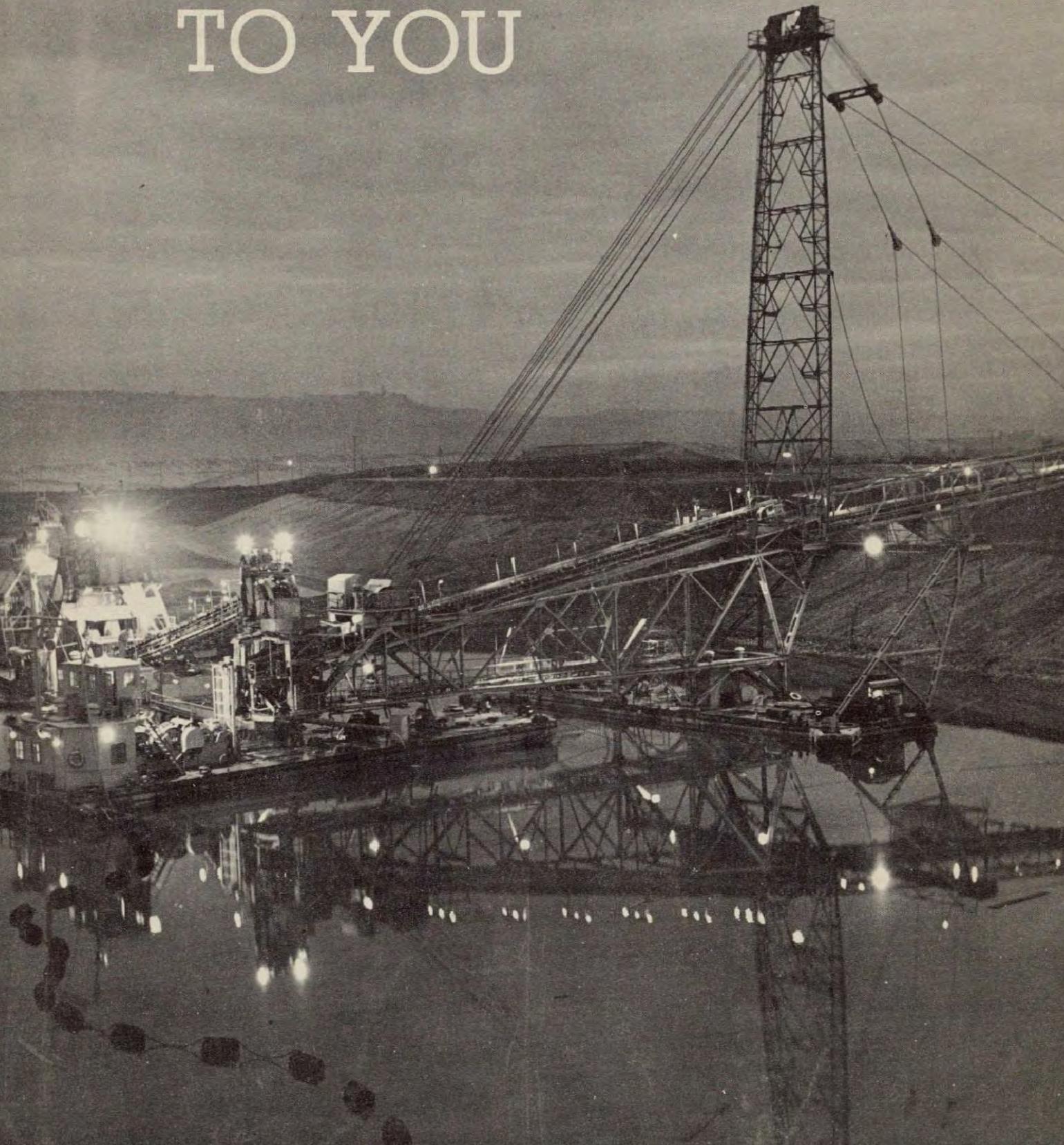


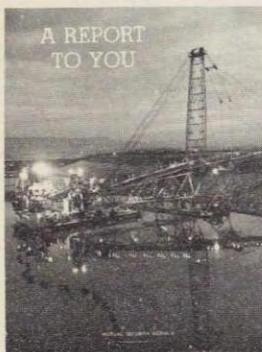
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# A REPORT TO YOU



MUTUAL SECURITY AGENCY

WASHINGTON 25, D. C.



*Cover Photo—*

Donzere-Mondragon, France's TVA on the Rhone, is the largest hydroelectric project in Europe. Power for Europe's defense effort; and food from newly irrigated land.

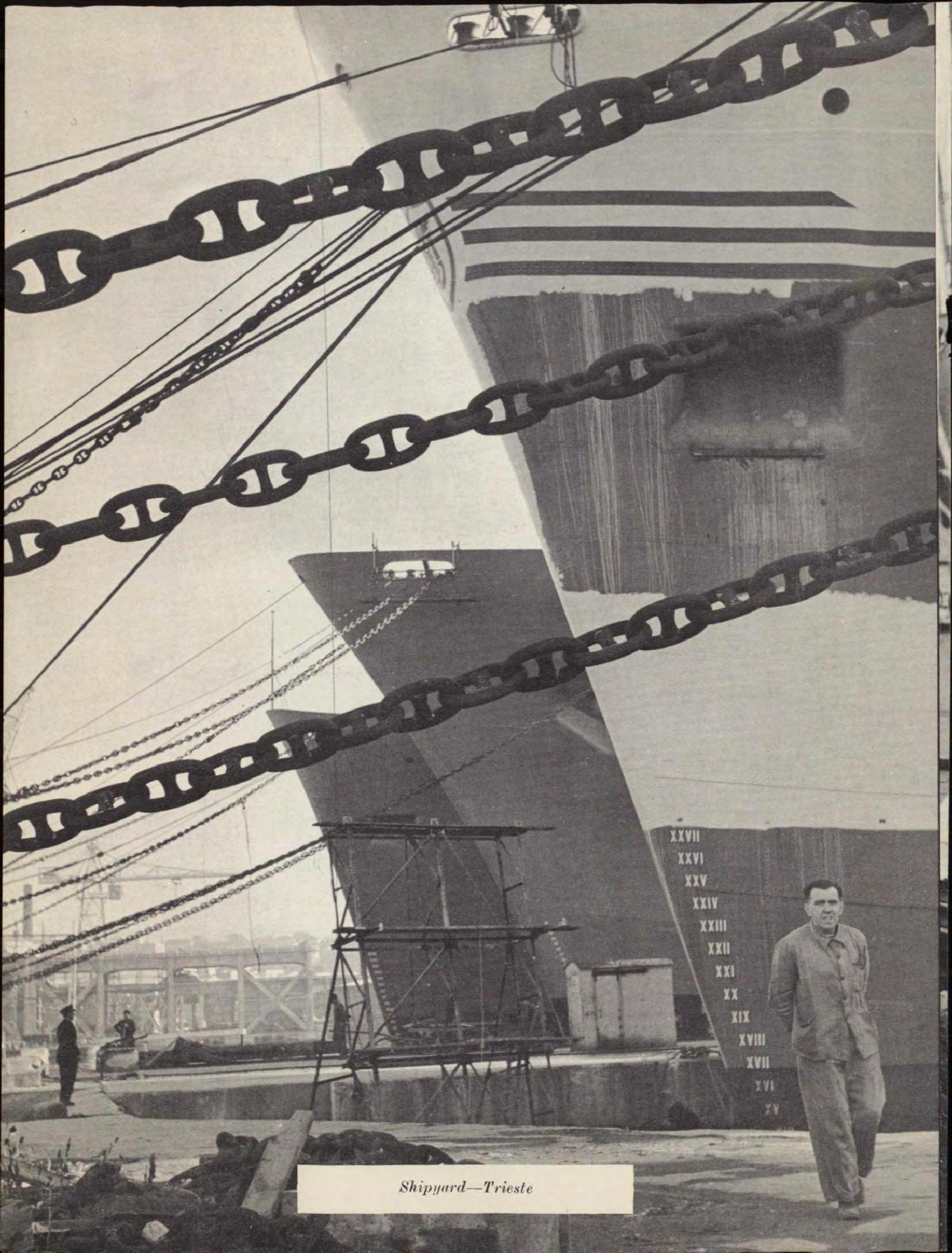
## *Foreword*

### **The Formula for Mutual Security**

**“The strength that a nation or a group of nations can develop is the product by multiplying spiritual or moral strength by its economic strength, by its military strength. It is the product, not the sum.**

**“Consequently, if any one of these factors falls to zero, the whole is zero. There can be no army unless there is a productive strength and a productive power to support it. There can be neither a strong economy nor an army if the people are spiritless, if they don't prize what they are defending.”**

**General Dwight D. Eisenhower  
Supreme Commander, NATO  
Forces, in Paris Interview  
on January 23, 1952.**



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*Shipyard—Trieste*

# This is a Report to You . . . . .

We are reporting to you on the progress of the world's most far-reaching enterprise in which you, as an American taxpayer, are a shareholder. The venture you are participating in is to make the free world secure.

This is an unusual enterprise, for instead of one home office with branches in outlying districts, it has equally important bureaus all over the world.

Each capital of a country whose citizens hold stock in your enterprise is a home office. Among them are Washington, London, Paris, Ankara and 14 other European capitals. On the other side of the globe, the home offices are Saigon, Rangoon, Bangkok, Djakarta, Manila and Taipei. They represent your fellow stockholders in Southeast Asia. Although the circumstances of shareholders in this enterprise differ widely, all have a common aim: the preservation of freedom and peace.

In Europe, our friends live in a highly industrialized society, in nations that have a long tradition of national identity and independence. But our Southeast Asian colleagues are primarily agricultural people and most of them have only recently set up independent governments. This means a geographical difference in the problems of security and in the solutions advanced by our association.<sup>1</sup> But while recognizing these differences is essential to practical, effective operation of the security venture, it must not be allowed to obscure the unity of purpose that is shared by all.

You and your associates around the world are putting, as the American Declaration of Independence says, your "lives, fortunes and sacred honors" into this common venture. Therefore we, your American directors, think it fitting to render this account of our stewardship.

Our security enterprise has many of the attributes of other joint efforts. But numerous other features set it apart from anything with which you have been associated before.

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<sup>1</sup> For a detailed description of the program of the Mutual Security Agency in Southeast Asia, see *Southeast Asia Booklet*, and *Mutual Security in Southeast Asia* issued by MSA in 1952. The booklet you are reading is a presentation of the MSA program for Western Europe.



*Financed with American aid, this new steel mill in Denain, gives France the capacity to produce modern thin sheets of steel for armament. Opened in May, 1951, it is the first continuous hot-strip mill in Europe.*



*French army trains recruits. A French recruit is drafted under an 18-months' Universal Military Training Program. On the parade ground of a training center, recruits who arrived a few days ago (in uniform) stand at attention with men who arrived that day.*

As in any form of mutual enterprise, you and your fellow-members have been asked for contributions of the ingredients necessary to make our venture a success: faith in our purpose and ability to achieve it, some of your own material and cash resources, advice to the employees who direct your enterprise, plus active, full cooperation with them.

Mutual Security is unlike any venture in which you have been a shareholder up to now, for it will pay dividends to you and your associates, your children and their children, beyond the scope of any market—provided it succeeds. On the other hand, should it fail, all of us will be liable for more than double indemnity. We will pay for it in years of blood, toil and travail. You will pay, your associates around the world will pay—and your children will pay, too.

You will all recall the circumstances under which our pioneer organization was

formed—the communist threat of armed force against the freedom which we as individuals must have if we are to survive. This first became a reality in Korea. But for some time before, all of us, particularly Europeans, had been aware of the implacable hostility directed at us, as we sought to advance in peace, prosperity and spiritual progress.

Under these circumstances, we thought it imperative to form our association, the North Atlantic Treaty Organization, for our mutual security. We American members of the joint venture set up the Mutual Security Agency to make effective our contribution to the common effort.

This association strives for the protection of our freedom and the preservation of peace. These twin objectives are, in reality, a single goal that expresses the most fervent desire of every member.

You have been equally direct in the instructions you have given to your legislators to attain this goal.

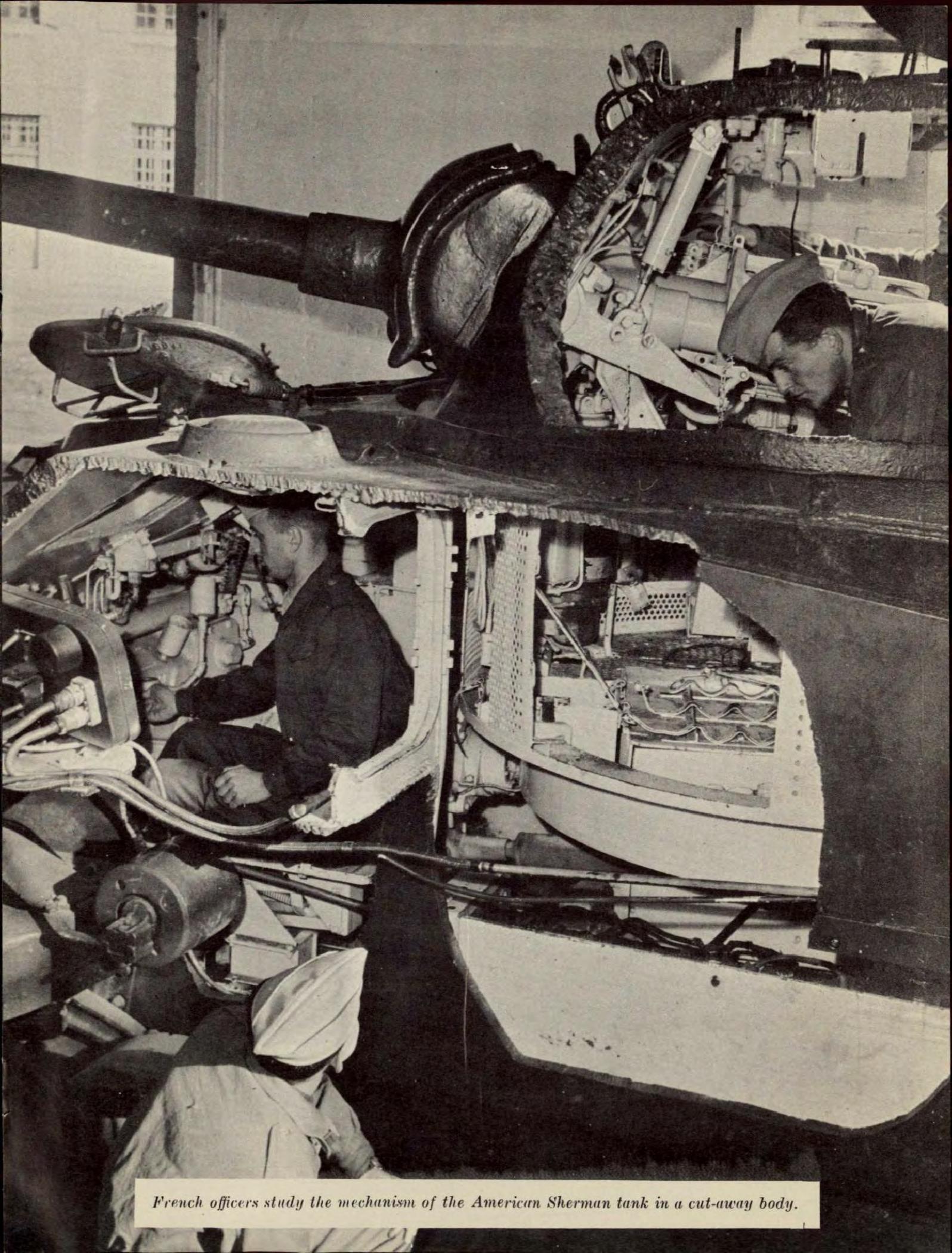
First, you very sensibly called for the creation of adequate armed strength: air forces, armies and navies. And, because the Western European members of the association stand on the frontiers of danger, you have stipulated that these forces should be largely concentrated on the Continent.

Your second instruction—to build the productive power of our fields and factories to a new high—is equally reasonable since it is obvious that we shall have to supply our expanded armed forces as well as our civilian population.

It is noteworthy that we all agree that the creation of this combined defensive strength gives us our greatest prospect of peace. Our potential adversary, though unscrupulous, is shrewd. He is not likely to attack us unless he has reason to believe that his attack will find us weak and unprepared.

In the creation of this defensive strength—military and economic—you and your overseas associates have seen the necessity for contributing in the unstinting manner demanded by the goal and the urgency in gaining it. That is, each member knows he must bring to the joint undertaking all that his talents and resources permit.

More than that, each member will contribute the elements that he most logically can supply. For example, both Italy and America produce planes, both have manpower. However, since Italy is stronger in manpower than in airplane manufacture,



*French officers study the mechanism of the American Sherman tank in a cut-away body.*



*A Norwegian sergeant communicates with other tanks in his squadron, using a new American radio transmitter just installed. The tank is an 18-ton light Chaffee, one of several made available to Norway by the U. S.*

her contribution logically should be notably for troops. The United States with her industrial prowess logically should supply materièl.

Since you, as an American shareholder in Mutual Security, are contributing money for materials, we should like to devote the balance of this report to an examination of this contribution and the way it is made effective.

To begin with, many of you have asked your agent in this matter—the Mutual Security Agency—why your European opposite numbers need an economic contribution to do their share of the defense job.

This is the answer. To rearm, Europe must produce more, and that requires additional materials that can be bought only with dollars. More coal, wood, cotton, iron ore and lumber are essential for increased European industrial production.

In this connection, many of you may ask why our European friends are unable to stand on their own feet now. You ask this remembering the Marshall Plan that did so much to restore Europe's productive power and ability to earn more of her way in the world. Why should not Europeans, as a part of their contribution to our mutual security, divert some of these gains from civilian to military uses? In short, if the Marshall Plan put more saucepans in European kitchens, why not melt some of them to make aluminum sheets for warplanes?

Only two facts need to be cited to answer these questions. First, it should be recalled that in 1948 life for the average Western European was so hard that there was a very real probability that he and his fellowmen might, in despair, drop out of the free world. To prevent that tragedy the Marshall Plan was launched. It succeeded. In Europe today, the standard of living has returned to its 1938 level after 12 years of real privation. This is progress. Yet it is still true that the European misery of 1938 enabled Hitler and Mussolini to flourish. In short, if we urge our European partners to try to provide their new arms at the expense of a cut in their

*New armaments for France. A 75 mm recoilless gun is studied by French soldiers.*





*A tenement block in the city of Naples, Italy. In 1948 life for the average Western European was so hard that there was a very real possibility that he and his fellowmen might, in despair, drop out of the free world.*



*In Europe today, the standard of living has returned to its 1938 level after 12 years of real privation. Here, at La Nouvelle Cité, France, French miners live in a 200-house project that is less than a year old.*

current none-too-adequate standard of living, we are asking them again to expose themselves to the conditions on which communism thrives. Associates in this condition would not be able to defend themselves should the need arise.

Added to this is the second consideration: that the need for the whole defense effort is an added burden on top of an economic system that had just begun to reach improved levels of performance. The necessity for America's economic contribution to European defense production then becomes clear.

From the "why" of our economic contribution, we now turn to a report on the

“how”, that is, the way the Mutual Security Agency applies your contribution to increase Europe’s total production.

There are four steps in this process:

First, MSA determines with our European partners the kinds and quantities of materials Europe *must* import. These requirements are calculated by adding basic civilian needs to the greatest possible military production. (MSA is well equipped for this task since the agency succeeded the Economic Cooperation Administration that worked intimately with European economic problems while operating the Marshall Plan.)

Second, the Agency estimates how much Europe can pay to cover the cost of these dollar import needs, and then calculates the amount of the American monetary contribution that will be necessary to make up the balance.

*“Productivity Equals Prosperity for All”, is the title of a traveling exhibit on hand power tools touring France. The exhibit, sponsored by MSA, drew great interest from French workers.*





*High among the peaks of the Austrian Alps, three thousand workmen are engaged in construction of the Glockner-Kaprun power project. Aided by MSA's counterpart funds, this hydroelectric project will not only serve Austria, but will become an important part of the integrated Western European power grid envisaged by MSA officials.*

Third, out of your tax dollars made available to it for this purpose, MSA advances to the European partners the funds necessary for the purchase of the most essential commodities.

Fourth, MSA counterpart funds spur the drive to increase Europe's ability to step up its defense production. Here we need a brief explanation of what these funds are. Under the terms of the Marshall Plan, the government of each country receiving dollar grants for recovery was required to deposit an equivalent amount of local currency in what is known as the counterpart fund. As the heir of the Marshall Plan agency (ECA), the Mutual Security Agency (as the U. S. Government representative) now has a considerable voice in the way these funds are used. An illustration of the way MSA is using counterpart to help European defense preparations is the recent allocation of the equivalent of over \$58 million in Turkish funds to increase the size and equipment of the Turkish army.

By these mechanics your agents are applying your dollar contribution to the mutual security undertaking. These are the tangibles. But like any efficient organization, MSA realizes the value of personal consultation between partners—the pooling of the knowledge gained by experience. An example of this is MSA's campaign to increase the productivity of Europe's factories.

Productivity—the attainment of greater production with the same amount of men, materials and machines—is generally cited as being the main reason for the prodigious strength of our American economy.

Of the many things that make for high productivity, four are outstanding: Techniques for the most efficient organization of the flow of materials processing through an industrial plant. Efficient use of the most recent technical research and skills. Competitive business environment. Management-labor relationships which make possible a wage system that passes on to the worker an equitable share in the profits.

Productivity is thus a combination of modern technical and business methods and a philosophy of social organization. Both Europeans and Americans have found that productivity can best be applied to the solution of economic problems through an interchange of personnel at all levels. As a result, during ECA's life, nearly 7000 European and Asian workers, technicians, middle and top management people came to the United States to observe our factories, farms and business institutions. They returned home to apply those parts of their observation which would increase productive power. MSA is continuing and intensifying this exchange of personnel as one of its most effective means of building the economic basis of military strength



*Mutual Security is a two-way street. Here, after unloading goods at Trieste, an American ship takes on strategic cargo—aluminum ingots from Austria destined for the U. S. metals stockpile.*



*It is a fact that military production in Western Europe is advancing. French miners, leaving and entering the mines.*

and, looking beyond, of making a basic contribution to the attainment of the long range goal of an economically united and self-sustaining Europe.

In this report on the operation of the peace partnership that is Mutual Security, we have tried to confine ourselves to a description of the most urgent aspects of the job and the way in which we are seeking to make your American contribution effective. It is for you to judge the wisdom of these actions in the light of the great significance which the success or failure of our enterprise means to you and yours.

And yet, it is a fact that the European army is coming into being, division by division. It is a fact that these armies are being equipped with modern weapons. It is a fact that military production is advancing and that thus far, at least, it has



*It is a fact that the European Army is coming into being, division by division.*

not been necessary to cut back civilian production to the point at which despair threatens to replace hope.

Most important of all, we are convinced that our European associates see in these measures the concrete encouragement that enables them to press forward with resolution and good heart.

It is our hope and belief that you will find grounds for similar qualified confidence in this report to you.

