible be officials directly involved in policy-making in their governments. They should be more expert and better able to inject any joint conclusions into the policy-making at home;

b) The number consulting should be kept small and should be restricted to those who were prepared to act. Normally this would include the larger members with others added for specific matters;

c) Finding common ground and devising joint policies was often facilitated by having a disinterested person or group who could serve as spokesman for the common interest.

3. Existing NATO procedures did not sufficiently reflect these principles. The Permanent Council was suitable for exchange of information, but poorly adapted to joint policy-making on complex or sensitive issues.

The Permanent Representatives could not be intimately informed on many of the problems and might not be in a position to influence policy-making in their government. A meeting of all fifteen members of NATO would certainly be too diffuse.

4. NATO had, of course, used restricted meetings informally and *ad hoc*, but a program which formalized and expanded this practice would be a break with NATO custom which could raise serious objections from some members. To make the practice more acceptable, such groups (a) could include the NATO Secretary General or a rotating member to protect the interests of those not attending, and (b) could keep the Council informed of any major decisions.

5. Certain fields might require more than even the expanded consultation discussed above. Thus, the issues involving Central Europe and the Soviet Union—German unity, arms control, commercial relations, etc.—could severely strain Atlantic solidarity. The ability to conduct a flexible policy and take initiatives would depend on the mutual confidence of the key NATO countries and especially of the Federal Republic. That might require continuous participation in developing such policies and proposals.

One solution for this type of issue would be a restricted working group (perhaps in Washington) similar to the Ambassadorial group which worked on Berlin.

6. Over time, the practical effect of these various measures might ultimately be to divide the NATO members into two classes: (a) those who normally concerted on a wide range of policies, which would surely come to include the members with the resources and interest to play an active role; and (b) those other members who did not but who would continue to benefit from the protection of the Alliance.

In essence, such a development would distinguish two functions of the Alliance: (a) as a regional security system; and (b) as an instrument for conducting a concerted foreign policy.

C. HOW SHOULD THE ALLIANCE HANDLE NUCLEAR SHARING?

1. For a variety of reasons, the issues relating to control of nuclear weapons had become critical for the solidarity of the Alliance:

a) The strategic and tactical nuclear weapons which supported NATO strategy were primarily under United States control, directly or through double key systems;

b) British and French claims for special status or greater influence based on their national nuclear forces had been a divisive factor within the Alliance;

c) The extreme dangers from any accidental use, plus the doctrine of flexible response, had increased the United States insistence on the need for centralized control of such weapons;

d) Concern about the possible consequences of the spread of nuclear weapons had steadily grown;

e) In the discussions about a possible treaty on non-proliferation, the Soviets had insisted on terms which would bar any kind of collective force or similar nuclear sharing system in which the Federal Republic would participate.

2. The result of these various factors was to create serious strains within the Alliance as between the European allies and the United States and between nuclear and non-nuclear European allies.

3. In recent years, efforts had been made to broaden the knowledge and understanding of nuclear planning and related matters by various measures such as appointing a special SHAPE deputy for nuclear matters, by designating NATO liaison officers at SAC headquarters, and by creating the Special Committee, but the issue has not yet been adequately resolved.

4. In essence, a solution should meet the following criteria:

a) It should curtail the spread of nuclear weapons in national hands and, if possible, absorb one or both of the existing national forces;

b) It should give the European members of NATO a greater voice in nuclear strategy, guidelines, planning and use, and related matters such as arms control;

c) It should satisfy the legitimate desire of the non-nuclear powers for relative equality among the European NATO members;

d) It should be capable of developing or adjusting as the political situation in Europe evolved, so that a political Europe, if and when it emerges, could assume a more equal role as a partner of the United States.

5. The main alternatives which had been proposed for nuclear sharing were:

a) A Special Committee, with participation in planning, etc. for all nuclear forces available to NATO defense without any sharing of ownership or control over use;

b) A collective Atlantic force which would be jointly owned, managed and controlled and might or might not absorb one of the existing national forces and whose board could also participate in planning for all NATO nuclear forces;

c) A Control Committee, which would control the use of some segments

of existing nuclear forces (to remain under present ownership, manning, and management), and which could also participate in planning for all NATO nuclear forces;

d) A European force, which would be jointly owned, operated and controlled by a European authority, but "co-ordinated" with United States forces and planning.

6. No proposed solution would fully satisfy all the above criteria under existing conditions. Hence any choice must be based on comparing benefits and disadvantages of various alternatives. In doing so, the allies would also have to consider the relation of any solution to efforts for a non-proliferation treaty. In particular, it would be essential to weigh the value of Soviet agreement to such a treaty in comparison with its impact on Atlantic cohesion, especially if its effect were to freeze existing inequalities.

IV. CONCLUSION

In conclusion, the rapporteur suggested that the Atlantic nations could contribute to the building of a viable world order (1) by organizing their own relations as a stable component of such an order, and (2) by utilizing their resources and influence to encourage orderly development of bases for stability and co-operation, and to deter and prevent disruptive actions and coerced change.

Both processes would require patient efforts over a long period and the Atlantic nations would have to hammer out a common framework which would give direction to their activities.

Measures such as those outlined could assist the Atlantic nations to improve their cohesion and capacity for joint action during this pivotal stage of transition. Hopefully, they could also nourish the attitudes which would advance both European unity and Atlantic partnership.

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In placing his paper before the meeting, the rapporteur emphasized that it had been written before the recent French action. France's position, however, was already known and the basic purpose of the paper—to determine the adjustments which should be made to the NATO structure—was not affected by the latest developments of French policy.

The rapporteur went on to say that while France's intended withdrawal from NATO would undoubtedly create a variety of problems, it did have a positive aspect in as far as it would now be possible to take action previously inhibited by doubts as to the French position.

There had been profound changes in the over-all situation since 1949, but

the basic fact still remained that joint interests were at stake. Joint action, however, was confronted by two obstacles:

- 1) The disparity between the United States and Europe which others beside France were no longer prepared to accept as necessarily desirable;
- 2) The inherent difficulty of deciding how to deal with a number of problems when the wide range of members involved made any consensus difficult.

The solution undoubtedly lay in European unity enabling Europe to speak with one voice, and such unity would have to be based on equality and common rules and institutions: a procedure which would take years.

Meanwhile, the practical problem was to decide what partial steps might be taken to give European members more say and to devise common policy.

The rapporteur suggested that there were three fundamental points which the conference might consider:

- 1) Was it possible to establish a situation in which those allies wishing to take a wider type of action could do so without offending or being hindered by others?
- 2) How was the position of Germany affected? NATO's goal had always been to avoid rivalries by bringing Germany back into the European family. This in turn involved the question of nuclear sharing where a solution must be found that did not discriminate against Germany.
- 3) It was essential to avoid any irreparable cleavage with France. The other allies should go forward without France but on the assumption that France would eventually return.

All these aspects were subsequently dealt with by various speakers, although not always in the same order nor with the same emphasis as suggested by the rapporteur.

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In considering the problems confronting the Atlantic Alliance, there was no tendency to concentrate exclusively on the French announcement. Nonetheless, most of the speakers incorporated this element in their interventions. However, they stressed that, while NATO would undoubtedly be profoundly affected, yet there could be no doubt as to the importance of maintaining the Organization.

A German participant opened the discussion by stating the general attitude in his country towards the various aspects of the first item of the Agenda. He stressed his country's special position in relation to the French action: Germany was particularly exposed in Europe and the Federal Republic was at present challenged by France, her closest friend.

He felt that it might be possible to reach some sort of compromise whereby France could continue to be associated with NATO but the essential structural elements could not be called into question.

This speaker laid particular stress on the need to leave the door open for an eventual French return and this aspect was subsequently emphasized by a British speaker and by a great many other participants.

In describing the crisis provoked by the French government's attitude, another German speaker drew a parallel with the earlier difficulties confronting the European Community. He pointed out that just as the solidarity between the Five had enabled a major crisis to be averted and the framework of the Community to be preserved, so the survival of NATO would depend on the unity of the fourteen remaining members.

Both German speakers felt that the principle of integration should be maintained at all costs, and while this might be a costlier process in the absence of France it was vital to ensure credibility.

In analysing the reasons underlying the French action, an American participant remarked that President de Gaulle's basis assumption was that there was no longer any Soviet threat to justify the organization. This same consideration and subsequent comments on the fundamental issue of East-West relations revealed broad agreement that there was less and less apprehension in the West of outright Soviet aggression. At the same time, various speakers emphasized that, in so far as a detente had occurred, this could largely be attributed to the existence of an united Western Alliance. As one of the participants with special knowledge of NATO-questions put it, the fact that there had been a slackening of tension in itself demonstrated the necessity of maintaining NATO in order to prevent a recurrence of that danger; he warned that the Soviet threat should not be lightly dismissed.

The same point was made by other speakers. An Austrian participant noted that the Soviet Union was confronted with serious problems and that there was a growing demand among the satellites for greater independence and even a pronounced desire among West European communist parties for more autonomy. All these developments, he said, were largely fostered by the presence of a strong alliance in the West and he added that NATO had helped to halt Russian efforts to take over Berlin and to force the withdrawal from Cuba, thus widening the Sino-Soviet rift.

A United States speaker agreed that changes for the better had occurred in Eastern Europe but stressed that serious troubles might still take place. There was a vital need to assess what was really going on in the East.

Another American speaker remarked that the issue was not any more the Soviet threat but the emerging of a new East-West relationship in Europe. He contended that the NATO powers were now confronted with an urgent necessity to try and formulate a realistic conception of that changed relationship by addressing to the Eastern-European states a multilateral economic effort.

A Danish speaker expressed his conviction that a definite settlement of the Oder-Neisse problem would contribute considerably to stabilizing East-West relations, but a third American contended that any dialogue aimed at an even greater relaxation of tension would inevitably require expanded machinery.

The belief expressed earlier by an American participant that President de Gaulle discounted the Soviet threat was queried by a French speaker who suggested that the latest French move was not dictated by the conviction that United States protection was useless or inadequate but, on the contrary, by a belief that it was so great that any French contribution had now become superfluous. This participant believed, moreover, that the gravity of the French withdrawal was perhaps more political than military, a view which was subsequently supported by a British speaker.

Another Frenchman had previously drawn a distinction between President de Gaulle's explicit reasons and those which were implicit. Under the former heading he listed the assertion that France had to avoid too close a link with the United States so as to keep clear of any involvement in a worsening Asian situation; the claim that the detente with the USSR would be encouraged by a loosening of Atlantic ties and the view that there was a contradiction between the sovereignty of States and military integration. He questioned the validity of these postulates.

The implicit reason behind the latest development was General de Gaulle's belief that he could initiate a sort of positive neutralism and come to stand as the champion of an "anti-bloc" concept, as an apostle of the dissociation policy.

Meantime, it was hard to see what advantages France could hope to derive from her virtual isolation within the Western framework. What advantage could she obtain from the loss of the radar network? What advantage was it to be deprived of tactical nuclear weapons? What advantage was it to lose the central European Command?

Turning from purely military considerations, there was a real danger that continuation of French nationalistic policies would create a dynamic current which would encourage Germany to imitate France in this respect.

This latter aspect was raised by a number of other participants. It was described by a Belgian participant as a threat which could destroy Europe while American, German and Netherlands interventions alluded to the fact that nationalism generated nationalism. Nevertheless, another American took the view that nationalism need not be a danger so long as the United States controlled the military power.

The previous United States speaker also foresaw, as a related danger, the possibility that a feeling might develop in the United States that NATO com-

plexities and difficulties were excessive and, in conjunction with a feeling that Europeans had rejected America, this could lead to a sort of "polarism" even though isolationism, as such, was no longer conceivable in the United States.

At the same time, he felt that General de Gaulle had forced us to face up to problems and to that extent his action was positive. This view was shared by two other Americans who claimed respectively that the President had done NATO a favour by providing it with an opportunity to "go on the offensive" in a positive sense. One of them supported the conviction of another American that, with the period of uncertainty ended, NATO could now proceed with its "unfinished business". A participant with special knowledge of NATO matters considered that the 14 would now have more leeway to achieve a better organization.

A French participant who had already spoken suggested that there was a subtler positive aspect to the French decision. He argued that General de Gaulle was looming as a symbol of opposition to power blocs and this could hardly be agreeable to the Soviet Union which must fear that the General's example of independence might be followed by the satellites.

These various interpretations impelled a United Kingdom speaker to observe that he had been struck by the general equanimity in the face of General de Gaulle's decision. This was encouraging since it was essential to retain confidence in the Alliance's future but NATO had in fact suffered a serious blow and the full consequences were not yet apparent. In the circumstances, we were perhaps displaying too much "sang-froid".

Necessary and unwelcome decisions would be required. The French move might indeed offer an opportunity to the 14 but it also offered an opportunity to the Soviet Union which could not but register it with satisfaction just as we had been encouraged by the Sino-Soviet split.

This conviction, however, was qualified by an American participant who insisted that the French withdrawal would not encourage the Soviet Union to look on NATO as a military pushover.

Another consequence of the latest development was singled out by a Netherlands speaker who noted that there seemed to be less and less mutual confidence combined with a breakdown in diplomatic usage. France had adopted "diplomacy by statement" and her actions would have been less disturbing had she employed different methods. There might even be repercussions in the Common Market where confidence had been likewise impaired.

He went on to say that the French move had increased the importance of Germany and this fact would have to be taken into account in any future planning. A similar opinion was voiced by an American speaker who stressed

that it was vital not to treat Germany as inferior.

On the question of what counteraction should be taken, most of the speakers stressed that, while NATO would undoubtedly be affected, yet there could be no doubt as to the importance of maintaining the Organization. The German participant who had opened the discussion contended that the best answer to President de Gaulle's policy was a reform of NATO to make allowance for changed conditions, a greater voice for Europe, even more unification and better co-ordination of policy. In this connection an American speaker made the point that virtually all countries belonged to some or other "bloc" when it came to defending and coordinating policies in the United Nations, the only exception being the NATO countries which never acted collectively. A French speaker who had critically analysed General de Gaulle's motives asserted that the reply to nationalism lay in more and more integration, a view shared by many other speakers. America should nonetheless recognize, he added, that there was a desire in France which was potential elsewhere for NATO to be a meeting-place for all and not merely an American-dominated body.

He also made the point that there was a need to enlighten public opinion concerning the fact that NATO guaranteed automatic United States intervention in the event of attack and two American speakers also referred to the need to ensure that the public was adequately informed on this aspect.

Another United States participant underlined that it was not the United States Government's duty to try to dissuade France; membership was purely voluntary and America should be careful not to take up a "proprietary" attitude. In any case, said a fellow-American, the United States was determined to proceed with the collective approach.

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Various speakers commented on the point made by the author of the background paper to the effect that one of the obstacles to joint action lay in the continuing disparity between the United States and Europe in power and influence.

Nonetheless, expressing the viewpoint of a neutral country, a speaker said that the smaller nations should adapt themselves psychologically to the fact that they *were* smaller. European potential had grown but it was still a potential and Europe was not in fact any stronger militarily than in the past.

This latter contention was taken up by a British participant who agreed that, relatively, Europe had not become significantly stronger so that Washington remained the effective power centre and a Norwegian and a Netherlands participant concurred in this. At the same time, a French participant

emphasized that, while United States preponderance was incontestable, yet the situation had changed in so far as there was a new awareness in Europe of the continent's economic recovery.

On the subject of partnership between the United States and Europe, an Italian speaker felt that Europe should certainly have a greater degree of influence but, like an American participant, he felt that Europe had also to assume a full share of responsibility.

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Discussion of the disparities between Europe and America involved reference to the problem of nuclear sharing which was described by the author of the background paper as being intimately bound up with the problem of reintegrating Germany on an equal footing and by a Turkish speaker and others as being connected with the problem of military integration.

The German participant who had opened the discussion said that his country accepted the United States veto as a "fact of life" and insisted that nobody in Germany wanted nuclear weapons—nor did anyone favour proliferation. At the same time, Germany felt that the non-nuclear powers should be associated with every step of decision-making and he considered that a sound framework might be provided by a common Atlantic weapons system with both a United States and a European veto. The latter, he said in answer to a question from the Chairman, might perhaps be based on a weighted vote formula.

Acceptance of United States preponderance was likewise voiced by a Norwegian speaker who, however, suggested that the McNamara Special Committee might provide the answer—an opinion subsequently echoed by a Turkish speaker and by an American participant.

This view was contested by a United Kingdom representative who pointed out that the Special Committee was purely exploratory while the German speaker doubted if it would "give us sufficient weight". The collective weapons system, on the other hand, could absorb national nuclear forces and make for real European equality. (Two United Kingdom speakers questioned later on in the discussion whether the two small national forces of France and Great Britain could in fact be absorbed.) The German participant went on to reiterate that his country had never sought sovereign rights in nuclear weapons but was basically interested in the decision-making process, targeting, intelligence, etc.

Another German speaker already mentioned said that participation in a collective nuclear organization with possession of hardware but with the decision-making power and veto in the hands of the United States President re-

presented only a second-best solution. It was certainly better to have a user's say in respect of the whole United States potential rather than a grip on part of it. Europeans should take part in all peacetime decisions and in preparations for the United States President's decision which would therefore be based not only on American papers but on papers jointly prepared by the European countries. Such an approach would make the transfer of actual nuclear hardware less urgent.

The question of a collective nuclear force was also mentioned by a Canadian participant who advanced the view that, while it might be militarily negligible, it could provide a highly useful bargaining counter in respect of disarmament negotiations. For the author of the background paper, however, it was essential to "give Europeans a stake" through the provision of nuclear hardware, all the more so since two members already had such hardware and were accordingly able to claim a special status: a collective force offered the best solution and United Kingdom participation in such a force would be of considerable assistance in discouraging proliferation.

Another means of preventing proliferation, according to one United States view, was for America to offer guarantees and rewards for voluntary abandonment of nuclear weapons although a fellow American warned that it would be useless to slacken off aid in this field to countries who would like to have it since we would have to reverse ourselves as soon as someone else stepped in to fill the gap. At the same time, NATO might propose a multilateral agreement to the Soviet Union for the withholding of aid, an initiative which could give renewed political life to the Organization.

Emphasizing the fact that the problem of nuclear sharing was not a question of national pride but of making the Alliance as efficient as possible, a Turkish participant said that what mattered was not who got the power but when the power was used and to what extent. We had to be certain that it would be used as soon as necessary and to the necessary degree. If the problem were depoliticized it would be easier to solve.

A Netherlands speaker expressed criticism of the Mac Mahon Act, pointing out that it was also used to deny the Allies assistance in developing nuclear propulsion of warships. A United States participant retorted that the release of technical information not only involved a risk of revelation but, if given to favoured nations, would introduce a divisive element.

The answer was that the Netherlands was not seeking information other than what was already known to the Soviet Union in any case but that a quid pro quo might reasonably be expected in view of the highly classified data which several European countries, including the Netherlands, had already communicated to the United States.

This brought the reply that the United States in turn had supplied the Allies with a great deal of technical information but that America was anxious to avoid nuclear proliferation and was concerned with the threat of espionage.

The same American had previously asked whether European countries in fact agreed as to what type of nuclear sharing they wanted. There could, he said, be no change made in existing United States laws on the basis of general remarks about nuclear sharing. There was a lack of European consensus on the procedure required. If Europeans did offer concrete suggestions, said another American speaker, they would be sympathetically received by Congressional Committees. This speaker, however, postulated that the titles to nuclear material and the veto should remain in American hands.

In this connection the expert on NATO questions, already mentioned, said that Europe was demanding that the United States provide leadership while the United States was asking Europe to put forward proposals. This vicious circle had to be broken and he wondered whether it would not be possible to submit legislation to Congress whereby the United States could supply nuclear weapons and know-how to an Atlantic or European force on condition that the United States was a partner with a right of veto and hence directly involved in planning and decision-making. This would neither increase the American commitment nor encourage proliferation but might well spur Europeans to reach agreement between themselves.

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Various speakers alluded to the question of NATO's geographical area of responsibility, mentioned at an earlier stage by the Chairman. Opinions in this respect ranged from that of a Swiss speaker who envisaged the possibility of a world-wide guarantee system covering the NATO, CENTO and SEATO areas to that of the great number of participants who warned against overloading NATO with responsibilities when it already had enough problems in its present framework.

This latter approach was exemplified by a United Kingdom participant who, commenting on the suggestion by an American that NATO might have a peace-keeping role to play outside Europe, described the idea as tempting but impractical. There would, he insisted, be a marked resistance in the developing countries to any proposal that NATO should act as "policeman" and, in any case, even if it were politically desirable, the necessary force structure did not exist.

Echoing the Swiss participant previously mentioned, a Portuguese speaker urged that NATO members should not overlook the importance of the Iberian peninsula to the defense of the West. He also pointed out that NATO's

success in Europe had impelled potential enemies to encourage disturbances elsewhere and recommended that members of the Organization should therefore try to acquire a better understanding of each other's problems in regions outside Europe.

* * *

Directly tied in with the discussion of problems outside Europe was an account of the present situation in Vietnam provided by a United States participant who had already, at an earlier stage, summarized the policy viz-a-viz the Alliance followed by the United States since World War II.

He began by observing that while many Americans might feel that there were some doubts as to the wisdom of the original involvement in South East Asia, yet the fact was we were facing a situation and not a theory. The Senate Committee debates had shown no alternative to the present approach.

Although the South Viet-Nameese were suffering the bulk of the casualties and although desertions still formed a problem, the speaker said that there had been a definite improvement in South Viet-Nameese morale.

The allies in Asia were providing support on an increasing basis and this was coming mostly from Korea and Australia although the Philippines were also planning to make a contribution. There would soon be 50,000 allied soldiers in the field while NATO aid in the form of medical supplies and technical assistance was also increasing.

At the same time, the speaker said that the strength of the Viet-Cong was likewise increasing and there was evidence of the presence of more and more regular army units, a fact which seemed to provide a conclusive answer to the question of whether the action in Viet-Nam constituted an armed attack as understood in the SEATO Treaty.

Viet-Cong infiltration of men and supplies had been stepped up on a round-the-clock basis during the bombing pause and the present Viet-Cong capacity amounted to 1,500 trained men infiltrating each month.

The United States had made substantial strides by providing two elements—mobility and fire power. It now had, for example, 1,600 helicopters in Viet-Nam. Similarly, modified B52's with a heavier bomb load would soon be in action.

United States strategy called for the infliction of heavier losses on the Viet-Cong than could be offset by infiltration or new recruitment. So far only part of the United States forces had been committed to action and much larger forces would be used in the weeks to come, but even with the present forces, the rate of attrition on the Viet-Cong was very high. If, for instance, the results obtained over recent months could be maintained, Viet-Cong losses would approach 200,000 men per year.

In reference to the B52 attacks which had been so successful in striking at points previously inviolate, the speaker said that villagers did not seem to resent these attacks deeply, so long as advance warning was given and every effort was made, in fact, to give such warning.

Conversely, there had been a decline in Viet-Cong morale because of the need imposed by the B52's to keep on the move. In general, there was a loss of confidence among the Viet-Cong, a recognition of United States superiority, and this was demonstrated by the rise in defections. Such individual defections might well develop into unit defections.

There was also evidence of a breakdown in the Viet-Cong infrastructure. In the early days, the Viet-Cong undoubtedly had a considerable measure of appeal in the rural areas: they promised lower taxes and a redistribution of the land and meanwhile liquidated individuals associated with corruption and harsh treatment. Now, however, confiscatory taxes were being imposed and backed with brutal measures and there was no longer very much evidence of a sense of allegiance to the Viet-Cong. It was known that the increasing alienation of the Viet-Cong and the people was greatly worrying Hanoi.

Having outlined the military position, the participant went on to emphasize that the United States thoroughly recognized the need to avoid provocation. Bombing attacks in the north, for example, were highly selective and care was taken to avoid the bombing of dams, etc. Similarly, there had been no mining, bombing or blockading of Haiphong harbour.

So far the Chinese had sent no combat troops but were building up their economic and military aid. The Viet-Cong, in fact, was increasingly dependent on Chinese supplies. The Soviet Union likewise seemed to be increasing its assistance although this took the form of economic aid and defensive weapons.

Every effort was being made to keep communications open and get negotiations under way. Support had been given to the various initiatives taken by world leaders but there had been no sign of a response from Hanoi. If anything, indeed, there had been a hardening of the line in Hanoi and other Communist centres and a persistent demand that the National Liberation Front be recognized as the sole representative of South Viet-Nam.

The United States aspired to transfer the struggle from the military to the political arena and would continue to explore every possibility of negotiation.

The speaker said that the first necessity, as things were, was to establish security and then to rebuild the broken society within the secured area, notably through education, land reform and health services.

The South Viet-Nameese Government had made a number of efforts in the right direction. Government expenditure, including the salaries paid to members of the government, had been reduced, contact was being made with

religious and regional groups; a new land reform plan had been drawn up; new municipal elections were to take place, a refugee aid programme had been initiated and plans had been announced for a gradual return to constitutional government.

The United States was nonetheless concerned over a number of factors. These included the possibility of Chinese intervention in an active form and an escalation of the war against the will of the United States. Similarly, the fragility of the South Viet-Nameese political situation, and specifically the present government's differences with the Buddhists, was a cause of perturbation. Inflationary pressures and distribution bottlenecks were other factors which had to be taken into account.

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In reply to a question from a French participant, the speaker said that concern was indeed felt in Hanoi over the existence of elements which were doubtful of final victory. At the moment, as he had said, the Hanoi position seemed to be hardening although this could be precisely because there were some who wanted to soften it. Broadly speaking, however, there was no indication of a serious diminution of Hanoi's will to fight. In a further reply to the same French participant, the American speaker said that the Soviet Union was in a position of some ambivalence. Some months ago there were indications that the Soviet Union was anxious to help bring about a settlement but this had led to criticism from Hanoi and the Soviet Union was now concerned above all to prove its devotion to the socialist state.

Nonetheless, Russia was apprehensive of escalation and it was significant that, although it felt obliged to make gestures of support to Hanoi in order to maintain its position in the Communist world, the weapons it was providing were essentially defensive.

The South Viet-Nameese Government might well find itself in a vulnerable position should a settlement be reached without sufficient guarantees. If Hanoi's demand for an immediate coalition government with a Liberation Front majority were to be accepted, this would inevitably lead to a take-over.

Finally, in answer to the same questioner, the American speaker said he was convinced that the people of the United States were ready to do whatever was required of them. There might be some impatience over the fact that terrain was unsuited to sophisticated weapons and this might lead to pressures to step up attacks. Such pressures, however, would be resisted.

The Viet-Cong might find the rate of attrition intolerable and might also find that they could no longer fall back on guerilla warfare since the United States forces were now in a position to hunt them out. In any case, guerilla

warfare would mean lower United States casualties and hence would decrease pressure in the United States to build up the war.

A German participant asked how the Soviet Union could be expected to react, should escalation be forced on the United States. The reply was that no escalation was in fact expected although, of course, it could happen. Should a Sino-United States conflict develop, the mutual defense treaty between the Soviet Union and China would undoubtedly constitute an element of pressure but Soviet ambivalence would still persist, especially in view of its uneasiness over China's future nuclear role. The most that could be said was that the Soviet Union would probably like to keep out but whether it could do so or not was an open question. Arising from this point, an Austrian participant asked whether China was showing restraint in its support of Hanoi and whether North Viet-Nam was carrying on the war entirely of its own free will.

To this the reply was that China was displaying restraint and that it was important to distinguish between what that country said and what it actually did. In any event, the will to fight undoubtedly existed in Hanoi independently of Chinese urging although the Chinese did feel they had an interest in keeping the war going so as to weary the United States and induce it to quit Asia. The question was raised by a Belgian participant as to whether the same readiness to continue the war existed in South Viet-Nam. The American speaker revealed, in this connection, that highly scientific probes confirmed an extremely strong anti-Communist and anti-Viet-Cong sentiment in South Viet-Nam. Morale had enormously improved over the last year; there was no sign of resentment against the presence of American troops nor on account of the progressive build up of American troops.

On this issue, another American present expressed the view that the will to fight among the South Viet-Namese depended largely on whether they could see improvements taking place and could feel confident that progress would continue to be made. If an increasingly large area could be pacified and if progressive measures could be introduced in the stabilized area, then there would be a widespread conviction that a solution was on the way. If not, the problem would become more and more serious.

On the subject of the flow of refugees into South Viet-Nam, a German participant asked whether such refugees were seeking to escape the Viet-Cong or United States air attacks. He went on to ask whether the United States would ever agree to negotiate solely with Hanoi, excluding Saigon, in view of the fact that Premier Ky had said he would never sit at the same table as the Viet-Cong.

The American speaker replied that there was unquestionably a mixed motivation among the refugees but that the general disposition was to get away from Communist domination.

On the second point, the speaker said that the real question was whether Hanoi wanted to negotiate at all. In any case, the United States would never accept the National Liberation Front as the *sole* representative of South Viet-Nam although it would be ready to discuss with Hanoi how NLF views might be represented.

The other American participant who had spoken earlier took up the question of the refugees and agreed that there was a mixed motivation. He stressed that all refugees considered themselves *temporarily* displaced and not as a permanent addition to the population of the South.

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After this digression, the discussion returned to the agenda.

In spite of the virtual unanimity of the participants as to the overriding importance of maintaining NATO as the logical structure for giving real cohesion to the Atlantic Alliance and in spite of the conviction, as a Danish participant put it, that the Organization was a vital element in the international balance of power, opinions varied as to its precise function.

An American who described himself as an agnostic in the Church of NATO suggested that the Organization was defined more by the sense of mission which it provided than by its everyday work. It had probably furnished the basis for a European ethic but had not succeeded in settling our problems and we should realize that alliances did not necessarily prevent wars any more than they caused them. The element of deterrence lay in the nuclear power of the United States and not in NATO's military power on the ground.

All countries had their political ambitions which were national and conflicting and, in this respect, the present French Government was no exception. Nationalism was not necessarily a menace and integration, while useful, was not the depositary of our safety: it was dangerous but the other countries did not act differently. The speaker felt that the Alliance and its institutions might well be kept as they were and that members should continue to discuss world politics insofar as this aspect was not covered by the Alliance.

Along similar lines, an international participant observed that NATO had not proved effective in bringing about a viable approach to some of the wider problems and he questioned whether it in fact represented the appropriate mechanism for doing so, a view subsequently echoed by a Canadian participant who said that there was a certain tendency on occasion to expect too much of the Organization and to regard it as a broader instrument than was originally intended.

Against this, an American speaker, taking up an additional topic suggested in the course of the discussions by the Chairman, argued that NATO's future

was tied in with the free world's plans for what it should do with all its wealth. Its future, in other words, depended on a new sense of historic purpose leading to affirmative principles. It was essential to commit enormous economic resources to lessen the gap between the "haves" and the "have-nots" and at the same time to launch a peace offensive—which could well be done unilaterally. (This aspect of NATO's activities was extensively dealt with in next day's discussions on item II of the Agenda.)

Another American remarked that NATO should not be either isolationist or merely military in nature, but still another United States speaker took a sharply opposing approach and recorded his conviction that NATO was, in fact, a strictly military organization. It would be "overloading the donkey" to try and burden it with "broader problems". Military security was still the major concern.

Support for this interpretation was forthcoming in a Canadian intervention. NATO was not the proper instrument for dealing with broader objectives; its purpose was still to deter and to maintain the apparatus for modern war and any effort to extend its functions would make "the best the enemy of the good" and harm the Organization's real aims.

A German participant likewise dwelt on the fact that NATO's primary role was a military one and, specifically, felt that any approach to the East should be made through some other instrument, a view which was in accordance with the observation by the participant with great experience of NATO problems who said that there was no need to invent political jobs for NATO since it still had its military task to attend to.

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A great range of attitudes was revealed in connection with the problem of what practical structural measures should be taken in view of the difficulties which NATO was facing as a result of recent developments.

The key issue in the view of most speakers remained the maintenance of the principle of integration which had been fundamentally shaken by General de Gaulle. An American speaker recalled that the lack of a combined command had been disastrous in both world wars: almost all military authorities regarded it as essential and the United States felt that it was absolutely necessary that the elaborate logistical and staff arrangements should be made in advance. This view was backed by a Turkish speaker, by the French analyst of General de Gaulle's motives and by a German commentator who described integration as essential to the preservation of credibility. He went on to say that integration also served to exercise a control over his country and this was a contribution to the security of both East and West, but that such control could not be restricted to Germany.

A Danish participant related the integrated command structure to the overall situation in that it represented an important stabilizing element and any reforms, he felt, would have to be devised in such a way that they would not lessen that stabilizing influence.

For three American speakers, an essential consideration was the need to ensure that public opinion was informed as to what integration meant in practice. It should be driven home, for example, that SACEUR had no control over military forces in peacetime but was solely concerned with planning, staff functions, command procedures, logistics, etc.

A similar range of views was expressed in connection with the question as to what forms of reorganization it would be desirable to introduce in NATO. The expert on NATO matters, already mentioned, suggested that any form of structural reorganization at this time of crisis was perhaps untimely and could conceivably cause undue shocks to the overall structure, but most speakers inclined to agree with a Danish participant that there was "no doubt that NATO was going to be reorganized".

The German speaker who began the discussion laid down as a basic requirement a greater degree of policy coordination in regard to crisis management, possibly on a regional level, and this was supported by a subsequent British speaker who further argued that it would be unwise to look too far ahead in view of the many uncertainties involved, suggesting ten years as a reasonable period. A Norwegian participant approved this timetable, which, he felt, would leave room for the gradual emergence of European unity. Meantime, we should concentrate on improving institutions and methods of consultation. This was the core problem and it had not so far been dealt with. The aim should be to improve not so much the form as the practice of consultation so that America would be able to act in full knowledge of allied views.

Referring to the proposal in the background paper that NATO members might be divided into two classes—those who normally concerted on a wide range of policies and those who did not do so although they continued to benefit from the protection of the Alliance—a Turkish participant considered that to institutionalize inevitable differences could only be harmful in its effects. In this he was supported by a British speaker who likewise expressed doubts as to the wisdom of creating "in-groups" and insisted that any machinery would have to embrace the whole Alliance.

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In summing up the discussion of the first item on the Agenda, His Royal Highness said that the strongest impression he had received was that an absolute consensus existed as to the necessity of maintaining NATO as an

alliance and a fairly complete consensus on the need for maintaining it as an organization. He felt that this conclusion, while perhaps not sensational, was nonetheless of considerable importance because of the great tensions and temptations which could lead us to slacken our efforts.

It had been agreed, the Prince continued, that the Soviet posture had changed in the sense that nobody any longer expected overt military aggression by the Soviet Union but everybody likewise agreed that a new expansionist Soviet policy might well be provoked by the development of a power vacuum in Europe—and this was bound to occur if we were to abolish military integration in Europe.

There had been agreement on the gravity of the French government's action and no illusion as to the scope and time-table of such action; but, while thoroughly appreciating the political and military importance of French partnership and the need to do everything possible to prevent further alienation of France, there was an equally strong desire to maintain and strengthen NATO in spite of the French action. It was noteworthy, he added, that this viewpoint had been endorsed by the French participants in the Meeting.

No solution had been forthcoming on the question of whether the present situation should be utilized as an occasion to adapt and adjust, to improve and strengthen the Alliance, or whether we should be grateful if we could merely absorb the shock of the French withdrawal from NATO without undue harm to the Organization and leave more fundamental changes for a later period. It was his understanding that the latter view was held by the participant especially familiar with NATO matters.

This apart, there had been no consensus as to how any changes should be brought about and His Royal Highness singled out three fields which he felt had not been adequately discussed.

The first concerned the very important question of whether we should aim at a structure whereby those members interested in stronger common policies and greater integration could go ahead even if other members were primarily interested in the purely security aspects of the Alliance. There was a fairly substantial body of opinion which held that NATO was essentially a security pact and that we should be grateful if we could preserve it as such; another body of opinion rejected the notion of "restricted groups" within NATO. Among those who not only wanted the Alliance maintained but also strengthened, however, there was a feeling that this could only be achieved if, without harm to the Alliance, some members were free to do things which the others felt unable to accept.

The second field he had in mind was that of nuclear sharing. Nobody disputed that the enormous discrepancy in power between the United States

and its European allies had necessarily to be reflected in the way the Alliance was run, but there was a strong European desire for a greater say in the nuclear field and especially in the phases preceding actual employment of nuclear weapons. It was to be regretted that there had been so few concrete and practical proposals advanced.

Finally, no substantial contribution had been made to the question of whether NATO's task was solely to ensure the security of the North Atlantic area or whether the time had come to concentrate more on adopting a common posture viz-à-viz the outside world.

His Royal Highness terminated by saying that he would not wish his summing-up to be regarded as negative. The purpose of the Meeting was not to reach conclusions but to see what basic issues linked us together and what problems we should take up in the years ahead. In both these respects he felt that the discussions had been useful.

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II. THE FUTURE OF WORLD ECONOMIC RELATIONS ESPECIALLY BETWEEN INDUSTRIAL AND DEVELOPING COUNTRIES

The background for this discussion was provided by a working paper prepared by a Netherlands participant and distributed prior to the meeting.

The rapporteur began by noting that any statement on the future of world economic relations must start with certain assumptions, e.g. that a major military conflict could be avoided, that the development of population numbers would not show any dramatic changes, that technology would be completely revolutionized and so on. Even so, everybody was aware of the disturbances which might occur and which could hardly be foreseen. Even if no major conflict occurred, there might be smaller ones; the attempts now under way to control the population explosion might be less or more successful than assumed; automation might be less important than some of us think or more dangerous than others seem to hold.

He went on to say that there was one major factor that was bound to influence the subject under consideration, namely the evolution of thinking in the communist world. It was clearer every day that developments in the Soviet Union and Eastern Europe were bringing those countries closer to Western economies if not indeed to Western societies. It was far less certain that this phenomenon of growth would soon spread to China or whether, on the contrary, the rift between the two main currents would induce China to abide by completely different policies such as those announced in Mao-tse-tung's writings and speeches. It had to be assumed that in the next ten years Chinese policy would not emerge as a major factor in relation to the subject under discussion.

Finally, the speaker suggested that the future of world economic relations would not be influenced to an appreciable degree by the occurrence of an old-style depression. The beginning of such a depression might well develop but we know how to handle it and how to restrict its impact on economic development.

In the absence of a fundamental change in our policies, an increasing gap in well-being between developed and developing countries had to be expected. This was partly due to the accelerated growth of developed eco-

nomies: whereas before World War I the average rise in real national income in Western societies was in the neighbourhood of 2.5 to 3 per cent per annum, the rates were now about 4 to 5 per cent. On the other hand, the developing countries, though not developing any less rapidly than before or even than the rich countries of the 19th century, were severely handicapped by the population explosion. The rate of increase in population was now estimated to be 2.5 to 3 per cent per annum as an average for the whole underdeveloped world. This implied that an increase in total national product did not give rise to the same increase in per capita income as before. In fact, per capita incomes had advanced by at most 2 per cent for the whole of the underdeveloped world during the last five years, as against an increase of 3 to 4 per cent in per capita income of the rich countries, thus representing the famous increasing gap in well-being.¹⁾

Unless there was a fundamental change in our policy, we had to expect an increase in mass unemployment to an unprecedented extent. Even if the development of developing countries could be accelerated and brought at the level of 5 per cent per annum cumulatively for the decade 1960-1970, there would be an increasing gap in well-being and at the same time in the trade balance of the developing countries. The present estimate was that the so-called trade gap might amount to \$ 20 billion in 1970 and to \$ 32 billion in 1975. If smooth and accelerated development of the developing countries was to be achieved, financing had to be found for that gap. The time was past where we could discuss whether such financing should take the form of trade or aid: it had to take both forms. As far as trade was concerned, this meant an extension of the import possibilities into the developed countries beyond the normal increase already taken into account in the estimates quoted. With regard to aid it meant an extension of aid to something close to \$ 15 billion.

In order to facilitate appraisal of these figures it would be advisable to bring together a few of the other key figures which characterized the present structure of international economic relations and the development to be expected over the coming ten years.

The rapporteur submitted two tables for consideration:

¹⁾ With a so-called capital-output ratio of 3 years, an additional increase in population of 2 per cent per annum required additional investments of 6 per cent of the national income, virtually all of the savings made in the poorest countries, merely to maintain the standard of living.

Table I. The structure of current international economic relations, 1950 and 1962, in % of world trade.

| | | Importing country groups | | | | |
|--------------------------|-------------------|--------------------------|------------|-------------------|-------|-----|
| | | Developed | Developing | Centrally planned | Total | |
| Exporting country groups | Developed | 1950 | 41 | 17 | 2 | 60 |
| | | 1962 | 48 | 15 | 3 | 66 |
| | Developing | 1950 | 22 | 8 | 1 | 32 |
| | | 1962 | 15 | 5 | 1 | 21 |
| | Centrally planned | 1950 | 2 | 1 | 5 | 8 |
| | | 1962 | 2 | 2 | 9 | 13 |
| Total | | 1950 | 64 | 27 | 8 | 100 |
| | | 1962 | 65 | 21 | 13 | 100 |

Source: World Economic Survey 1963 I, United Nations.
 Developed countries: North America, Western Europe, Australia, Japan, New Zealand and South Africa;
 Centrally planned economies: Eastern Europe, Mainland China, Mongolian People's Republic, North Korea and North Viet-Nam;
 Developing countries: rest of the world.

Table II. Some orders of magnitude of the development of the main economic variables, at 1960 prices, in billions of \$.

| | 1960 | 1970 | 1975 | Remarks |
|--|-------------------|------|------|--|
| Gross domestic product developed countries | 920 | 1380 | 1720 | Crude forecast |
| Gross domestic product developing countries | 170 | 261 | 362 | Based on past trends |
| Gross domestic product developing countries: | 170 | 277 | 362 | At 5 per cent ("plan") annual growth |
| - Current payments in foreign exchange | 26 | 51 | 70 | Estimate by U.N. Proj. and Prog. Centre ("plan") |
| - Current receipts in foreign exchange | 21 | 31 | 38 | |
| - Trade gap | 5 | 20 | 32 | |
| Exports by industrial countries | 81 | — | — | |
| Exports by developing countries | 26 | 45 | 56 | Based on past trends |
| Exports by other prim. prod. countries | 4 | — | — | |
| Exports by centrally planned economies | 15 | — | — | |
| Net capital flow to developing countries | 7.4 ¹⁾ | — | — | |

¹⁾ In 1964, at 1964 prices: 8.9; there are, however, interest and profit payments in the opposite direction, of the order of a few billion \$.

Developing countries would no longer be able to specialize only in primary goods: they would gradually have to enter the field of secondary goods, which meant industrial products, starting with the less sophisticated and relatively labour-intensive ones and moving to the more sophisticated and the less labour-intensive goods.

Another very important aspect of future world economic relations lay in the food problem of developing countries. This was another consequence of the population explosion and of the stagnant technology of agriculture in many of those countries, but experts had warned that critical years were ahead for India, Pakistan, Turkey and some other developing countries. In all probability it would require the full use of the productive capacity of the developed countries in agriculture to overcome the extreme scarcity of food in the coming five years. At the same time everything must be done in order to raise agricultural production in the developing countries themselves.

Among the major factors which would influence economic development ten years hence would be the effect, if any, of family planning policies. It had been estimated by AID that a successful policy of this kind in Pakistan could reduce by one half the financial aid needed by that country.

Finally, the rapporteur said that it was hardly necessary to stress that the biggest single question which would influence the future was the degree of optimism one could feel with regard to the development potentials of the under-developed world. Pessimism seemed to be fashionable at present but a few examples might contribute to a more balanced view. First of all, Japan offered an example of an Asian country which had succeeded in joining the developed world. Even more persuasive, perhaps, was the recent news from Pakistan, where several observers felt that some sort of break-through was under way. It was believed that some of the really effective stimuli had finally been discovered and applied. Mediumsized and large farms were rapidly improving through the combined application of irrigation from tube-wells, fertilizers from natural gas and better seeds. There might well be hidden sources of success in other countries: the effect of some long-term investments and of teaching and training might still turn up. In a number of countries a young generation of Western educated national civil servants and managers of real promise was coming to the fore. It also seemed that the Peace Corps idea might make a real contribution to one of the biggest problems: directly influencing the rural small-scale entrepreneur.

For the time being, however, the effects of all possible positive factors had been definitely disappointing and it seemed realistic to take this as a starting point. A fundamental change in policies was needed. If the West wanted to play an important part in the future development of the world at large, it

would have to increase substantially its contribution to the development of the developing countries.

The guide line for our policy must be to reduce the gap in per capita incomes between rich and poor countries. This required a rate of growth in national incomes of developing countries exceeding the rates of the last decade and reaching the vicinity of 7 per cent per annum until the population explosion was more completely under control.

The rapporteur went on to outline a number of policy changes which he considered technically possible and psychologically acceptable to the Western world. They could, however, only be applied, he warned, if there was sufficient understanding of the urgency of the problems facing us.

The first contribution the developed countries could make in order to facilitate the development of the low income countries was to reduce the foreign exchange pressure by an extension of financial aid to the developing world: \$ 15 billion should be the aim, to be attained in a few years. This was a net figure and should be accompanied by measures to reduce or at least stabilize the repayment obligations of the developing countries. The additional financial aid implied was of the order of some \$ 7 billion and could partly be made automatic by the introduction of deficiency payments to primary producing countries, comparable to what Western countries pay to their farmers. Such payments might be linked to some general index of the terms of trade, with a view to maintaining the capacity of the developing countries to import, originating from their exports of primary commodities. Such payments should not be made available to the individual producer but to the governments of the countries concerned for the financing of their imports of capital goods. Another automatic portion could be handed over to the developing countries on the basis of the creation of new international liquidities, the need for which was now generally recognized. While creation of these new liquidities might be organized by a more restricted group of countries, a proportion might nevertheless be made available to developing countries. The remaining part of the \$ 7 billion could be disbursed in roughly the same way as at present, or rather with increased emphasis on IDA disbursements.

The second contribution by the West to reduce the foreign exchange pressure on the developing countries might consist of more liberal trade policies, particularly with regard to products which in the future would be the "natural" products of the developing countries. We had to accustom ourselves to less protection especially in the field of agricultural products directly competing with products of the developing countries. Reduced protection would also be in the interest of Western consumers. With creeping inflation as a permanent problem, this instrument had to be given more emphasis.

A third contribution the West could make was to co-operate more positively in the establishment of stabilization schemes for some primary products. Not too much should be hoped from this type of policy, but among the instruments to be applied, buffer stocks, which involved no complicated schemes for the regulation of imports, exports and prices, could be unreservedly recommended: for coffee, cocoa, sugar and rubber.

A fourth contribution could consist of increased activity by Western business in developing countries with a view to the deliberate shifting of labour-intensive industries to developing countries. Some interesting activities were already under way, tending to shift parts of the textiles and clothing industries to such countries; similarly, shipbuilding and certain comparable industries could be shifted. Such activity by the private sector would require support from the authorities, especially by the introduction of an international insurance scheme against political risks, and the business community would also need some guidance in the field of market analysis from more elaborate studies in this field to be undertaken by some of the new United Nations institutions such as the Projections and Programming Centre and the United Nations Organization of Industrial Development (UNOID).

Positive co-operation with these agencies—what might be called "planning at the world level"—was desirable.

Obviously the developing countries would also have to play their part. It should not be forgotten that several of them were already making noteworthy efforts and that, as a rule, the larger part of investment and training took place within the developing countries. Nonetheless, there was scope for intensified activity in all fields, especially in the field of training, improvement of efficiency, elimination of red tape, westernization of tax policies, and so on in addition to population policies aimed at a reduction in a rate of growth of population.

Finally, a helpful contribution on the part of the developing countries might consist of a clear announcement of those sectors of industry which they considered an appropriate field for private activity. Each government had its own preference for public activity in some sectors but there was often some uncertainty about which sectors were considered the appropriate field for public activity and which for private activity. Elimination of this uncertainty would be useful for both parties.

The rapporteur appended the following table to his report: Percentage official development aid of the main aid-giving countries.

| Countries | I | II | III |
|-----------------------|---------|---------|------|
| Italy | 39,186 | 62.3 | 0.16 |
| Canada | 35,419 | 93.4 | 0.26 |
| Japan | 56,506 | 171.7 | 0.30 |
| Netherlands | 12,923 | 59.2 | 0.46 |
| Germany, Fed. Rep. of | 78,480 | 436.0 | 0.55 |
| United Kingdom | 73,245 | 440.8 | 0.60 |
| Belgium | 12,240 | 83.2 | 0.68 |
| U.S.A. | 528,287 | 3,696.0 | 0.69 |
| France | 67,291 | 887.1 | 1.32 |

I - Gross Domestic Product at Factor Cost in 1963 (millions of U.S. dollars).

II - Average Flow of Long-Term official Resources to Less Developed Countries and Multilateral Agencies, 1962-1964 (Disbursements, millions of U.S. dollars).

III - Official Development Aid in Percentages of Gross Domestic Product.

In presenting his paper, the author singled out the increasing gap between incomes, the population explosion and the food problem as key problems.

The basic figure governing any policy in this field, he said, related to the trade gap which, it was estimated, would amount to 20 billion dollars in 1970. The savings gap, which should in principle be the same, was in fact estimated at 12 billion dollars. A mean figure of 15 billion dollars would therefore be required for the application of a policy contributing to any real solution.

He went on to say that a feeling of pessimism tended to prevail even though there were positive elements apparent, such as the improved prospects in Pakistan.

The "balance of payments" argument used against an increased flow of aid was not, in the author's opinion, convincing. It was essential to achieve a balance between the total of national expenditure and the total of national income.

A reasonable goal would be a 7% increase in the production of the developing countries to offset the growth in population and the speaker urged that politicians should concentrate more on this and endeavour to convince the electorate that it represented a "life insurance for the West".

Automatic contributions could include compensatory financing while non-automatic controls might include IDA disbursements as stressed by the World Bank.

Finally, the speaker alluded to the contribution which private business could make to the training process in the form of know-how; to the need for generalized insurance against non-economic risks; and to the fact that govern-

ments in developing countries had every interest in establishing labour-intensive industries. The developed countries should reach a better division of labour, achieve stabilization of the prices of primary products and aim at financing buffer stocks.

* * *

Not all the participants agreed with the figures cited by the author of the report. An international participant, with a great experience of World Bank activities, said that he was troubled by the global figures which had been used, adding that such figures were sometimes misleading. He went on to say that "personally, I don't take much notice of 20 billion dollars; it is a frightening figure, and from my own experience I would not know how to go about using it". The World Bank, said the speaker, felt that perhaps 3-4 billion dollars a year, in addition to what was now being provided, could be effectively and intelligently used over the next five years. The amount at present going to the poorer countries from all sources, including the Soviet Union, was 9½ billion dollars. If interest, dividends, royalties, service charges, etc., of roughly 4 billion dollars were deducted, then between 5 and 5½ billion dollars was available to the underdeveloped world for purely development purposes. Three billion dollars more would be a generous amount of development finance if it could be provided.

Similarly, a United States university professor who intervened many times in the discussions, said that there was perhaps no need to take too seriously the figures quoted from the United Nations which had been prepared mainly for the United Nations Conference on Trade and Development, one of the most important purposes of which was to "put the bite" on the developed world. He also questioned whether a 7% rate of growth in GNP was a real possibility, pointing out that only 2 or 3 of the less developed countries had even approached that figure.

Along the same lines, another American participant expressed doubt as to the validity of the large trade gap figures mentioned in the report while a British participant, who took an important part in the discussions, suggested that the plea for a doubling of world aid within a few years was too ambitious. Even half as much would be a major triumph.

A Belgian speaker warned against the risk of becoming so accustomed to huge amounts that it was felt there was no difficulty in providing them.

* * *

There was, however, no disagreement with the rapporteur's insistence on the need for action and on the necessity for the developed countries to make sacrifices to this end. The British speaker, just mentioned, emphasized

that positive action of a world scope and on a massive scale was urgently needed. The situation, he said, was alarming not only because it was dangerous to world stability but because it was "an affront to our consciences".

These remarks were echoed by a United States participant who said that there could be no peace and stability in the world with half the world's population unfed. Unless helped, desperate people would lead us from crisis to crisis and it was essential to raise our sights and achieve a consensus on the urgency and scope of what was to be done. The speaker doubted if the Western countries comprehended sufficiently the impact of the 20th century's technological revolution. He believed that the less developed countries would make in the next 25 years as much technical progress as they have made in the last 250 years. The rich countries must provide them with the modern tools and leadership, and must commit themselves and their resources for this task.

It was undeniable, said a Canadian speaker, that a massive effort was required to assist developing countries. Success in this area was vital if the free world was to survive and, even though there was no simple or quick solution, there had to be effective action in this field to supplement the efforts aimed at preserving NATO. The objective of the Canadian government, he added, was to extend its aid progressively, having in mind the goal of 1% of GNP recommended by U.N. resolutions.

It was broadly felt that the rapporteur was right in insisting that the balance of payments argument against the flow of assistance to the less developed countries was not convincing and a German participant in particular expressed this view, adducing his country's policy and attitude for the near future as an example.

* * *

There was less unanimity in respect of the type of assistance most urgently needed. The British participant previously cited felt that priority should be given to technical assistance (a view supported by a compatriot), to training of local people, to the transfer of know-how, to surveys, consultations and educational aid, adding a recommendation that we should concentrate on points of breakthrough in the field of science and advanced technology, such as de-salting of water, pest control and, above all, population control. Moreover, donor countries and international agencies should make a special effort to give assistance in the field of research.

On the other hand, a Belgian speaker considered that the prime concern should be the stabilization of raw material prices since, otherwise, we were giving with the right hand and taking away with the left. He believed that the richer countries should be content with moderate benefits for the assistance rendered and he pleaded for control on the yield of the aid given.

A French participant suggested that, while it was difficult if not impossible to reverse the trend towards lower prices for raw materials, an international agency, such as OECD, might be asked to devise a system of collective aid whereby Western countries might be urged to provide assistance in proportion to the advantages they derived from low material prices.

A Canadian speaker placed the accent on the reduction of tariff-duties, maintenance of which he described as an anachronism. In his view, it should now be politically easier to bring about tariff reductions in favour of the less developed countries and he expressed the hope that businessmen and labour leaders would exert their active influence to achieve this, recognizing that the eventual release of the purchasing power potential in the less developed countries would be the reward.

This was in line with the remarks made by a number of speakers concerning the Kennedy Round. Pointing to the fact that the less developed countries were overwhelmingly dependent on trade for their economic development, an international participant said that this made it most important and urgent to ensure the success of the Kennedy Round which was essential to maintain and expand international trade. If we fail, he said, we will not merely retain the status quo but will slip backwards and the first victims will be the underdeveloped nations. The Kennedy Round should have top priority on the agenda. Little had happened, he went on, over the last two years in this respect and time was running out. The European Economic Community was not shouldering its responsibility in regard to the Kennedy Round.

Regret at the failure to complete the Kennedy Round was also expressed by a Canadian participant who nonetheless felt that there was evidence that things were on the move. As far as his country was concerned, it would do everything possible to bring about a successful conclusion.

Two other Canadians and an American were among those who attached particular importance to the Kennedy Round.

A Danish participant referred to the problem of world liquidity, mentioned by the author of the introductory report. He remarked that we were moving towards a situation where the total amount of international liquidity might not be sufficient to face an adequate growth of international trade and he believed the expansionist school carried most weight in the present negotiations. It was very necessary, he said, that the Western countries should not be unduly obsessed with their own stability and thus overlook economic growth in the poorer countries.

Against this, a Netherlands participant said that he wholeheartedly agreed with a previous German speaker that an increase in world liquidity with a proportion going to the less developed countries would result in the latter

spending such liquidity instead of holding it in reserve, thus defeating the whole purpose.

* * *

There was substantial recognition that not enough was being done by governments, international organizations and private groups to reduce the gap between the advanced countries and the less developed countries but many speakers remarked that a considerable increase of government assistance could hardly be expected.

A French participant expressed some doubt as to whether the various donor countries would be willing to go much further in making sacrifices, whereas another Frenchman, while stressing the humanitarian objective of aid to underdeveloped countries, pointed out the industrial and political advantages resulting from this aid for the developed countries.

The United States participant previously cited mentioned what he described as "one of the really central questions that the Western world should concern itself with", namely the influence which the developed world can or should bring to bear on the domestic policies of aid-receiving countries to make better use not only of their own resources but also of the aid provided to them.

This involved, he said, the very difficult problem of what might be called "foreign aid diplomacy" covering conditions and strings attached to aid and the leverage which aid gave the donor countries. We had to remember that we were dealing with countries which had only recently become independent and which had a high degree of sensitivity to interference from abroad. Yet overseas aid, including both private investment and public contributions, amounted to close on 25% of the total development expenditures in the less developed world. The speaker did not advocate an aggressive programme of bilateral negotiations but this state of affairs gave the developed world a right to say something about domestic policy in the underdeveloped countries. (This point was strongly supported subsequently by the British participant, already mentioned many times, who emphasized that we were not only entitled to impose conditions, we were not entitled *not* to do so.)

Continuing, the United States speaker said that advice from an international agency was likely to be better received than advice as between individual countries and it was his view that the only international agency equipped to undertake this task was the World Bank itself, a large provider of funds and better staffed than any other agency to form a sensible judgment on what kinds of domestic policy could be influenced.

* * *

Related to this analysis was the problem of the machinery for channelling aid, where a wide range of views was expressed.

The international expert on World Bank activities, already mentioned, voiced his agreement as to the desirability of finding an institutional interlocutor in dealing with the underdeveloped countries. If the World Bank were to assume this responsibility, it would require the assistance of regional agencies throughout the world.

The possibility that NATO—under article II of the Treaty—might offer suitable machinery for the channelling of aid was also discussed and the British participant, already mentioned, said his view was that NATO as such should not get involved in aid but that members of the Atlantic Community, through the proper organizations in the U.N. family and through the Development Assistance Committee of the OECD should go to the limit in order to make their full contribution to the problems of underdevelopment.

A comparable approach was adopted by a German speaker who said that, even if NATO could not itself assume a responsibility, there should be a better co-ordinated effort by Atlantic countries. Another German speaker said that co-ordination was even necessary within the various countries themselves.

A United States participant, however, argued that U.N. agencies, including the World Bank, were, because of their membership, not the proper organizations to solve the problem of co-ordinated aid. He favoured consultation within the NATO Council which had the advantage of grouping the main capital-exporting states, of being already in existence, of holding regular meetings at Ministerial level and of being accustomed to convening special meetings. Such arrangements would produce a greater awareness of needs and problems among the NATO governments, would perhaps impel them to make greater commitments in the light of the situation and could lead to agreement on action and further means of co-ordination.

This suggestion was described as an interesting one and one deserving of consideration by the international participant who had spoken earlier. However, he believed the Treaty Organization to be essentially military, as contrasted with OECD which was concerned with the broad world of developing finance. Nonetheless, a co-ordinating review at ministerial rather than at civil servant level would undoubtedly be constructive and some good could come of it provided that the ministers spent enough time to acquire an appreciation of the complicated problems involved.

Repeating his conviction that OECD was the vehicle which should work with the Regional Development Banks, the World Bank, the International Monetary Fund and the consultative groups currently being organized be-

tween the aid-giving and aid-receiving countries, he added that even so representatives of all diplomatic, political and military groups—including NATO—should be familiar with the economic problems of the underdeveloped world and should be in a position to support sound development programmes by the individual NATO countries. He felt that this would help to prevent so-called wars of liberation which were, in fact, wars of liberation from poverty.

An Austrian participant suggested that there should be a combined effort, planned and channelled by a central agency. This role, he contended, could not be fulfilled by the World Bank since the agency concerned would have to carry out elaborate research on the real needs of recipient countries, cut out any overlapping, co-ordinate and condition all programmes, and administer centrally all kinds of aid provided by the various States, whether in the form of money, capital goods, food, training facilities, education or technical assistance.

He went on to say that the greatest failure in respect of aid and trade assistance for the developing countries had lain in the efforts to use aid as a means of purchasing the political sympathies of the developing countries: "to sell economic aid for political cash". Insofar as the donors regarded their aid as political, the recipient countries acted likewise and frequently used aid to build up enormous and expensive status symbols, to increase their armed forces with a view to threatening their neighbours or to line the pockets of the country's rulers.

It would be necessary to set aside national and selfish interests and to cede all rights to the proposed supra-national agency which would be non-political and even neutral, not attached to NATO and probably not even to the West as such.

Such an agency would encourage broader participation, would deprive receiving countries of grounds for complaint about "strings" while at the same time it would be able to attach strict conditions more effectively than individual nations could do. It might even one day receive the support of the Soviet Union and the other East European States and turn out to be one of the first valid means for establishing large-scale co-operation between East and West.

These views were supported by a United States participant, but strongly contested by the British participant, frequently cited, who insisted that there was no justification for saying that bilateral aid was exclusively rooted in political motivations, that there was no reason to create so huge an agency as proposed, and no reason to believe that the receiver countries would welcome it.

The same speaker had previously suggested that the United States Agency for International Development had shown what could be done in the concentration of aid and had devised the admirable policy of "antiscatteration". Given the limited resources available from all countries, however, it was not enough to fix priorities on a national scale. We should practice anti-scatteration on a world scale. At the same time we should support the aid programmes of such international agencies as the International Development Association, the UN Development Programme and the International Bank.

Despite the differing opinions expressed regarding the machinery required, there was, however, a general consensus that economic co-operation had to be strengthened and a United Kingdom speaker said that a greater degree of cohesion and co-operation was needed between the Atlantic countries even if not within the framework of Article II of the Treaty.

* * *

Many speakers raised the question of the policies and conditions that should be furthered in the less developed countries so as to ensure an optimum efficiency of the assistance granted.

For an Italian speaker, the economic and social development of the new countries was increasingly governed by the possibility of solving their balance of payments deficit and he contended that the strategy of aid to development should be concentrated on that problem.

Increasing exports of raw materials, however, was no longer an adequate solution even if efforts should be continued to bring about such an increase. The demand for foodstuffs would tend to decrease by comparison with the demand for more "sophisticated" items. At the same time, the tendency was towards a decrease of raw material content in finished industrial products since the traditional raw materials were increasingly being replaced by synthetics. Moreover, it would be necessary to enable the less developed countries to export their products to the industrialized countries, although for a long time their export trade would require aid, preferably multilateral.

As a result, the foreign trade of developing countries should gradually become more and more concerned with industrial items. This meant that it was no longer merely a question of industrialization to reduce imports from the more advanced countries but of industrialization as an element in the international trade of the underdeveloped nations. A German participant, speaking from personal experience, contended that a new approach to the industrialization of the less developed countries was essential and that there should be a carefully balanced blend of different categories of industry. A United States participant, however, wondered whether the less developed

countries were not somewhat obsessed with industrialization, a point echoed by a compatriot who remarked that industry and agriculture were not alternatives but mutually supporting. Investment in economic overhead, he continued, should respect this basic complementarity and the raising of agricultural productivity should be a major objective of development policy. "My country has indicated," he went on, "that it will now greatly increase its technical assistance in agriculture to assist the less developed countries to help themselves—but *they* must make a real effort."

With regard to what could be done in the way of helping agriculture in the developing countries, a Canadian participant said that Canada had recently removed the duty from such tropical food products as tea. A tariff was still applicable to sugar but substantial preferences were allowed to certain of the developing countries. An international participant contended, however, that preferences, while politically alluring, were of doubtful effectiveness. Meantime, the Atlantic countries were increasing agricultural protectionism and this might well harm the less developed countries.

The promotion of research on the application of modern technology to agricultural production in the developing countries was felt by an Italian participant to be of considerable importance. He mentioned, for example, that isotopes gave very satisfactory results when used for tropical agricultural products.

Another suggestion, put forward by a United States speaker, was that the government sector in the developing countries could help agricultural distribution substantially through the allocation of agricultural credits instead of intervening with price controls, etc.

Finally, a Norwegian participant made the point that much could be done to help close the gap between the developing and the more advanced countries by helping the former to feed themselves so that aid went to investment rather than to consumption. In this connection, he cited the work done by the Norwegian Government in assisting India to benefit to a greater extent from its fishery resources.

* * *

The rapporteur had stressed the contribution to development which could be made by the private sector and this point was taken up by a number of subsequent speakers.

A United States participant who spoke earlier, while admitting that Pakistan had received more aid, attributed the higher rate of growth which Pakistan had enjoyed over recent years in comparison to India partly to the fact that the former country had given much more scope to private industry.

He pointed out that as far back as 1959 Pakistan freed its "trade and food brains" from government control; it had introduced competition in the distribution of fertilizers to farmers; it had given great scope to the introduction of private irrigation facilities, etc.

Similarly, the international participant who had spoken earlier, said that many of the less developed countries were increasingly convinced that private investment would bring with it sound management, technical know-how, and so on. He believed that the infrastructure in the developing countries had to be provided by government-to-government loans or grants, and that it was up to private enterprise to make the most of the infrastructure created. A British speaker said that governments were substantially aided by the private sector in that private finance was more efficient in application.

As an example of the contribution which the private sector could make to development, another United States participant referred to the International Executive Service Corps which was started by a group of businessmen. These businessmen spent between three and six months with companies in their own area of experience, with a view to enabling those companies to benefit from their advice on management, marketing, etc. The International Executive Service Corps was now operating in 17 countries. Results so far had been excellent and the approach might well be extended.

It was pointed out, however, that the climate in many of the less developed countries would have to be improved if private investment was to take place there. As the international participant already frequently cited said, "many of the underdeveloped nations are beginning to feel that the private sector . . . must be cultivated, must be welcomed, and they must learn to live with the private entrepreneur and private capitalists . . .". The World Bank, he noted, had been working diligently to establish an entity responsible for conciliation and arbitration between governments and private investors. He believed that such an entity would come into being before the end of the year and added that the Bank was now concentrating, in conjunction with the OECD, on establishing a multinational entity for the guaranteeing of investments by private entrepreneurs. The aim would be to provide insurance against expropriation and nationalization together with a measure of protection against exchange risks. A United Kingdom participant, already cited, expressed the opinion that insurance against political risks could give a greater degree of industrial aid than any other form of industrial assistance.

An American speaker said that the discussion so far had been almost exclusively in economic terms. Political stability in the less developed countries was no less important. There was a real danger of totalitarianism unless political maturity was achieved and this implied that we should not only

share our technical know-how but also our political knowledge. His views were echoed by a fellow American who noted that, while education and educational development was of undeniable importance (as a French speaker had stressed earlier), yet Argentina, for example, with the highest educational level in Latin America, had been slipping back precisely because of its unstable political situation.

By way of corollary, several speakers referred to the deplorable effect which the creation of expensive status symbols had on public opinion in the donor countries.

In this connection, reference was made to the importance of informational activity from a variety of angles. Even though, as a British speaker put it, the most that could be expected was a passive public opinion in relation to aid programmes, it was nonetheless essential to try and persuade people that aid was not philanthropy but a vital feature of policy and a genuine investment. This view received support from a United States participant who added that the American people had backed the Marshall Plan and would be as ready to back aid to the less developed countries in order to sustain stability if only they were given both leadership and information.

Another American speaker described the information gap as "crucial" while a compatriot insisted that full use should be made of communications satellites to provide the information so necessary to mutual understanding as well as to economic and social development.

His views were echoed by still another American participant who made the further point that specific information should be brought to potential private investors in outside countries. The rapid transfer of investment data would, he contended, also encourage the flow of managerial skills.

A speaker from a neutral country suggested that a European effort be made to assist some of the developing countries in organizing their press.

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In discussing the various obstacles confronting development, an American participant suggested that these could be reduced by policies aimed at greater economic and social freedom, by the employment of both labour-intensive and capital-intensive methods, by stable tax rates, monetary stability and a relative freedom for capital movement.

A Norwegian speaker pointed out that in such countries as India one of the major problems to be overcome was that of pest control. Twenty per cent of the grain produced each year in India was consumed by rats and monkeys. The problem of controlling such pests called for extensive education because of the religious considerations involved.

A large number of participants, however, felt that the primary obstacle

which had to be overcome was that of the population explosion. A United Kingdom participant said that this threatened to "defeat all our schemes and good works". What is being done? he asked. The answer was: too little. Until this year no official financial support had been provided for family planning and even now Sweden was the only exception.

Another British participant and a French and United States speaker were among those who agreed as to the key importance of this issue.

According to a United States participant, with a vast experience in matters of international development, rapid changes were taking place in attitudes towards family planning, both in the developed and the less developed countries. Most of the latter, he said, now recognized the importance of family planning. There was much wider discussion and acceptance of the problem and many of the countries had adopted by now very strong principles on this point in their policies. Contraceptive techniques had been developed which were particularly suited for use in the poorer countries and family planning programmes instituted. Specifically, United States policy had changed. Private groups were no longer left to deal with this matter alone. The United States had announced that it would assist planning programmes if based on freedom of choice.

* * *

A number of warnings were given in regard to the danger of overgeneralization. It was felt to be unrealistic to lump all the developing countries together and, as a United States participant observed, the differences between India, Africa and Latin America, for example, were too great for these countries to be treated as one.

His views met with support from a Netherlands speaker and from a compatriot who said that it was exceedingly difficult to establish a pattern among the less developed countries. Assistance therefore had to be tailored to the situation and requirements of a given country and even to an area within that country.

Nevertheless, the international participant already cited considered that developing countries could be more or less equally divided into three categories. The first comprised those countries where, with appropriate and intelligent collaboration among the capital-exporting countries, there could be a substantial change for the better in the next ten or fifteen years. At the other extreme of the bracket came those countries which could be considered virtually hopeless (a United States participant subsequently contested the view that any countries could be regarded as hopeless). The middle category would depend, said the speaker, very much on the progress made by the first category. He hoped and expected that the latter countries would eventually contribute

to the developing financing in other developing countries lower on the run than they themselves.

A Netherlands participant felt that the less developed countries could be divided into three other categories:

1. Those which needed not so much financial aid as stable government and which were not basically helped by large-scale injections of capital (he had some South American countries in mind);
2. Those which stood more in need of expensive technical assistance rather than additional capital (he believed this especially applied to some African states);
3. Those which were in the "take-off" phase and which did in fact need large amounts of capital.

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A suggestion was put forward by a United States expert in respect of the ultimate goal of aid programmes. These should be aimed, he said, at establishing a self-sustaining economic growth process, at which point concessional aid, e.g. loans at lower than commercial rates of interest, could be terminated.

He cited the example of Taiwan which now possessed a self-sustaining economy with a built-in pattern of savings, know-how, etc.; United States economic aid had now come to an end.

The speaker foresaw that Brazil and Chile might reach this stage in some five years' time; he expected Turkey to reach that stage in between five and seven years' time; and thought that India and Pakistan would do likewise in ten or fifteen years.

The principle of self-sustaining growth, he went on, offered standards for measuring aid policies in the less developed countries and for devising such policies in the donor countries. It made it possible to determine the amounts and conditions of assistance needed. If the less developed countries took self-help steps, then it was clearly incumbent on the donors to provide sufficient assistance on reasonable terms.

This approach further offered a basis for achieving public support in donor countries insofar as the aid period was limited and the objectives reasonable. Finally, it offered a firm substantive basis for co-ordination.

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Commenting on the discussions which had taken place, the author of the background paper began by a consideration of the objections raised to certain of his figures. He suggested that these in fact represented an approximate average, adding that they were based on various minimum assumptions with

regard to the goals set. Global figures, he said, were perhaps less dangerous than had been suggested. It had to be remembered that they only represented a starting point and that, in any case, they were accompanied by figures for different areas and circumstances.

With regard to the doubts expressed by an American participant as to whether 7% per annum could be taken as a possible rate of growth in the national incomes of the less developed countries, the author pointed out that this should be seen as a *long-range* necessity. Nor should it be forgotten that both the communist countries and Japan had worked at this level of development over a certain period. Similarly, the third Pakistan Plan gave a 7% increase for national income in the last year.

The speaker went on to express his admiration for the work of the World Bank and said that one reason for his admiration was its flexibility. He cited the fact that the Bank had at one time been opposed to "soft" loans but had subsequently set up institutions to provide just such loans, that the Bank's original surveys fell short of real planning but that later the Bank accepted plans wholeheartedly, and, as a final example of changed policy, that the Bank now placed greater emphasis than previously on agriculture and education. The author of the paper concluded that these changes gave some reason to think that disagreement over figures might come to be recognized as merely the difference between a long-range and a short-range view.

In the matter of international liquidity which had been raised by a German participant, the speaker said that he did not insist on any portion of new liquidity going to the developing countries as long as there was a sufficient increase in the aid passing through normal channels.

He found some reason for optimism in the fact that the annual increase rate for India over the last five years had been 3% and said it should be borne in mind that this, although not sufficient, had been in the 19th century the normal rate of increase for all *developed* countries. India's record, therefore, compared favourably with what not so long ago was the record of the West as a whole.

Another encouraging detail was that in considering the ratio between income created and capital spent over recent years, the figures for the less developed countries were actually better than those for Western Europe.

In passing, the speaker alluded to the comparison made by the international participant between India and Pakistan. It was possible, he said, that India was engaged on a more long-term process than Pakistan and since industrialization provided much higher incomes than agriculture it was conceivable that within five or ten years the difference between India and Pakistan would be more in the favour of the former.

The author of the background paper went on to stress the importance of regional co-operation between small countries and of participation in development as a whole by private business although, in the latter context, he observed that it was desirable to distinguish between private management and private property. On the question of stabilizing prices for primary products, he said that this could perhaps be done by simpler means than elaborate market regulations. Supplementary payments, for instance, would be easier to handle.

The organization of development policy, said the speaker, called for a combination of high level and lower level activity but he could not agree with the Austrian speaker who was anxious for everything to come under a super-agency, in other words for everything to be at the highest level. Nonetheless, there was an undoubted need for central co-ordination.

In conclusion, the author emphasized the dimensions and urgency of the problems in the less developed countries and urged that it was better to fight a war against poverty than a real war.

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Summing up the discussions of the second item on the agenda, the Honorary Secretary General for the United States described the exchange of views which had taken place as being important and fruitful.

There had been substantial agreement, he noted, on a number of points: the growing gap between the advanced countries and the less developed countries and the urgency of doing the utmost to reduce that gap; the fact that not enough was being done by governments, international organizations and private groups, the importance of the private sector, having regard to the fact that governments could not do the job alone; the need to concentrate on a combination of trade *and* aid and to avoid a choice between trade *or* aid; the pressing need for priorities; and, implicitly, the importance of planning locally in the less developed countries, nationally among the donor countries, and internationally. The meeting had likewise agreed in attaching importance to political stability in the underdeveloped countries if we were to be able to help them.

Conversely there had been a wide range of opinions forthcoming on a number of other issues. Thus, while the need for priorities was agreed on, there was no unanimity as to what those priorities should be. The meeting came closest, perhaps, to reaching a consensus in respect of the development of human resources and the urgency of achieving effective population control.

The Honorary Secretary General noted that there had been a measure of disagreement with the figures given in the background paper and hence as to the nature and size of the gap. This suggested to him the need to develop a

generally accepted statistical basis so that we would all be talking about the same thing.

Again, although there was no question as to the desirability of improved cooperation, organization and co-ordination, opinions varied as to how co-ordination should be improved and what form it should take, e.g. as provided for under Article II of the NATO Treaty or through consultation committees.

Similarly, there were differing views as to the probable duration of the problem of underdevelopment. The author of the background paper considered that it was growing whereas one of the American speakers felt that several of the developing economies could become self-sustaining in the relatively near future.

The desirability and effectiveness of preferential tariffs and commodity agreements had also provoked differing reactions.

In his opinion, said the speaker, there had been too little discussion of three key problems, namely: the population explosion; cooperation in the field in mixed governmental, intergovernmental and private activity; and the extremely important political question of dealing through institutions with the pressures imposed on the more advanced countries by the developing countries.

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Before closing the Meeting, H.R.H. The Prince of the Netherlands extended the warmest thanks of all those who were present to the German hosts for the excellent and pleasant way the Conference had been organized in which connection he particularly mentioned the contribution of Mr. Wolff von Amerongen.

The Prince also extended his thanks to the members of the Secretariat and the interpreters for their excellent work.

An American participant expressed the gratitude of all participants to H.R.H. for his outstanding work in leading the Meeting and he asked the Prince to extend his congratulations to H.R.H. Princess Beatrix and H.R.H. Prince Claus on the occasion of their marriage.