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THE IMPACT OF U.S. ASSISTANCE PROGRAMS ON THE POLITICAL  
AND ECONOMIC INSTITUTIONS OF WESTERN EUROPE

WORLD WAR II left Europe economically bankrupt, politically paralyzed, and spiritually sick. The people had lost faith in the nation-state system which twice in a generation had shown insufficient strength either to resist attack by an aggressive nation, or to insure economic health and a life of dignity and decency. In contrast to the disunity, threatening disaster, and helplessness evident in 1946 and 1947, we find today -- thanks to the Marshall Plan and other U.S. assistance, and to the self-help and mutual-help operations of Western European countries -- a vastly improved Continent of Europe.

First, economic collapse has been avoided. The mills, plants, and shops in most countries are humming as they never did before. The current output of industry in Western Europe is forty percent larger than in 1938, and sixty percent above that of 1947. Agricultural production has likewise shown encouraging improvement. The volume of intra-European trade which had come to a virtual standstill in 1947 has sharply increased until it is now over one-third higher than that of the pre-war era. The dollar deficit in Europe has been substantially reduced from a peak of \$7 billion and, except for the special requirements of the post-Korean rearmament program, would have been brought into manageable proportions by 1951.

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Second, the countries of Western Europe have not only achieved this tremendous economic improvement while maintaining consumption levels roughly at pre-war standards, but they are now, in the wake of Communist aggression in Korea, engaged in a large rearmament program. This is their demonstration of an ability and a willingness to assume today defense burdens which are more than 60% heavier than those they shouldered in 1949, and significantly higher than in 1938.

Third, European military forces are now superior to those in being in 1947. Supplemented by American divisions, air installations, and naval power, European military forces stand as a warning to any aggressor that force will be met with force.

Fourth, a considerable measure of internal political stability has returned to Western Europe. Governments which in 1947 appeared unable to cope with subversion within and to take positive measures to solve their economic and social disorders, are now on the whole far more vigorous, efficient, and democratic. The fearful responsibilities of a Communist takeover, or of the planting of Soviet troops on the edge of the Atlantic through "peaceful penetration" are no longer such imminent threats to Europe or the United States.

Fifth, where there was hopelessness, disillusionment, and self-pity, there has arisen in Europe a new spirit of confidence, determination, and idealism. Despite continued deterrent efforts by the Communists and a disturbing amount of neutralism on the part of fellow citizens, it must be recognized that many of the people of Europe are rolling up their sleeves to solve their own problems; they have proof in the massive changes during these five years that a better day is actually possible.

But of most significance to our subject here is the new awareness which the leaders of Europe and the Atlantic Community now have of the reasons for these great accomplishments. People on both sides of the Atlantic are learning that a secure future is dependent upon unity of effort in the achievement of their common goals.

I do not suggest that serious economic, political, and social problems do not now exist. They are staggering: Disunity and apathy are all too prevalent, and economic and political weaknesses in some countries generate continuous crisis. But, what gives especial encouragement, what gives assurance that a peaceful world can be, are the new political and economic institutions in Europe and in the Atlantic Community which are both the cause and the result of these changes. Self-help and mutual-help in Europe, buttressed by American aid, are the threads out of which an integrated Europe is being woven.

#### Interacting Stimuli

Encouragement of the unification of Europe has in recent years become one of the chief elements of the foreign policy of the United States -- an objective which has been progressively expanded and reflected in legislation. It was implicit in General Marshall's address of June 1947 at Harvard, and in the Economic Cooperation Act of 1948 although no specific reference was made to it. In 1949, however, the Congress set forth "unification of Europe" as an explicit objective of the U.S. in the amendments to the Economic Cooperation Act.

The Mutual Security Act of 1951 stated that the funds authorized for economic and military assistance should be used "to further encourage economic unification and political federation of Europe". In the Act of 1952 the Congress "welcomes the recent progress in political federation, military

integration and economic unification in Europe and reaffirms its belief in the necessity of further vigorous efforts toward these ends as a means of building strength, establishing security, and preserving peace in the North Atlantic area."

On the other hand, the fact is that European unity has grown only within the framework of a fast-developing Atlantic Community; and it is impossible to chart the growth of European or Atlantic institutions since 1947 without tracing initiative, action, and inter-action back and forth endlessly across the Atlantic. Both European unity and the Atlantic Community have grown from the same soil: Europe's need for the aid and moral support of an Atlantic Community, and the need of the U.S. for a closely-knit Europe as a strong and defensible sector of the Atlantic Community. The instinctive surge of the West toward unity -- impelled by common fears and hopes, -- has thus simultaneously called into being European and Atlantic institutions intertwined and interdependent.

It was Europe's need and U.S. advocacy of maximum self-help and mutual assistance that called forth the first post-war European institution -- the Committee (later the Organization) for European Economic Cooperation -- and started the snowball of European hope for security and well-being through unity. Likewise, it was the Brussels Pact, signed in March 1948, that gave rise to the Atlantic Pact and the North Atlantic Treaty Organization, and led directly to the realization of the century-old dream of a "Council of Europe". It was in the Council of Europe that the idea of a European Defense Force was first projected; but it was the resolution of the North Atlantic Council to integrate forces that made it imperative and furnished the setting for the formal proposal by Prime Minister Plevin of France. The Plevin Plan, a product

of European foresight, was pushed toward agreement and reality by inspired European statesmanship and with the aid and encouragement of the executive and legislative branches of the United States and of General Eisenhower, who regarded it as essential to NATO. The Schuman Plan for a European Coal and Steel Community, purely European in origin, is now evolving as the economic counterpart of a developing European Defense Community which is within the framework of NATO. And now, to complete the circle, the OEEC, of which the United States and Canada became associate members in 1950, is given new life as an economic arm of the Atlantic Community, and continues to be a fertile breeding ground for further European economic integration.

Many forces and conditions -- economic, psychological, political, and military -- contributed to these striking achievements. Basic to this progress was far-sighted leadership within Europe and a growing realization that unity of action is indispensable. The post-war policy of the United States to work through international bodies -- the United Nations and regional groupings -- and to assume international responsibilities thrust upon it have undergirded the whole movement.

The Mutual Security Program is today, as was the Marshall Plan before it, a powerful instrument for aiding the growth of European unification. The United States seeks the security of unity primarily as a means of protecting freedom -- the freedom of men and nations. Financial aid required in the execution of these two programs has for the most part been a result, not the cause, of these new organisms.

Moreover, as a democratic and responsible nation, the U.S. can only aid, encourage, and participate with free nations to create institutions, attitudes, and acts of growing unity. Any attempt to impose unity would be self-defeating.

## INSTITUTIONAL PROGRESS

Now that a visible web of European organization exists, it is useful to reexamine the motivations which brought about the creation of each portion and which are contributing to success or failure in the whole undertaking. United States assistance to Europe under the Marshall Plan provided a stimulus acceptable to European countries for a unified effort in the postwar era and began a chain reaction of which we still see only the early stages. These initial steps toward European integration are too well known to develop in any detail. However, the interweaving of U.S. and European action is often not fully understood.

The first significant step toward European economic unity was the establishment, in 1948, of the Organization for European Economic Cooperation (OEEC) which sixteen Western European countries joined despite the refusal of the Soviet Union to participate itself or to allow any of its satellites to do so. For its part, the U.S. Congress established the Economic Cooperation Administration including the Office of U.S. Special Representative for Europe to work with the OEEC and the participating countries.

The mutual goals of the U.S. and its Western European partners in the crucial experiment were clearly stated in the Convention for European Economic Cooperation signed by all OEEC members in April 1948:

"Recognizing that their economic systems are inter-related and that the prosperity of each of them depends on the prosperity of all;

"Resolved to create the conditions and establish the institutions necessary for the success of European economic cooperation and for the effective use of American aid, and to conclude a Convention to this end . . ."

The OEEC has subsequently worked to carry out these mutual objectives in the closest, day-to-day informal collaboration with the EC in

Washington, and the ECA's European arm in Paris. In the early years of U.S. assistance, the OEEC performed the critical job of recommending the distribution of Marshall Plan funds among the participating countries. Concurrently, this body worked to remove barriers to the flow of trade, facilitate the supply and distribution of essential materials, promote financial stability, and achieve a more effective utilization of European manpower. More recently the OEEC has been assigned the function of making annual studies of the economic and financial performance and capacity of its members which are essential to NATO in drawing up, annually, its military program.

One of the most positive and forward-looking of the jobs which the OEEC has undertaken is that of increasing European production and of widening and deepening the market for European produce. An increase in European production by 25% has recently been set by OEEC as a five-year goal. Progress toward this goal was recently given powerful impetus by the United States through an addition to the Mutual Security Act called the "Moody Amendment" which provides for \$100 million worth of counterpart (local currency funds) generated by dollar assistance to be used by the participating countries "with a view to stimulating free enterprise and the expansion of the economies of those countries with equitable sharing of the benefits of increased production and productivity between consumers, workers, and owners".

In addition to these substantive achievements, the OEEC was also responsible for an accomplishment, which although somewhat intangible, was of prime importance to the success of joint recovery, namely, the development of a common European outlook. As each country drew up national recovery plans and submitted them to OEEC for careful analysis and hammering

into a joint program, matters that had for centuries been national secrets became common European knowledge. And in the Secretariat, hundreds of the best experts drawn from member countries learned to work together as Europeans rather than as nationals. It is easy to overlook now, four years later, that nothing like this had ever happened before. The method and practice and outlook developed in the OEEC are among the important foundation stones of the growing movement for the unification of Europe.

#### European Payments Union

In July 1950 the OEEC with U.S. assistance created the European Payments Union, a multilateral clearing system for intra-European payments, including transactions with the associated monetary areas of the member countries. The U.S. made an initial capital contribution of \$350 million during the first year of the EPU in order to support its development.

The Union has already shown in several instances, most notably Germany, the advantages of the collective approach in recommending measures to deal with serious trade deficits. It has opened the way for positive and cooperative action to eliminate trade restrictions and discriminatory barriers which obstruct the free flow of goods. Thus the EPU as the first post-war operating institution, was the initial important step taken by Western Europe toward the ultimate goal of a single, large, competitive West European market within which goods and currencies may freely flow.

#### U.N. Economic Commission for Europe

While of less significance to our subject, note should be taken of the United Nations Economic Commission for Europe (ECE), which was an outgrowth of a U.N. temporary sub-commission on economic reconstruction of the devastated areas in Europe established in 1946. Since the USSR, Poland, Czechoslovakia, and Yugoslavia, as well as the USA, are members of the ECE, it provides a forum for consideration of European-wide economic problems. Despite the effort of the Iron Curtain participants to use some

ECE meetings as a propaganda rostrum the ECE has been able to do some excellent research work on such crucial European economic problems as the flow of trade, availability of raw materials, and transportation.

#### Council of Europe

The moral encouragement and material assistance which the U.S. gave to European countries through the Marshall Plan provided a new impetus to the age-old urge for structural unity in Europe which was so admirably crystallized by Winston Churchill at Zurich in 1946. Unity was intensively promoted by a growing number of voluntary organizations with distinguished leaders and large popular followings. In 1948 one organization, officially called the European Movement, assumed the initiative in creating a permanent unofficial agency to guide the many groups striving toward the political union of Europe.

That same year the European Movement called together in The Hague some 800 of the most eminent leaders of Europe whose deliberations set in motion activities which after agreement by the Brussels Pact countries resulted in the creation of the Council of Europe in <sup>May</sup> 1949. Thus popular will pressed the governments of Western Europe to create the beginnings of an organization of Europe.

The U.S. Congress not only gave encouragement to this development but, also, at the invitation of the Consultative Assembly, authorized representatives of the Senate and the House to meet with representatives of that 14-nation body. This is the first occasion when an official delegation from the Congress has participated in discussions of this kind.

The Council of Europe was not all that many leaders of the European Movement desired, for it was not a Federal state and it involved no surrender of sovereignty. But it did provide a forum, partly official,

partly semi-official, in which the voice and conscience of Europe could make itself heard and felt in a regular and orderly manner in favor of the harmonization of national policies and actions and in support of further concrete steps toward the unification of Europe.

During the three years of its active life the Council has grappled with the question of how the organizational unity of Europe can be achieved, and in the debates on this issue the basic cleavage between those who were prepared to yield sovereign powers to a federal Europe and those who were not continued to be the main stumbling block. Meanwhile, functionalism, in contrast to federalism, as a road to European unity gained support with the implementation of the Schuman Plan and the formation of a European army. Yet the voice and the conscience of Europe continue to be heard insistently in Strasbourg, and the efforts to bring about the beginnings of a federal union continue.

#### Brussels Treaty

During this same period the mounting realization that the Soviet Union was embarked upon an aggressive program of picking off free nations one by one also encouraged concrete steps to build a positive, collective defense structure, operational in peacetime and capable of assuring the security of the free nations of the West. The first step was the signing of the Brussels Treaty<sup>early in 1948</sup> by the governments of Belgium, France, Luxembourg, The Netherlands, and the United Kingdom. The U.S. which was already providing assistance to these countries and therefore interested in the effective utilization of all resources gave active encouragement to the Treaty.

Under the Brussels Treaty the five countries agreed not only to come to each other's aid in the event of armed attack, but also to organize and coordinate and harmonize their economic policies and activities; to develop social and other related services; and to promote cultural exchanges. The Brussels Treaty, as a regional agreement within the context of the UN Charter, provided an instrument for collective action which the U.N., thanks to the use of the Soviet veto, was finding difficult to provide.

## North Atlantic Treaty Organization

The Brussels treaty helped to pave the way to still closer integration of Western Europe and the precipitation of the "Atlantic Community". Encouraged by this demonstration of cooperation and recognizing that the collective strength of the Brussels treaty countries might not be sufficient to preserve peace unless the power and influence of the United States and other free nations were brought into association with them, many Americans gave thought to ways in which the United States might help strengthen collective security in Europe as it had in the Western Hemisphere through the Rio Treaty.

¶ Senator Vandenberg, then Chairman of the Senate Foreign Relations Committee, in close consultation with Undersecretary of State Lovett, developed a resolution embodying what was conceived to be the prevailing American attitude toward the United Nations and toward regional defense groups. The result was Senate Resolution 239 which declared, as one of six points, that the policy of the United States is to associate itself "with such regional and other collective areas as are based on continuous and effective self-help and mutual aid, and as affect the national security."

Buttressed by this expression of objectives and a similar statement by the Foreign Affairs Committee of the House of Representatives, the United States began exploratory conversations late in 1948 with the Brussels Treaty countries and others for a collective defense arrangement. Negotiations resulted in the original acceptance of membership in NATO by 12 countries: The Brussels Treaty countries and Canada, Denmark, Iceland, Italy, Norway, Portugal, and the United States. . . Subsequently Greece and Turkey were admitted.

Several months later, Congress passed the Mutual Defense Assistance Program to implement the collective defense effort by making aid available for

military equipment and materials to treaty countries in need of such aid. The Act stipulated, however, that the U.S. assistance should become available only after bilateral agreements had been concluded between the United States and the countries receiving aid and after Presidential approval of a general defense plan prepared by NATO. Such a three-year plan for build-up of armed forces was prepared and the shipments of military equipment to Europe began.

Communist aggression in Korea in June 1950 caused an immediate reassessment of the danger of Soviet aggression in the Atlantic area and a tremendous increase <sup>as a result</sup> in the pace of rearmament in all NATO countries. It likewise caused a shift from reliance on committees in the building of NATO defenses and the coordination of national policies, to the building of a unified defense force operational in peacetime, and directed and supported by integrated NATO staff organizations. A decisive change thus was brought about in the relationship of the United States to its allies in Europe -- a relationship characterized by U.S. participation in the NATO goal of the creation of "an integrated military force adequate to defend Europe" functioning under a single command.

However, the concerns of NATO are by no means restricted to military matters. Even if Article II of the Treaty had not provided for collective action in the political, economic, and social fields, the consequences of carrying out the joint rearmament program would have required this. The most difficult decisions in mobilizing an integrated defense force with burdens equitably shared are primarily political and economic in nature. This fact is manifested in the foreign policy discussions of the North Atlantic Council and the Annual Review of each member's economic capabilities and contribution to mutual security.

## The European Community of Six

One of the most promising signs that NATO can become an effective instrument for collective freedom has been the increasingly rapid growth of European unity in the last two years evidenced by the true merger of sovereignty as regards certain basic economic and defense functions. Such a merger, inclusive of Germany, provides the greatest hope that a practicable and safe means can be found through which the coal and steel and manpower of Germany can be utilized in the defense of Europe and the Atlantic Community.

The precise form in which institutional unity in Europe could be effectively molded has never been clear. This is one reason <sup>why</sup> ambitious proposals for an all-embracing federation have floundered. It was only slowly, within the framework of the security and economic assurance of a developing Atlantic Community, and responding to courageous, persistent European leadership that six countries of Europe came to agree in 1951 and early 1952 to cessions of sovereignty that have laid the foundations for the building of a truly unified "European Community of Six".

The Coal and Steel Community (CSC), the first -- and in some respects the most significant -- step in this direction, was launched by the Foreign Minister of France, Robert Schuman, in May 1950, as he proposed that the coal and steel industries of France and Germany, together with those of any other European country willing to participate be merged into a single production and market area and that supra-national institutions be established to carry into effect their collective purposes. Now, scarcely two years later, this proposal, in the form of a treaty, has been accepted by the governments of France, Belgium, Italy, Netherlands, Luxembourg, and West Germany, ratified by the Parliaments, and has come into operation.

The U.S. relationship to this new organization was indicated a few days ago by Secretary of State Acheson when he said the United States will, in so far as possible, deal directly with the CSC on matters within its sphere.

#### The European Defense Community

The Schuman Plan paved the way for the suggestion by Plevon of France several months later that a unified European army be created under a single European defense minister, financed by a common budget, and integrated into the North Atlantic defense system. Agreement was reached in February of this year by the six Schuman Plan countries to merge their national armed forces into a single European Defense Force (EDF) in which basic national units of troops (around 12,000) including German troops would be integrated at the army corps level, <sup>and to create the supra-national political institutions of a</sup> and to create the supra-national political institutions of a European Defense Community (EDC) empowered to raise, equip, train, command, and finance such a force. When the agreement has been ratified, the EDC will stand as one of the most decisive steps ever taken voluntarily and in time of peace toward institutional unity in Europe. The hopes and fears of many decades are at stake in this ratification.

The benefits that may flow in the future from these developments are as great as imagination will allow. The impoverishment, the wars, the myriad tributary evils that have been inflicted on Europe and the world by nationalist aggression -- military, economic, and political -- in the heart of the European continent, are the substance of modern history. If the danger of nationalist economic and military warfare is removed even in Western Europe, then, despite the Russian shadow, the possibilities of peaceful economic and social progress in Europe and the Atlantic area as a whole are indeed promising.

## PRESSURES AND INCENTIVES

When viewed in perspective this progress toward unification of European economic and political institutions is encouraging. Indeed, given all the countless reinforcements of separateness -- the <sup>massive</sup> inertia of the status quo, national and sectional suspicions, the resistance of vested interests, subversive opposition from within and without -- the record is impressive.

For centuries men have dreamed of European federation. As wars in this century have grown in scope and destructiveness, as the techniques of production, commerce, and communication have pressed against national barriers, as man's spiritual and physical needs have outrun the ability of the nation-state to supply, the ideal of a unified Europe has acquired powerful mass support. Today, reason and the vision of a better world are joined with the necessity for survival, and European unification is no longer a remote ideal but a vital and attainable political objective.

With recent progress in mind let us examine more closely the prerequisites for a firm and enduring unity, the pressures which support and obstruct it, and the relation of U.S. participation to further integration.

### Importance of Spiritual Perceptions

Unity among people and nations stems from many different forces ranging from fear of destruction by a common enemy to that unity which comes when people believe in and act on the principle of loving their neighbors as themselves. Unity (of a sort) may be achieved by violence and suppression -- witness Eastern Europe -- but enduring unity can only come from convictions freely arrived at and freely expressed. Indeed, the whole world today faces the choice of unity in freedom or unity in slavery.

Achievement of unity in freedom is the most difficult undertaking to which man can address himself, as it must harmonize two basically different

perceptions which govern the social life of man. One is selfishness which ends in man destroying his brother. The other is the concern and respect for people as people which leads to unity founded on internal spiritual bonds rather than casual external factors. Inherent in this perception are the advantages which accrue both to an individual and to a nation when narrow "selfism" is submerged into something greater, into the mutual concerns of a common cause.

Mankind has made enduring social, economic, and political progress only when he has translated the imperatives of this latter perception into his institutional life. This has meant giving up sovereignty of action in the interest of the larger community -- license in personal actions which limit the freedom of one's brother; capriciousness on the part of a nation to commit acts of political and economic aggression on another country.

Under the Schuman Plan and the European Defense Community (when the latter is ratified), sovereignty of action is transferred voluntarily from the countries to the new central institutions. The establishment of a Court of Justice with compulsory authority over constitutional and jurisdictional disputes is one of the most significant steps toward really-effective implementation of the common sovereignty of these two institutions.

In contrast, the power of OEEC, NATO, and the Council of Europe is in each instance dependent on the voluntary action of member countries in performing agreed tasks and on their exercise of a full share of social responsibility. It should be noted that a social and moral climate adequate to support responsible performance by participating countries on a mutual interest basis in alliances and other institutions of cooperation is the same climate necessary to the delegation of sovereign authority to the larger community. Since such delegation makes it more difficult at a later date to withdraw from responsibility, the climate itself is favored by every measure that produces unity. Hence the importance of strengthening institutions to the maximum permitted at any time.

Unwillingness of countries to take such responsible action on an European, an Atlantic Community, or a world basis perforce reflects inadequacies and instabilities in the perceptions governing their social and spiritual orientation. Here we see the extent to which prospects for enduring unity must be founded on permanent institutions which reflect basic social, political, and economic realities rather than on alliances and other cooperative devices designed for temporary convenience in times of fear or pressed primarily for purposes of self interest. Without such a foundation dreams of European unity can only be dreams rudely swept away as mankind awakens from repeated nightmares of wars, depressions, and other catastrophies.

#### Political Imperatives

Aside from these basic perceptions, many other pressures favor or frustrate efforts of the Western world to reform the political and economic patterns of centuries. Dire necessity for survival has been one of the most <sup>powerful</sup> compelling of these. Aggressive totalitarianism and the failure of national institutions to prevent devastating world wars, world depressions, German occupations, uprooting of mass populations, slave camps, poverty, and violence, leave man -- no matter what his perception may be -- if he has any interest in survival and freedom, with no alternative but to move decisively toward new forms of association. The hope that came with the U. S. commitment to give assistance under the Marshall Plan, and which resulted in improvement of economic conditions even before any commodities reached the shores of Europe, helped develop this conviction on the part of European peoples, and in itself evidenced the value of unified action.

Two specific dangers in Europe have been most compelling for integration. First, is the fear that a new crop of German militarists, once free of Allied

Occupation, might for a third time --- with a new wave of irresponsibility --- plunge Europe into bloodshed. Second, is the spectre of Soviet imperialism, implemented by communist infiltration and subversion. These dangers grimly attest to the need for heroic measures.

The fear of a rearmcd Germany and an untamed Russia has made clear that the countries of Western Europe and the Atlantic Community must not only arm to defend themselves, but must include Germany and in such a manner that the economic and military potential of Germany cannot fly off again on an independent tangent. Thus Western European leaders have sought to so merge the armies and resources and political authorities of Western Europe that aggressive war by any one country can not be waged against another and that defensive strength against Soviet imperialism can be maximized at least cost.

A weighty obstacle in the path of these movements toward integration is the position of Great Britain against full participation in any plan --- political, economic, or military --- which runs counter to the traditional British feeling that they are not in all respects an integral part of Europe. Their worldwide responsibilities, especially in the commonwealth and sterling areas, and the potential effect of continental involvement on their internal economic and social programs, have all contributed to their refusal to join the Coal and Steel and European Defense Communities. Perhaps the informal but responsible associations which the United Kingdom is now establishing with these two bodies will go part way in reassuring the Continent and lead to closer affiliation.

The situation of the British in relation to European integration is paralleled in part by the role of the U. S. in connection with the broader area

of the Atlantic Community. The countries of Europe suspect that the discharge of our leadership responsibilities or even of basic treaty obligations may be impaired by failures in annual appropriations or other vagaries of our political processes or "excesses of youth". To the extent that they lack confidence in the enduring character of our economic and political commitments the European nations will inevitably feel they are making a disproportionate sacrifice of their freedom of action for a mutual purpose.

Other forces are also driving Western Europe toward political integration. There is a feeling among the nations of Western Europe that they are no longer separately able to play that role in world affairs to which their traditions, wisdom, and interests entitle them. United, they would be able to solve more of their own problems without large-scale U. S. aid, and to exert greater influence upon the course of world affairs.

#### Integration an Economic Necessity

Economic imperatives likewise provide compulsions for integration. Technological changes of the last fifty years, and the postwar experience in the recovery effort, have demonstrated clearly the necessity of making more efficient use of economic resources, eliminating waste, and increasing productivity. Among others these are the deficiencies which are retarding the economic development of free Europe -- small fragmented production and marketing areas; barriers to the flow of commodities and capital across national boundaries; lack of an integrated transportation system; immobility of labor; difficulties of building balanced military forces on a national basis; efforts to achieve national self-sufficiency; and trends toward monopoly of resources and productive enterprises. Yet the very existence of these economic maladies which make integration imperative seriously complicates the task of integration.

Moreover, there is real difficulty in uniting a part of Europe which has been economically dependent on the other half. The common cultural heritage of the Western European countries, which Eastern Europe shares only to a slight degree, makes it easier for the West to join together for economic survival, but the problem of the economic half-pie is still of formidable proportions.

Unity is not divisible. Experience of the past four years has shown that collective defense calls for the pooling of economic resources. Unified military and economic efforts also require integrated political arrangements capable of supporting specialized endeavor. Successful progress in all three areas -- military, economic, and political -- depends on the spirit of the people. To the extent that governments and citizens are possessed of totalitarian or other undemocratic perceptions, the structures will falter.

#### Role of National Strength

We thus see the importance of national strength to the strength of these new institutions. Too often we forget what constitutes national strength. General Eisenhower, speaking at SHAPE last December summed it up very succinctly:

"The strength that a nation, or a group of nations, can develop is the product obtained by multiplying its 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 with 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."

Where peoples are governed by perceptions which breed privilege, irresponsibility, lawlessness, greed and ill will, the low quality of

national strength provides a weak link in cooperative endeavors, no matter the size of their military forces or richness of economic resources. In international undertakings success depends upon adequate national strength of all geographic elements involved. It is for this reason that the LCA and today the NSA have placed so much emphasis upon the provision of economic and technical assistance in a manner aimed at building situations of strength. Thus, in providing military aid, or economic assistance, or technical cooperation each of these other factors essential to internal strength enumerated above must be given full consideration.

Moreover, in any coalition which operates by persuasion rather than coercion, countries will tend to be supercritical of each other when they feel another fails to bear its full share of the burden. Both the U.S. and other members of the Atlantic Community must realize every country is relatively in a state of development and that these weaknesses in national strength --- these functional ailments --- that in degree beset each country should encourage more positive and increasingly resourceful approaches toward dealing collectively with these frailities.

I believe it is true that cooperative action among nations calls for a higher degree of national strength among the participants than action taken on a national basis. Likewise, collective action taken through sovereign international instrumentalities, calls for a still greater degree of national strength than action on a cooperative or national basis. A federation ordinarily encounters greater political and administrative difficulties than a monolithic form of organization. Suspicion, self-interest, inertia, cultural differences, and many other obstacles to cooperative endeavor have a compounding effect as the area of cooperation expands.

This thesis seems inconsistent with the idea that countries often see no need to cooperate when they feel strong, or in the absence of external threat. The prime ingredient of strength referred to here, of course, is not size, resources, or armament, but the <sup>spirit of</sup> responsibility and moral and spiritual stamina of the people. In the words of the prophet Zachariah: "Not by might, nor by power, but by my spirit, saith the Lord".

This aspect of national strength as a foundation for collective action can be seen in the forces which have produced an encouraging measure of integration in Western Europe. The "Community of Six" (coal, steel, defense) could not have progressed this far without favorable political, economic, and social imperatives in the participating countries. Whether a suitable blend of these elements of national strength will develop as future steps and future crises arise in the movement for integration, only time can tell.

These imperatives are equally important in the broader movement toward Atlantic Union. The more culturally diverse and numerically large national participation becomes, the more essential is an adequate common basis of national strength. The extent to which the American people demonstrate patience and courage and a sense of responsibility as key elements in their national strength will be of critical significance to the success of current and future endeavors toward an effective Atlantic Union.

#### FUTURE ROLE OF THE UNITED STATES

The postwar responsibility which the U.S. has assumed in world affairs, potently expressed in the Mutual Security Program, and the Marshall Plan before it, has been a powerful factor in the growth of these newly integrated organisms of Western Europe. Recent amendments to the Mutual Security Legislation referred to above state the U.S. intention to give even more positive

support. Of particular significance is the authorization to provide assistance directly to the new European institutions as well as to individual countries.

".... the Congress believes it essential that this Act should be so administered as to support concrete measures for political federation, military integration, and economic unification in Europe. Appropriations .... relating to military assistance, defense support, and economic assistance .... may be used .... to furnish assistance to any of the following organizations: (a) The North Atlantic Treaty Organization, (b) the European Coal and Steel Community, (c) the organization which may evolve from current international discussions concerning a European defense community".

In each instance where this new authority is used to give material and psychological assistance directly to the emerging European central organizations rather than to individual countries, the United States will be taking a major step toward the strengthening of these institutions.

The Mutual Security Program for 1952-53 provides for various kinds of aid, all of which may be so administered as to promote the economic unification and political federation of Europe.

First, there is the "end-item" program --- the transfer of some \$4 billion worth of finished military equipment under the current year's appropriations to our NATO allies in Europe. The form of assistance can increasingly be based not only on the determinations made in consultation with or as a result of agreements reached in these multilateral institutions, but can also be allocated directly to them for assignment and use.

Second, there is the "off-shore procurement" program --- funds for the purchase in Europe of military equipment, supplies, and common facilities both for the use of the U.S. forces and for supply to European nations for the NATO defense program. Just as the EDC will be concerned, when fully established, with the assignment of production responsibilities within the Community on

the basis of efficiency and capacity of facilities, so too the United States could work through the EDC or through other central channels in the procurement of materiel.

Third, there is "defense support" -- the supply of machinery, raw materials, food and other commodities to Europe to help the European economies sustain the increased defense effort. While this type of assistance is aimed primarily at meeting the needs of individual countries in their defense production commitments under NATO, and, therefore, calls for much direct negotiation on a bilateral basis, strong central institutions will provide various opportunities for channeling assistance through them.

Fourth, there are deposits of local currencies equivalent to U.S. dollar aid which are used by the European countries with the approval of the U.S. to carry out mutual security purposes. These local currencies could be utilized increasingly by the countries for multilateral projects or as a means of securing better financial undergirding of the new central structures.

Beyond these specific ways in which U.S. assistance can be administered to encourage European integration, there is a more fundamental question of in what way and for how long we are prepared to develop common policy and conduct operations through these and any new central institutions. What the Europeans need is an assured sense that the U.S. will continue without vacillation to cooperate economically, politically, and militarily; that it will remain interested in Europe, not merely in the sense of carrying out formal commitments but because the American perception is clearly based on the principle of "community".

Financial aid has been one means of American assurance of interest in Europe, and obviously a vital one. Other equivalents of such symbols of

interest in Europe, and obviously a vital one. Other equivalents of such symbols of interest which emphasize partnership and mutual concern need to be found. Technical assistance as a cooperative undertaking -- not as the export of "know-how"--is an example. Especially to be avoided are bewildering shifts in policy, frequent changes in the Government organization, which a committee foreign programs charged with assistance responsibilities, and short-run appointments of top mission personnel which may lead to an impression that our programs are of a temporary and emergency character, and that when the Soviet crisis is over we will pull back into our shell.

To cement our destiny more firmly with Europe's and Europe's with ours, many thoughtful persons are now searching for additional arrangements pursuant to Article II of the North Atlantic Treaty for cooperation in economic and political, as well as military, spheres. Continuous economic cooperation (in matters of trade and financial policy, production, commodity stabilization, etc.) is the best substitute for aid. Additional concrete and permanent (as contrasted with emergency) programs in such areas will give heart to the Europeans as they undertake defense build-up, European unification, and closer association in the Atlantic Community. In this connection, the President has recently requested the Public Advisory Board for Mutual Security to make a study of the foreign trade policies of the U.S. particularly as they affect efforts under the Mutual Security Program to achieve economic strength and solvency among the free nations.

In this broader context these are some of the forward-looking concepts to which the people and government of the United States must address themselves:

1. The U.S. cannot expect more self-sacrifice and statesmanship on a continuing basis on the part of European countries than the U.S. is

itself prepared to contribute. Their problems are our problems; our problems are their problems: One world!

2. Greater appreciation is needed of the effect which the towering economic position of the United States has upon the economies of Europe. Slight changes in our internal economy and external relations have such terrific repercussions abroad that a viable Europe cannot be brought in the absence of a viable Atlantic Community.

3. The contribution of dollars to meet European balance of payments difficulties is a poor substitute for the desirable alternative of lower tariffs, elimination of trade barriers, and the institution of financial, production, and marketing programs for the Atlantic community under which Europe can earn dollars. Forthright action here is as essential for our own economic well-being as it is for Europe's.

4. Further development of the principle of computing the obligations of each member of the Atlantic Community on a "burden sharing" basis, helps break down the feeling in some quarters of the U.S. that we are contributing a disproportionate amount. This approach - an approach fundamental to the whole concept of integration - also makes our predominate economic role more palatable to the other partners and gives them a greater sense of participation.

5. There now exists an unstable foundation for Western integration to the extent that the U.S. long-term political and economic commitments or those of any country are of a piecemeal or emergency character. Central cooperative institutions which may flourish under crisis may subsequently atrophy in the absence of permanent political and economic commitments.

6. There is need for a political framework in Europe to provide an umbrella for the recently created functional institutions of the Coal and

Steel and European Defense Communities. Further development of the Atlantic Community as an organism through which the members carry out political, economic, and social aims will strengthen European integration, and in turn will receive vitality from it.

7. Since the ultimate source of both national and international strength depends on perceptions that govern attitudes and motives of people, especially of those in positions of leadership, far more attention is needed in the development and sharing within the Atlantic community of the moral and spiritual values underlying democracy and in the demonstration that the free world has a far superior answer to human needs than have the Communists or other totalitarian groups.

8. A broad basis of public understanding in this country of these problems and of America's responsibility and opportunity is even more essential for future progress toward European and Atlantic Community than at any previous time.

If we establish adequate long-term relationships between the United States and the countries of Europe, we can look toward an end of the chronic European financial crises, and the situations that have required large sums of U.S. aid on an annual basis. If we do not make such arrangements, we face the prospect of an indefinite continuation of extraordinary U.S. assistance to Western Europe. In the absence of (1) a satisfactory reconciliation of the U.S. internal and foreign economic policies in relation to our position in the Western Community, or (2) U.S. aid, we would have to anticipate (3) a sharp reduction in the defense efforts of our North Atlantic Allies, a serious deterioration in their economic circumstances, and in all likelihood, a decline in their internal political stability. The folly of

the latter should be self-evident, but the American people must face the challenge which is embodied in the difference between picconcal assistance to partners in a common effort and an enduring commitment to remain with them.