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BILDERBERG GROUP



FIUGGI
CONFERENCE

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IN ATTENDANCE:

DE GRAAFF, DR F. A.
PASTORBONI, PROF. DANILO
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NETHERLANDS
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TERS
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o attend.

INTRODUCTION

The sixth Bilderberg Conference met at Fiuggi, Italy. The first five were held in the Netherlands, France, Germany, Denmark, and the United States.

A number of persons who had indicated their intentions of attending were prevented from doing so at the last minute by Asian influenza. Forty-five persons attended from eleven different countries; whatever their status or function in public life they all took part in a purely personal capacity. Like all other meetings of the Bilderberg Group this Conference set as its purpose the frank discussion of problems of common concern to the nations of the Western alliance. Its members were all informed persons of authority and influence in their respective countries. Since difficulties and differences are bound to arise among any group of democratic peoples which believes in the right of dissent, the Bilderberg Group aims at contributing towards a reconciliation of divergent views and interests by providing the opportunity of free discussion among leaders of opinion who share a common desire to achieve a better understanding of one another's motives and intentions.

For this reason, the subjects chosen for discussion at Bilderberg Conferences mainly concern questions on which the Western Alliance may have difficulty in agreeing. Fruitful discussion requires an atmosphere of mutual trust, so that participants can express themselves in complete frankness. This has been largely achieved at all the Bilderberg Conferences because the meetings are held in private, the press and public are excluded and neither background papers nor speeches are published. In the final printed report, including the present one, opinions are summarized and speakers are not quoted by name.

The Conferences of the Bilderberg Group do not aim to formulate policy or even reach conclusions—no resolutions are submitted for discussion or voted upon. The purpose of the debate is to present a comprehensive review of the problems on the Agenda from which each participant is free to draw his own conclusions. It is hoped, however, that as a result those who attend the meetings may be better equipped to use their influence so that the Atlantic alliance may function better.

The main items on the Agenda of the sixth Bilderberg Conference were as follows:

1. Survey of developments since the last Bilderberg Conference.

2. Modern weapons and disarmament in relation to Western security.
 - (a) The impact of technological progress in armaments on strategy and diplomacy.
 - (b) Limitation of armaments and the effect of it on NATO.
3. Are existing political and economic mechanisms within the Western Community adequate?

Background papers were circulated before the meeting to provide information for the discussion or to focus debate on particular issues. Following normal custom, as each new subject was broached, the authors of the relevant papers opened the discussion by commenting upon them.

The Bilderberg Conferences are held throughout in plenary session so that any member may participate in any of the discussions. Advantage is also derived from the opportunities for informal conversation outside the conference room among participants, who spend three days living together in the same hotel away from the distractions of the city.

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I. GENERAL SURVEY

The Conference began with a general discussion of international developments since the previous meeting at St. Simons Island, Georgia, in February. The main themes of this discussion were political developments in the Communist bloc and the Middle East, and economic developments in the free world.

(a) *The Soviet Union*

The opening speaker analysed recent changes inside the Soviet leadership and compared the position and methods of Khrushchev with those of Stalin. Khrushchev must be seen as personifying the Communist Party element in the Soviet ruling class. He had first liquidated Beria so that the Party could regain control over the police. He demoted Malenkov so that the managerial bureaucracy could be subordinated to the Party—this was also the main purpose of the economic decentralization carried out earlier this year. The elimination of Molotov, Malenkov, and Kaganovich from the ruling group was accompanied by the old Stalinist technique of enlarging the most important Party organs so that they could be packed with the leaders' nominees. Though many observers expected the recent changes to mean a strengthening of the Red Army's power, the speaker doubted this on the grounds that whenever the Army seeks to strengthen its influence in a State it is the Majors and Colonels and seldom the Field Marshals who are behind it. It was doubtful whether the present Army leaders in Russia were capable of exerting much influence.*

There was every reason to believe that the Communist Party was now firmly in control of Soviet policy. As long as this situation lasted, the attitudes resulting from Party predominance in domestic affairs would determine Soviet policy abroad. There was no ground for hoping that recent changes in the Soviet leadership would produce an improvement in East-West relations.

It was easier to interpret the trend of Soviet policy by comparing the relative strengths of the two power blocs. Perhaps Khrushchev was taking more risks in foreign policy because he felt the Soviet position to be stronger—witness Russia's lead in the I.C.B.M. and the Sputnik.

*) These remarks were made prior to the dismissal of Marshal Zukov.

One of the speakers believed that domestic problems were far more important to the Russian leaders than external problems—the former determining Soviet policy on the latter. There was disagreement in the Conference, however, concerning the nature of the interaction between domestic and foreign policy in Russia. Though Soviet foreign policy appeared to be tougher now than before, the internal system was subject to serious pressures and weaknesses. New social forces were beginning to exert a direct influence on Government behaviour—in particular the intelligentsia, the younger generation, and the managerial middle class. One result was an increasing demand for consumer goods which already faced the Russian leadership with difficult economic problems. The demands on the Soviet economy were now so large and numerous that it was doubtful whether the present system could satisfy them all.

One of the participants felt that for this reason the West should keep Russia under economic pressure by maintaining the arms race, which put much more serious burdens on the Soviet Union than competition between East and West in aid to the under-developed areas. Other participants, however, maintained that, since Russia now had a lead of four to one over the West in ground forces on the European continent, she could afford to reduce her margin of superiority considerably in this field without losing her capacity for military pressure or direct aggression. Other participants showed concern that in fact the West had been disarming unilaterally during the year without attempting to obtain military or political concessions from the Russians in return. (Some of the points made concerning defence and disarmament during the preliminary discussion will be recorded below in section III.)

(b) Communism outside the Soviet Union

Many participants referred to the setbacks suffered by Communism in Western Europe where Communist Party strength was at its lowest since the Second World War; its losses among the intellectuals, mainly as a result of events in Hungary and Poland, were particularly important.

Russia's position was also much weaker in the satellite countries. One of the participants described the situation in Poland, which he had recently visited. He pointed out that it was now possible to establish economic and cultural contacts in many fields with the inhabitants of the satellite countries. Several other speakers also stressed the political gains which might follow economic co-operation with Eastern Europe. These countries must be shown that they need not rely exclusively on the Soviet Union for economic aid. One of the participants pointed out that this might also be true in China. Several speakers pointed out that the West was still unprepared for a repetition of the upheavals which occurred last year in Poland and Hungary. As regards Poland, there was still much hesitation

in the West about the desirability of granting economic aid. We still had no policy for dealing with another explosion on the Hungarian model. This hiatus in our policy gravely weakened our propaganda to these countries.

One of the German participants referred to the Polish-German problem and in particular to the Oder-Neisse line as a factor which helped to keep Poland inside the Soviet bloc. He was confident that it would be possible to find a satisfactory solution for what was fundamentally a legacy of Hitler's war. While Germany would have to renounce her legal claims, she should not be called upon to make unilateral concessions, even though, when it came to negotiations, Germany might have to give up far more than Poland. Both parties should be less intransigent on this question. It should be possible to reach an agreement along the lines of that already reached between Germany and France.

(c) *The Middle East*

While Russia had lost ground on the European front she had gained substantially in the Middle East. One of the participants maintained that it was not sufficiently realized that the problem here was not Communism as a political doctrine but Russia as a diplomatic influence. Syria, for example, was not turning Communist—it would be quite misleading to compare her with the satellite states in Eastern Europe. But Syria was becoming a vassal state of the Soviet Union under the control of Russian agents and nominees.

Russia had used her arms deliveries to extend her political influence. The Army, in particular the armoured units and the intelligence service, were in the hands of Russian stooges and this was enough to give Russia a decisive influence inside the Syrian Government. Russia's ultimate goals in the Middle East were to encircle Turkey, to evict the West from its military bases, and to cut its oil supply and deny it the free use of the Suez Canal. The West, therefore, must support Turkey and secure its oil supplies by building super-tankers and additional pipelines through Turkey. One of the participants believed we should also have to revise our attitude towards Colonel Nasser, however disagreeable this might be. It was pointed out that most of the tonnage which has been recently added to the world tanker fleet was being registered under the flags of Panama or Liberia; it was thus not under direct control by the Western Governments, and in case of crisis it could well be withdrawn to serve other clients.

It was generally agreed that the Western countries should have a common policy in the Middle East, particularly since they all suffered the same serious limitations in their freedom of action. For example, they were committed to preserve Israel as a separate state in the Middle East although the Arabs considered Israel as their main enemy. Thus they could not play the card of Arab nationalism so successfully as Russia. As crisis succeeded crisis in the area, the



West had never been able to develop and clarify a general line of policy for the Middle East. One of the major difficulties was the indiscriminate spread of arms among the Arab states and Israel. Some participants felt that the West should explore the possibility of reaching agreement on an arms embargo in the Middle East. Others felt the possibility of such an agreement was so remote that it was not worth jeopardizing relations with our Arab allies in order to achieve it.

It had to be admitted that though the Western countries agreed in principle on the need for a common policy in the Middle East, they were still far from having achieved it. Each Western country tended to choose one Middle Eastern state as its particular client and to pursue friendship with it at the expense of good relations with the area as a whole. Britain had Iraq, America had Saudi Arabia, France had Israel, and now Italy had Persia, yet many of these states used the assistance they received from their protectors to pursue private conflicts with the clients of other Western powers. The recent trouble in Oman was a good example.

One participant felt that in inheriting the position of Britain and France as the predominant Western Powers in the Middle East, the United States had copied some of the political errors of its predecessors, in particular an over-reliance on the old ruling classes which were bound to disappear in the near future. It was a mistake to rely on the artificial patriotism of the royal families rather than the nationalism of the rising classes, which gave much more importance to the concept of Pan-Arab unity than to the existing state boundaries. Other speakers pointed out that however desirable it might be in theory for the West to identify itself with the revolutionary groups in the Arab world, in practice we had to accept the political situation as it was today and co-operate with whatever groups were in power. Moreover, in some cases the old ruling groups contained the most progressive and constructive elements.

In this respect as in others the real disagreement in the Conference was on the priority of long-term policies as against short-term expedients. No one denied the necessity for American intervention during the Jordan crisis, but some participants felt that the success of this intervention had misled America into imagining that it was a precedent which could be followed successfully elsewhere. In the long run the West must find some better way of making contact with the broad mass of Arab opinion and with the political and social groups which represented it in practice. Several participants drew attention to the serious shortcomings of Western propaganda to the Arab world. Cairo Radio still had an overwhelming influence in the Middle East.

Whatever could and should be done to cope with immediate crises as they arose, the West must try to develop a long-term policy. It looked as though the Eisenhower doctrine, which had been welcomed at the last Conference as evidence of a positive American concern with the area, was already losing its rele-

vance in the military field. In the economic field, however, it remained valid and several participants felt that this was the most promising field for Western initiative. One speaker stressed the importance of a regional approach in the Middle East. So long as the area was treated as a mosaic of separate economic entities, there was little scope for fruitful intervention. Several participants called for a new Western effort to solve the problem of the Arab refugees, as a major obstacle to better relations between the Arab states and Israel.

It was pointed out, however, that economic development in the Middle East raised the same problems as in Asia or indeed in Europe during the Industrial Revolution. If the backward peoples were given access to modern techniques and to a twentieth-century standard of life, they must also be guided towards political democracy, otherwise the social chaos created by rapid economic development would provide Communism with new opportunities. For this reason one of the speakers believed that the problems of the Middle East should be seen in conjunction with those of similar areas in Asia, and more should be done to link the problems of the Far East and Middle East together.

(d) Inflation

It was impossible to discuss such problems as defence and overseas development without considering the impact of these expenditures on the domestic economy of the Western Powers. Reviewing the situation in the United States, one of the participants said there had been considerable development both in the depth and breadth of the American economy. The chief problem now was to maintain stability in economic growth. There was a close relationship between a stable currency and stability of employment. People realized that inflation must lead to a "Bust" and to mass unemployment. In its rapid economic development since the Second World War, America faced a new set of problems. As a result of past experience, many defences against depression had been built into the economic structure, but there was less protection against inflation. Economically, the USA was still fighting the last war. All of the Western countries now had to decide how great a demand they could place on their economies and how much they could pay themselves for what they did. We must examine our national budgets, our credit policies and our price support policies in the light of the pace at which our economies could develop. Unless we preserved flexibility and resilience in our economies, they might collapse under the strain of built-in inefficiencies and inflation-encrusted costs. We must aim at stable economic growth with rates of expansion which could sustain an improvement in our living standards, support our defence establishments, and make reserves available for the underdeveloped parts of the world. We should approach this task confident that it could be done without a steady attrition of our currency. Experience would prove

whether our confidence was justified. The speaker felt sure our economies were strong enough to accept the measures of restraint which might be necessary to keep inflationary tendencies under control.

Though there was general agreement on the desirability of halting inflation, some participants doubted whether in practice it was possible to maintain a stable level of prices at the same time as full employment, i.e. a high pressure of demand on the labour market. Wages were not, however, the only inflationary factor to be considered. Some of the speakers discussed the shortage of savings and the role of Government expenditure and credit policies. This was particularly important for the under-developed countries which had to fight against heavy internal demand and were disappointed at the meagre supplies of capital trickling from the huge Western reservoir.

One of the American participants believed that in spite of current talk of a recession, inflation was still the biggest long-term danger to the American economy, since it was still fundamentally expansionist; in fact present rumours of a business recession were probably mainly due to the measures the Government had introduced against an inflation which threatened America's defence posture as well as the basic health of her economy. There was, however, also some excess capacity, mainly in manufacturing industries, and a consequent decline in stock prices had caused some apprehension. Certain industries were particularly weak, for example housing, mineral mining, and the automobile industry. The speaker felt that during the past few years the American economy had tried to grow too fast and the price level had risen more than it should. Thus, in 1958, the gross national product in real terms might level off if it did not actually decline, although in money terms it would probably be several billion dollars higher than it was in 1956. Though this pause might be healthy and desirable in itself, there was a danger that psychological factors might carry it further than was economically justifiable, but on the whole he felt confident since basically the American economy was strong and the trends were "bullish".

(e) *The European Common Market*

Besides discussing economic integration in Europe in its opening session, the Conference spent some time at the end of its agenda in considering the European Common Market and Free Trade Area. The whole of this discussion is summarized below.

In general, the American participants welcomed the creation of a European Common Market and Atomic Pool. They stressed, however, that the economic benefits of the Common Market would depend on its looking outwards and not inwards. If the Common Market led to the formation of a self-centred economic bloc, it could do severe political and economic harm to the broader development

of the free world as a whole. Indeed, American tariff policy would be influenced by the way in which the Common Market handled similar problems, and the trend inside Europe would have a direct bearing on the attitude of the USA as expressed in the legislative programme on foreign trade shortly to come before Congress.

Another speaker believed that, in general, forward-looking business and industrial circles in America saw the Common Market as creating opportunities rather than obstacles. Exporters, however, took a more realistic view, and expected not only increased competition but also an increase in quantitative restrictions on dollar imports. For various reasons the different measures of integration proposed would probably influence the behaviour of firms well before they came to be implemented. It was expected that the Common Market would encourage industrial concentration in Europe and accelerate penetration of American markets. Conversely American industry would find it harder to compete in Europe. As a result Americans were beginning to contemplate increased direct investment in European industry, mainly as partners contributing capital and, when necessary, technical know-how. There was a danger that protectionist elements in the United States might draw fresh strength from these developments.

Participants from the countries directly involved, however, felt that these fears would prove to be unfounded. The Common Market would be implemented by easy stages and, if the experience of Benelux was any guide, trade with the outside world would increase together with internal trade. They were confident that the Common Market would be a step towards greater freedom in world trade as a whole. This was the purpose of the plan, although in some cases adjustments had had to be made so that particular interests would not be too drastically affected. Now that the internal pattern had been settled in the Common Market Treaty, attention would concentrate increasingly on relations with third countries; the Free Trade Area would be the next step in the process of European economic integration.

One of the European participants from outside the Common Market area said that his country, while sharing some of the American apprehensions regarding the Common Market, hoped that a way could be found of grafting the Free Trade Area on to it. The main obstacle to British and Scandinavian participation in the Common Market was its function as a step towards political union among the countries concerned. It would not be easy, however, for third countries to associate with the Common Market even for economic purposes, since the Common Market represented a delicate balance between the interests of its members, which might be disturbed by the addition of further countries. There was also the problem of including agriculture, which for countries like Denmark was of fundamental importance. Difficulties also arose over the techniques required to

operate a Free Trade Area, particularly a watertight system for Certificates of Origin. Nonetheless the political desire for a Free Trade Area as an addition to the Common Market was so strong that these difficulties should be overcome.

(f) Other Developments

Several references were made to the crisis at Little Rock over schools segregation. While no one was disposed to underestimate the damaging consequences of these events on opinion in the uncommitted areas, all the European participants agreed that in Europe the American Administration had won credit for its stand and that the incident was rightly seen in the context of the general trend in the United States against racial discrimination. Several American participants, however, while expressing appreciation for the understanding shown by the responsible press and public opinion in Europe, expressed misgivings about the consequences inside the United States, in particular the revival of Civil War memories and increased racial tension in the Northern States as larger numbers of negroes cross the Mason-Dixon line.

II. ARE EXISTING POLITICAL AND ECONOMIC INSTITUTIONS WITHIN THE WESTERN COMMUNITY ADEQUATE?

This discussion was mainly concerned with the North Atlantic Treaty Organization; European institutions attracted less attention, partly because they did not immediately concern the American participants.

(a) *The Aims of Policy*

There was general concern that while the Communist bloc benefited from central strategic planning in world affairs, the Western Governments had been unable to achieve comparable unity. There was no overall co-ordination of policies nor had any attempt been made to establish a machinery for this.

Several participants emphasized the need for a clear definition of priorities in Western policy. One speaker suggested that the general aim of Western policy should be to produce a shift in Soviet policy from an aggressive attempt to force Communism on the rest of the world to one of "live-and-let-live". Rational argument would not achieve this without physical pressure exerted by Western military strength and unrest in the satellite states. The military and economic strength of Western Europe, in particular, would have a direct impact on developments inside the Communist bloc; in this respect the creation of the Common Market and of greater European unity would be of considerable consequence. All forms of contact with the Communist bloc particularly on the personal level should be encouraged.

Second only to this we should show sincere interest in the progress of the twenty-one new nation states of Asia, Africa, and the Middle East. If their help could be enlisted, they might exert considerable pressure; this had already been seen during the United Nations debate on Hungary. The Soviet concept of peaceful and competitive co-existence should be taken up by the West since it offered a better field on which to meet the Soviet challenge.

There was general agreement that this formulation of Western objectives should determine the allocation of Western resources. One of the participants argued that we should concentrate first on strengthening our own military and economic position, since our own survival and the safety and prosperity of our

friends depended on it. After this we should concentrate on those areas which had a direct bearing on our strength and security. We could not afford to waste our limited resources and it was dangerous to encourage expectations which we could not fulfil.

Though the Conference agreed on the reality of this danger, as borne out by recent increases in the bank rate throughout the Western world, a number of speakers felt that the new countries of the Middle East and Asia deserved a higher priority in Western policy.

One of the speakers suggested that our main task was to prevent any expansion of Soviet influence beyond its present geographical limits, and that this required great courage and determination from the West. The Soviet leaders did not hesitate to use threats and the West must be ready to respond in kind. Moreover, we must be in a position to carry out any threats we made, since we could never afford to bluff. In fact, however, the risks of having to implement a threat were much smaller than they superficially appeared. In general, our policy should be more carefully worked out and more energetic. Time and again, Russia took the initiative so that we were compelled to fight battles in conditions of her choosing. The general framework of NATO was the best place for elaborating an active policy, though we need not necessarily always make use of its machinery. Once we had decided on a policy we should not, as so often in the past, be too easily shaken into seeking new postures and new formulas.

(b) Consultation inside NATO

It was generally agreed that the central problem was to ensure that nations held proper consultations inside NATO before taking decisions which might affect other members of the alliance. Although the machinery itself might be perfectly adequate, and juridical obligations observed, NATO could break up like similar alliances in the past if members were drawn apart by divergent policies outside the area of NATO's direct concern. Although NATO was the only institution which covered all countries in the Western alliance, its members had a wider range of interests which extended beyond NATO's juridical limits. Outside Europe, the interests of members of the alliance differed in importance and were sometimes divergent—for example on the colonial problem—yet the alliance as a whole might be affected by actions of one of its members in an area where its direct interest was greater than that of its allies—for example in the Far East. Thus consultation on national policies was highly desirable.

A distinction must be made, however, between issues of direct juridical concern to NATO on which unanimity was required in concerting a common policy, and issues outside NATO's immediate concern where the object of consultation was to discover whether national policy was compatible with, or at least not con-

trary to, the interests of other member states. In the latter case, unanimity was not essential and consultation need not necessarily lead to agreement. The major Powers, whose responsibilities extended beyond the area of the alliance, were committed to consulting their partners but not necessarily to agreeing with them. This distinction was probably inevitable; but the smaller countries often feared and resented the possibility that they might be involved by the actions of their bigger partners without their consent and without proper regard to their views.

There was no criticism of NATO's institutional machinery as such. It was adequate so long as it operated within the limits set by common interests and common aims. But once the interests or policies of the member states began to diverge, NATO'S machinery was paralysed and could not impose a solution. Responsibility for deciding policy rested on the national Governments and NATO was only their instrument. Some participants felt that this problem could only be solved by a formal transfer of sovereignty along federal lines. It was suggested, however, that although NATO was technically the instrument of an alliance of sovereign states, in some respects it went further in a federal direction.

In this connection reference was made to the Council of Europe and other European institutions where the unanimity rule in the Ministerial Councils was being slowly eroded and more and more questions were being decided by majorities; moreover, objecting countries were allowed to contract out of certain agreements. Perhaps this habit could also be introduced into the North Atlantic Council.

Several participants stressed, however, that the present situation in NATO did not give ground for serious concern. There was strong moral pressure on small minorities to comply with majority feeling and in practice this was usually effective. Providing NATO's consultative machinery was properly used it could give satisfactory results even in major matters. Everyone agreed, for example, in praising NATO's role in working out common Western proposals during the disarmament negotiations.

One of the biggest problems was to secure adequate consultation within NATO during the formulation of American foreign policy. This must be done at an early stage, since it was very difficult for the alliance to change an American policy which had already been decided.

(c) The Machinery of NATO

The efficiency of consultation depended in part on the working of the NATO Secretariat and of the Council of permanent representatives. The Secretary-General could exert a considerable influence as spokesman for the interests of the alliance as a whole. It was important that the rank and standing of members of the Council should be high so that they could exert real influence on their

respective Governments. One of the participants emphasized that they should also be in a position to reach those centres of opinion in their own countries which were concerned with making foreign policy. This was not so much a question of general propaganda as of establishing influence with those who formed opinion in the various countries. At the same time most participants agreed that NATO could be made more effective if the member Governments would delegate greater powers to their permanent representatives.

It was felt by one speaker that NATO should and could take a stronger line in dealing with sectional interests. It was much too easy at present for individual countries to act against the common interest, to hold up decisions, or to impose their own solutions without being held up to proper criticism. NATO must establish higher standards of behaviour in this respect.

Recruitment of members to the NATO Secretariat could be improved. Unlike most of the European institutions, NATO was staffed by Civil Servants on loan from member Governments for comparatively short periods. Thus it was difficult for them to oppose departments into which they would soon be reintegrated. They would have more independence if they could find a permanent career in an international Civil Service or in a permanent NATO staff. Other speakers felt that this was not a major problem. On the whole, NATO's staffing was satisfactory. Members of the Secretariat always acted on behalf of, or on instructions from, the Secretary-General; thus they benefited from his personal prestige. Moreover, while the Secretary-General presided over meetings of the Council as a whole, members of the Secretariat took the chair at its various committees and could thus exert considerable influence.

One of the participants suggested that the NATO countries should formally agree to submit their disputes to the International Court at the Hague. Whatever its practical importance, this would set a useful example to the newly independent countries of the world.

The Conference made a short review of the machinery for dealing with economic problems inside the alliance, and there was general agreement that this had worked satisfactorily, although the need was felt for consultation on matters of financial policy.

III. MODERN WEAPONS AND DISARMAMENT IN RELATION TO WESTERN SECURITY

(a) *The Impact of Technological Progress in Armaments on Strategy and Diplomacy*

This discussion was mainly concerned with the implications of Russia's newly-acquired ability to respond in kind against massive nuclear retaliation by the West—a problem often referred to as the thermo-nuclear stalemate. One participant pointed out that the phrase “thermo-nuclear stalemate” was not well chosen. It was rather a question of “stand-offs” developing at various levels of strategy: for example, Russia's ability to neutralize America's strategic thermo-nuclear power at present depended not only on her capacity for direct air-atomic attack on the United States but also on her naval power to cut off the NATO forces in Europe from their main base and source of supply in the Western hemisphere.

However, it was generally agreed that Russia's capacity for thermo-nuclear attack on American territory had made the threat of massive thermo-nuclear retaliation less convincing as a deterrent. There was a growing gap between the policy of deterrence and a strategy which the West might be willing to implement if deterrence failed—a gap between the total military strength of the West and Western willingness to use this strength to the full. The problem for Western statesmen was therefore to develop alternatives to a massive retaliation which would provide the West in any crisis with a spectrum of possibilities between doing nothing and destroying the human race. One participant suggested that the West must develop a strategy of denial in local war rather than destruction in all-out war, and that the pattern of future conflict would be short, sharp clashes in the area concerned accompanied by negotiations between the two sides for a settlement; this would be as much a test of will as a test of military power.

Though it was generally agreed that it was desirable to aim at such a spectrum of military possibilities, there was argument about the feasibility of limiting any war which involved both Russian and American troops directly. One participant held that, given the absolute weapon, war did not necessarily run to maximum destructiveness, but the limitation of war depended on its political objectives rather than the weapons used. Moreover, though enemy agreement was required for any limitation in war, this agreement was likely to be implicit, as in Korea, rather than explicit, as suggested by some advocates of “graduated deterrence”.



Several speakers pointed out that in any case the problem of limiting war could arise separately from the problem of deterrence. Wars could break out by spontaneous combustion, as in Hungary, or through the action of small Powers, or through irrationality in the Governments of large Powers; in such cases a policy of deterrence might be irrelevant. Moreover there was the possibility that Russia might deliberately organize a local aggression in order to test the West's will and capacity to resist. If the West was incapable of halting such an aggression by limited warfare and did not feel the issue justified all-out thermo-nuclear annihilation, Russia could use her success to win further diplomatic victories without the physical use of her military power.

Thus the West must develop the capacity to smother or control little wars without involving the world in a thermo-nuclear holocaust. The most difficult problem was to decide whether it was possible to limit the use of atomic weapons or whether atomic weapons must be reserved exclusively for all-out war. One speaker gave examples of the way in which atomic warfare could be limited in terms of the theatre involved, the targets attacked and the weapons employed. Another argued that it was impossible and unnecessary to draw up general rules for the limitation of atomic warfare; in practice it was necessary and possible to solve the problem only in a small number of theatres, round the Sino-Soviet periphery. Moreover, providing Western confidence in the possibility of limiting atomic war was sufficient to remove inhibitions against the use of atomic weapons, the residual uncertainty as to whether in fact limitations could be maintained would only add to the deterrent. Thus NATO's decision to use "tactical" atomic weapons in Central Europe could be seen both as suggesting local atomic defence as an alternative to massive thermo-nuclear retaliation and as increasing the strength of the "tripwire" which would trigger off massive retaliation by automatically raising the stakes at issue in any Soviet aggression. It gave Russia no option between leaving NATO alone and starting with a major atomic attack to wipe out NATO's tactical nuclear bases.

One participant, however, disputed the possibility of limiting any direct conflict between two atomic Powers, holding that the real problem was to clarify the point at which aggression would be met by all-out war, any attack below this point being met by conventional forces. When one speaker pointed to the Korean war as demonstrating the possibility of limitation even in the use of conventional weapons, another drew the opposite conclusions from the same evidence, arguing that the Korean war was limited only because atomic weapons were not used and because the Soviet Union did not directly confront the United States. Some speakers felt that the Soviet Government would never accept local defeat as an alternative to extending war, another cited Soviet withdrawals in Iran, Berlin, and Korea to prove the contrary.

There was some disagreement on how a strategy of limited war would affect the existing Western alliances. One speaker argued that the concept of an alliance was fundamentally incompatible with the localization of a conflict, since the aim of an alliance in peacetime was to convince the enemy that aggression would confront him with a coalition of overwhelming strength. Another held that those members of an alliance who were most exposed to attack could not reasonably reject a strategy involving heavy destruction in the battle zone if their only alternative was even heavier destruction for mankind as a whole. Nevertheless, it was generally agreed that whether or not NATO turned to a strategy of limited war the Russo-American "stand-off" made it politically and strategically dangerous to leave the instruments of massive thermo-nuclear retaliation exclusively in the possession of the two countries farthest from the front line. This consideration led the Conference to discuss the desirability of distributing atomic weapons more widely inside NATO. One speaker held that since the capacity for massive retaliation was the real sanction behind limitation of war, no member of the alliance would feel safe in adopting a policy of limited war unless it held some capacity for massive retaliation in its own hands. There was, however, much feeling against increasing the present size of the "nuclear club". A German participant strongly opposed his own country possessing small-yield nuclear weapons, partly on the grounds that any attempt to provide for limited war in Europe would weaken the deterrent effect of massive retaliation which was the only realistic protection against large-scale Soviet attack. Another participant felt that general nuclear armament was becoming the only alternative to general nuclear disarmament: this fact might ultimately provide the needed pressure on both sides for agreement in the disarmament discussions.

Finally, the Conference discussed the limits which were set on Western arms expenditure as a whole by economic and political considerations. One participant felt that the existing limits were too narrow, since Russia was spending 18 per cent of her gross national product on defence, America only $8\frac{1}{2}$ per cent, Britain 8 per cent, and the other Western allies even less. Thus the West was compelled to cover its tactical weakness by willingness to take greater strategic risks. It was generally felt that there would be great political resistance against any substantial increase in over-all defence expenditure. Some participants argued, however, that the Western countries might be prepared to increase their arms budget as part of an over-all shift in policy involving much closer co-operation between the United States and Western Europe. They argued that as part of such a package deal the United States might increase its total expenditure on the basic elements of massive retaliation, such as the Strategic Air Command and Civil Defence, while Europe increased its expenditure on conventional forces in the hope of providing for local defence without use of atomic weapons. Another speaker,

however, pointed out that Western Europe could never hope to match the Soviet Union in conventional forces alone; moreover, the Red Army was already being equipped and reorganized with tactical atomic weapons and might well initiate their use in local war. Thus the forces defending Western Europe must in any case be capable of tactical atomic warfare. He maintained—but his view did not go unchallenged—that to provide simultaneously for both conventional and atomic ground warfare in Europe was impossible for strategic as well as economic reasons.

(b) Limitation of Armaments and its Effect on NATO

There was general agreement that the negotiations which took place inside NATO to produce agreed Western proposals for the disarmament talks deserved great praise and had done much to enhance NATO's prestige. In spite of the difficulties involved in synchronizing NATO discussions with negotiations in the United Nations Sub-Committee, the West had on the whole produced its proposals with adequate speed. Both the Governments concerned and the NATO Secretariat deserved congratulation. Without this type of consultation the disarmament discussions might have created serious divergencies between various members of NATO. In particular, the countries which were not directly engaged in the London negotiations might have felt that their national interests would not be adequately safeguarded. By avoiding this, NATO had greatly reduced the dangers inherent in East-West negotiations.

When the UN Sub-Committee discussions began there had been some fear in Europe that the disarmament negotiations would weaken the defence posture of the West. In fact they had strengthened NATO. This prompted several participants to argue that East-West negotiations in general and disarmament talks in particular should be treated not as an alternative to Western defence policy but as a means of making it more effective. There was a large measure of agreement as to the need for co-ordinating our defence and disarmament policies.

Disarmament along the lines of the Western proposals would not have weakened the defence establishment of NATO, since they aimed not so much at disarmament as at reducing the level of armaments on both sides. Any arms limitation proposals involved some risk, but it might be, said one participant, that the risks inherent in the existing situation were greater than those implied by a compromise with the Russians. He remarked that the West had a mistaken tendency to consider disarmament proposals solely in terms of the sacrifices involved in its own strength, while forgetting that the other side would have to make corresponding concessions. It was too early to decide whether the London talks had succeeded or failed. Time alone would show whether the Soviet Union would give our proposals serious consideration. If we regarded our proposals as sound and

reasonable—and the Conference seemed generally agreed that they were—we should stick to them and be patient, although we should not consider them as incapable of improvement. While maintaining our official attitude unchanged, we might privately examine among ourselves the possibility of some new approaches. For example, we might find that certain elements in the package proposals might vary from time to time in their relative importance both to ourselves and to the Russians. This applied particularly to the “open skies” proposal and the question of the “atomic club”. In any case our efforts to reach agreement on disarmament must be sincere and must be seen to be sincere. This was essential both as regards public opinion in the West and as regards our partners in the negotiations.

Some participants felt that in the past few years the West had thrown away important bargaining points on disarmament without receiving anything in return. For example, proposals for disarmament on the Western side had actually followed unilateral reductions to a lower level than that proposed.

Several participants felt that the West had given insufficient thought to the possibility of negotiating on a zone of limited armaments in Central Europe which would involve the disengagement of Russian and American forces. Even from the strategic point of view a disarmament agreement along these lines might provide the NATO countries with more effective defence than a continuation of the existing situation—particularly since the present division of Germany might provoke a local conflict irrespective of Soviet or Western intentions. One of the speakers maintained that existing Western defence policy ruled out German reunification. In any case there was more chance that the Russians might accept a pilot scheme for disarmament in a dangerous peripheral area like Central Europe than permit international inspection and control inside her own national boundaries. Several speakers referred to the dangers inherent in our present defence posture which created a gulf between the nuclear powers on both sides of the Iron Curtain and the non-nuclear powers of Western Europe, whose influence was progressively declining. Moreover, although the possibility of nuclear retaliation was dwindling as each side lost the capacity for protection against a counter-blow in kind, the possibility of local conflict involving non-nuclear powers was increasing. This might ultimately impose intolerable strains on the Western alliance and was a consideration highly relevant to any disarmament agreement.



PRESS STATEMENT

From 4 October to 6 October 1957, a group of forty-five Europeans and Americans held a private and unofficial meeting at Fiuggi, Italy.

This "Bilderberg Group" meeting, under the chairmanship of H.R.H. Prince Bernhard of the Netherlands, covered a wide range of matters of concern to the Western Community.

While the discussions did not attempt to reach conclusions or to recommend policies, there was strong emphasis on the desirability of promoting better understanding and more effective co-ordination among the Western nations in dealing with common problems.

The participants in the meeting came from the United States, Canada, and eleven European countries. They included members of different political parties, representatives of business, labour, education, and some government officials. All the participants were present in a purely personal and unofficial capacity and, in keeping with the private, though not secret, character of all the "Bilderberg" meetings, no detailed reports of their discussions will be published.

6 October 1957

THE FORMATION OF THE MIDDLE EAST STUDY GROUP

In the course of the debate on Middle Eastern problems, Dr Paul Rykens referred to the formation of a Middle East Study Group which was formed after the St. Simons Island Conference with the participation of some members of the Bilderberg Group. It will be recalled that Mr Eugene Black suggested at St. Simons Island that it might be possible to organize co-operation between private business in the West and corresponding elements in the Middle East with a view to furthering the economic development of the area. This idea met with a favourable response from the Conference, and, as a result of further study by a number of business people, the Middle East Study Group was formed in Amsterdam on 26 May 1957. During the following months, the Western Governments concerned have shown interest, and business circles in Western Europe and the United States have indicated their support. The Group is mainly composed of industrialists and financiers, since on the basis of its present plans its main interests will probably centre on these fields. Although the oil companies have shown a friendly interest in its work, it does not propose to include oil among its interests. The geographical area it will cover will include Iran and the Sudan, as well as the Arab countries of the Middle East.

The Study Group has formulated its plans in consultation with the International Bank for Reconstruction and Development and the International Finance Corporation, relying largely on the advice of their experts. The International Bank has also sponsored meetings between the Management Committee of the Study Group and the principal Arab representatives who visited Washington for the meeting of the International Monetary Fund. Following the conversations which then took place, a number of Middle Eastern countries have invited a Mission of the Study Group to conduct a survey on the spot. This Mission, composed of Dr Paul Rykens, Chairman of the Study Group, and members of the Management Committee, Mr George Nebolsine, Mr Hakon Christensen, and Mr Pollens, together with some other members of the Group, plans to visit the Middle East in the course of October and November.



DEVELOPMENT OF CO-OPERATION BETWEEN MEMBERS OF NATO

By an Italian Participant

1. Two parallel developments—the extension of the geographical area falling under Russia's political strategy, and the influence of economic and financial factors within the field of this strategy—have, I think, carried much weight in fostering the aspirations of those countries which, although fully conscious of the difficulties and limitations connected with a further development of NATO's scope, have felt and still feel, in the interest of all its members, the necessity of broadening the scope as far as practicable.

These countries would appreciate some initiatives aiming at such a goal.

In fact, long after the Communist revolution, the USSR had limited its main political action almost exclusively to the areas under its direct influence (China is an exceptional case). Correspondingly, when NATO came into existence its scope was limited to the European theatre.

It is, for instance, no secret that the Goa episode in the summer of 1954, although it involved territory pertaining to a member of the NATO, as well as certain situations developing in Egypt at approximately the same time, gave rise to many doubts as to whether these questions could properly be discussed within NATO.

But, meanwhile, the USSR was in the process of developing its sphere of political strategy, whatever differences of form or intensity it assumed, in Egypt, Syria, Yemen, Kerala, Guatemala, and also in the attempts of seizing power from within in Ceylon, Indonesia, British Guiana, etc.

At the same time equipment was delivered to India for the installation of a steel mill, which was considered one of the first steps for conferring political substance to the commercial relations of Russia abroad; there were also offers of technical assistance, tempting financial loans, purchase of crops such as rice from Burma, cotton from Egypt, the sale of which was difficult for certain countries, and so forth.

Russia also made approaches in Germany with the bait of alluring possibilities offered by the Chinese market in process of industrialization.

2. Under these circumstances the common interest of the NATO members

came to spread steadily beyond the Treaty's limited sphere of application and economic elements came to be integrated into political ones, thus creating critical situations of which the Middle Eastern problem and the oil supplies for Europe afford a good example.

At the same time the necessity grew for steadily strengthening the economic potential of the NATO members.

I shall not dwell on the great difficulties and the limitations of this closer collaboration; Professor Gordon made the point clear in his paper and Ambassador Quaroni has shown how conspicuous and frequent but justifiable have been, and may still be, the divergencies between the allies' viewpoints. This recalls Hegel's saying that the "tragedy of life does not consist in the contrast between just and unjust but between just and just."

3. On the other hand, now that the era of nations tends towards becoming that of continents and maybe—let us hope in a co-operative sense—the era of races, history is flowing towards political organizations wherein diplomacy must adopt methods which political economy already judges valid.

At this important stage in history, the West needs at least an organized centre for consultations and contacts. A mathematician would tell us that the bilateral meetings required for fifteen Nations would amount to the figure of 105. One smiles at this figure and it only helps to emphasize the importance of a group procedure to secure—as M. Spaak puts it—if not a common group policy, in all cases at least a co-ordinated one.

It would be a mistake to create rigid rules which might prevent freedom and rapidity of action in cases where this would not risk dangerous repercussions for other members. But it is impossible to deny that many difficulties could have been avoided if the West had discussed the general problem of relations with Egypt in good time, not to speak of the withdrawal of financial aid for the Aswan Dam and the Anglo-French expedition to Suez.

4. The Western Community has made some successful experiments which create interesting precedents.

Among other things I am thinking of trade with Russia and China, where, despite differences of opinion, the West as a whole did achieve a common course of action.

The system of infrastructure has shown a perfect integration of military aims and progress in civil relations. May this programme be extended to other fields, for instance to that of international roads?

I am also thinking of the common programmes for new and bigger sources of atomic and conventional power in order to make the West less dependent on specific areas of supply.

NATO has also been studying, perhaps not too profoundly, programmes of

civil mobilization. The new strategy certainly requires a fresh study which may bear on some economic trends of its members.

In some instances, which should not however be generalized for fear of dangerous repercussions, it might perhaps be wise to consider the purchase of certain crops from countries which cannot dispose of them easily, in order to prevent problems of this nature from having a political impact.

5. I am also contemplating, but it may be too ambitious, a joint discussion, even if on general lines, of priorities in economic aid to foreign countries, in so far as they reflect politically and strategically on problems pertaining to the specific competence of NATO. The full weight of American financial power, together with the efforts which Canada and some European countries may make in this field, does not suffice to meet the long list of needs of the uncommitted nations.

I will not dwell here on the possible continuation of assistance within the group of members of the Alliance, a problem which one should consider not in terms of grants but of other forms of collaboration.

I belong to a country which stands in an intermediate position with highly industrialized areas and others which are much less so. In Italy, one feels very strongly the social and political importance, not to mention the economic one, of the national effort which is being made to eliminate the difference.

6. As to the problem which presents such a particular interest for the NATO Alliance and which we have discussed in previous meetings, i.e. the penetration of the civilization, ethics, and ideals of the West among the uncommitted Nations; contrary to the mastery with which business advertising is conducted and party propagandist campaigns launched, Western Nations, as a whole, have failed in this art, however noble the pursuit.

In this field, moreover, it would be fundamental that the same language be spoken.

One should increasingly try to create in the leading class of the new countries, over and above admiration for our technical standards, respect for and adhesion to our political and moral standards.

In a particular branch of this field the United Nations have contemplated the creation of centres for training elements capable of proceeding to underdeveloped countries to give them the benefit of their own experience not only in the technical but also in the administrative field—as for instance in the Civil Service. There was a negative reaction on the part of some of these new countries who saw in this proposal an attempt to intervene in matters of their own concern. The West should train for the above purpose not their own citizens but nationals of the countries to be helped who will in their future work be also inspired by what they have seen and learned by living in our environment.

7. My last words will concern a more spiritual subject which is also connected

with our problem. Without delving into the matter of religious conversion, but thinking in simpler terms of the prestige of Christianity, which identifies itself with our Western civilization, I must confess my feeling of discouragement on reading that the representatives of no less than 170 different bodies: Lutheran, Anglican, Orthodox Christian, met at the last gathering in New Haven, United States. I inferred from talks with acquaintances in Africa and Asia, how damaging to our prestige are the divergencies between followers of the same Christian faith and moral law; these differences are even more noxious when, however rarely, they reach the point of petty rivalry.

I should not like to surprise anybody by adding that it would present an immense advantage to stress what we have in common for instance in the anti-Communistic field with the Islamic faith.

4 October 1957