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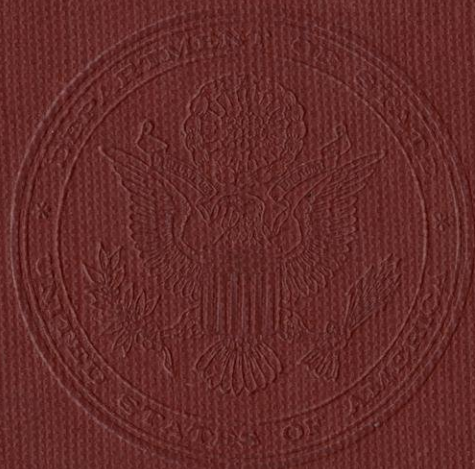
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# Foreign Relations of the United States 1949

Volume IV

Western Europe



United States  
Government Printing Office  
Washington : 1975



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## PREFACE

This volume was prepared under the direct supervision of S. Everett Gleason, former Chief of the Foreign Relations Division, and Fredrick Aandahl, the present Chief.

David H. Stauffer prepared the sections on the North Atlantic Treaty Organization, efforts for European integration, Denmark, Iceland, and Sweden. Mr. Aandahl prepared the sections on France, Portugal, and the meeting of the ambassadors at Paris. Mr. Stauffer and Charles S. Sampson prepared the section on the interest of the United States in the economic recovery of Europe, and the latter also prepared the documentation on Spain and the United Kingdom. Howard McGaw Smyth prepared the sections on Italy and the Free Territory of Trieste; he and Joan Ellen Corbett prepared the one on disposition of the former Italian colonies in Africa. Margaret G. Martin and Ruth M. Worthing provided editorial and research assistance.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including the Joint Chiefs of Staff. They are also grateful for the cooperation of the National Security Council, the Department of Defense, and the Central Intelligence Agency, all of which concurred in the declassification of various papers for release herein.

The technical editing of this volume was the responsibility of the Publishing and Reproduction Division, Willard M. McLaughlin, Chief. The index was prepared by Francis C. Prescott.

WILLIAM M. FRANKLIN  
*Director, Historical Office*  
*Bureau of Public Affairs*

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### PRINCIPLES FOR THE COMPILATION AND EDITING OF "FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 2 FAM 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the regulation, as further amended, is printed below:

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These



volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

### 1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternative presented to the Department before the decision was made.

### 1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

- a. Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refers to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.

# CONTENTS

	Page
PREFACE . . . . .	III
LIST OF ABBREVIATIONS, SYMBOLS, AND CODE NAMES . . . . .	VII
MULTILATERAL RELATIONS:	
Participation by the United States in the North Atlantic Treaty Orga- nization and in efforts for European integration; the military assistance program . . . . .	1
Interest of the United States in the economic recovery of Western Europe: efforts to strengthen the Organization for European Eco- nomic Cooperation; the questions of liberalization of trade and intra-European payments . . . . .	367
Meeting of United States ambassadors at Paris, October 21-22, to discuss major developments relating to Europe . . . . .	469
Policy of the United States toward the Free Territory of Trieste . . . .	497
The United States participation in discussions on disposition of the former Italian colonies in Africa . . . . .	526
Multilateral convention on northwest Atlantic fisheries . . . . .	614
Multilateral agreement respecting North Atlantic weather stations . .	615
AUSTRIA . . . . .	616
BELGIUM:	
Agreements between the United States and Belgium . . . . .	617
DENMARK:	
Relations of the United States with Denmark . . . . .	618
Consultations with the Danish Government regarding the disposition of German refugees present in Denmark and south Schleswig . . . .	624
FRANCE:	
Concern of the United States with political, economic, and military developments relating to France . . . . .	626
Controversy regarding rights of nationals of the United States in the French zone of Morocco . . . . .	691
Agreements between the United States and France . . . . .	691
GERMANY . . . . .	692
ICELAND:	
Relations of the United States with Iceland . . . . .	693
IRELAND:	
Conventions between the United States and Ireland . . . . .	703



	Page
ITALY:	
Interest of the United States in the formation of a unified, non-Communist labor movement in Italy . . . . .	704
THE NETHERLANDS:	
Agreements between the United States and the Netherlands . . . . .	712
NORWAY:	
Agreements between the United States and Norway . . . . .	713
PORTUGAL:	
Discussion between Ambassador Harriman and Prime Minister Salazar on the Marshall Plan and related political, economic, and colonial problems . . . . .	714
SPAIN:	
Relations of the United States with Spain: the Spanish question at the United Nations; United States economic policy toward Spain; United States interest in the activities of various Spanish exile groups; attempts to coordinate policy toward Spain with France and the United Kingdom . . . . .	721
SWEDEN:	
Relations of the United States with Sweden . . . . .	772
Agreement between the United States and Sweden . . . . .	779
SWITZERLAND:	
Agreements between the United States and Switzerland . . . . .	780
THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND:	
Concern of the United States over the British financial crisis; devaluation of the pound sterling . . . . .	781
Agreements between the United States and the United Kingdom . . . . .	853
INDEX . . . . .	857

## CHART

Organization of the North Atlantic Council (December 1949) . . . facing	330
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## LIST OF ABBREVIATIONS, SYMBOLS, AND CODE NAMES

EDITOR'S NOTE.—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

- A**, Office of the Assistant (after October 3, 1949, Deputy Under Secretary of State for Administration)
- AC**, Allied Council for Austria
- ACLI**, *Associazione Cristiana Lavoratori Italiani* (Italian Workers Christian Association)
- Actel**, series indicator for telegrams from Secretary of State Acheson while away from Washington
- AF**, Division of African Affairs, Department of State
- AFL**, American Federation of Labor
- AID**, Agency for International Development
- AMG**, Allied Military Government
- ANE**, Office of African and Near Eastern Affairs, Department of State
- AP**, Associated Press
- AP**, Atlantic Pact (an informal reference to the North Atlantic Treaty)
- ARA**, Office of American Republics Affairs (after October 3, 1949, Bureau of Inter-American Affairs), Department of State
- BBC**, British Broadcasting Corporation
- BC**, Division of British Commonwealth Affairs, Department of State
- Benelux**, Belgium, the Netherlands, and Luxembourg
- Bizone**, the combined British and American zones of Germany
- BNA**, Office of British Commonwealth and Northern European Affairs, Department of State
- BOT**, Board of Trade (British)
- C**, Counselor of the Department of State
- CAD**, Civil Affairs Division, General Staff, United States Army
- CC**, Consultative Council (of Foreign Ministers of Brussels Pact)
- CD**, Christian Democratic Party (Italy)
- CFM**, Council of Foreign Ministers (sometimes also used to refer to other meetings of Foreign Ministers)
- CFTC**, *Confédération Française des Travailleurs Chrétiens* (French Confederation of Christian Workers)
- CG**, Consul General
- CGC**, *Confédération Générale des Cadres*, French union of supervisory and technical workers
- CGIL**, *Confederazione Generale Italiana del Lavoro* (General Confederation of Labor in Italy)
- CGT**, *Confédération Générale du Travail* (General Confederation of Labor), in France
- CGT-FO**, *see FO*
- CIC**, *Comité Interior de Coordinación*, Spanish political group
- CINCNELM**, Commander in Chief, United States Naval Forces, Eastern Atlantic and Mediterranean
- CIO**, Congress of Industrial Organizations
- cirtel**, circular telegram
- CNT**, *Confederación Nacional del Trabajo* (National Confederation of Labor), in Spain
- CP**, Communist Party
- CSGPO**, Plans and Operations Division, General Staff, Office of the Chief of Staff, United States Army
- CTC**, *see CFTC*

# VIII LIST OF ABBREVIATIONS, SYMBOLS, AND CODE NAMES

- DC**, series indicator for documents of the North Atlantic Defense Committee
- Del**, Delegate; Delegation
- Delga**, series indicator for telegrams from the United States Delegation at the United Nations General Assembly
- DelWU**, United States Delegation to the Western Union
- Depcirtel**, Department of State circular telegram
- Deptel**, Department of State telegram
- D.O.T.**, dependent overseas territory
- E**, Office of the Assistant Secretary of State for Economic Affairs
- ECA**, Economic Cooperation Administration
- ECA/W**, headquarters of the Economic Cooperation Administration in Washington
- Ecato**, series indicator for telegrams from the Economic Cooperation Administration in Washington to its missions abroad
- ECC**, European Coordinating Committee
- ECE**, Economic Commission for Europe
- ED**, Division of Investment and Economic Development (after October 3, 1949, Investment and Economic Development Staff), Department of State
- EM**, enlisted man
- Emb**, Embassy
- Embdesp (Emdes)**, Embassy despatch
- Embtel**, Embassy telegram
- ERP**, European Recovery Program
- EUR**, Office (after October 3, 1949, Bureau) of European Affairs, Department of State
- EW (E-W)**, East-West
- ExIm Bank (Eximbank)**, Export-Import Bank of Washington
- FACC**, Foreign Assistance Correlation Committee
- FASC**, Foreign Assistance Steering Committee
- FE**, Office (after October 3, 1949, Bureau) of Far Eastern Affairs, Department of State
- FEC**, Finance and Economics Committee, Western Union
- FIL**, *Federazione Italiana del Lavoro* (Italian Federation of Labor)
- FO**, *Force Ouvrière*, French labor group
- FonMin**, Foreign Minister
- FonOff**, Foreign Office
- FTT**, Free Territory of Trieste
- FWA**, French West Africa
- G**, Deputy Under Secretary of State
- GA**, General Assembly of the United Nations
- GAdel**, United States Delegation at the United Nations General Assembly; also Gadel, series indicator for telegrams to the United States Delegation
- GARIOA**, Government and Relief in Occupied Areas
- GATT**, General Agreement on Tariffs and Trade
- GDR**, German Democratic Republic
- GTL**, Division (after October 3, 1949, Office) of Greek, Turkish, and Iranian Affairs, Department of State
- HICOG**, United States High Commissioner for Germany
- HICOM**, High Commission(er) for Germany
- HMG**, His Majesty's Government (United Kingdom)
- IBRD**, International Bank for Reconstruction and Development
- IC**, Division of International Conferences, Department of State
- ICAO**, International Civil Aviation Organization
- IEPA**, Inter-European Payments Agreement
- IMF**, International Monetary Fund
- infotel**, information telegram
- INI**, *Instituto Nacional de Industria*, Spanish industrial group
- instr**, instruction
- intel**, circular information telegram
- IRO**, International Refugee Organization
- Itcols**, former Italian colonies; also a series indicator for telegrams regarding the subject
- ITO**, International Trade Organization

- ITP**, Office of International Trade Policy, Department of State
- JCS**, Joint Chiefs of Staff
- L/E**, Assistant Legal Adviser for Economic Affairs in the Office of the Legal Adviser, Department of State
- LA**, Latin America
- LCGIL**, *Libera Confederazione Generale Italiana dei Lavoratori*, Italian labor group
- Leg**, Legation
- Legtel**, Legation telegram
- L.O.C.**, line of communication
- M-day**, mobilization day
- MA**, Military Attaché
- MAP**, Military Assistance Program
- MDA(P)**, Mutual Defense Assistance (Program)
- ME**, Middle East
- Min**, Minister
- MP**, Marshall Plan
- MSB**, Military Supply Board, Western Union
- mytel**, my telegram
- NAC**, National Advisory Council on International Monetary and Financial Problems
- NAP**, North-Atlantic Pact
- NAT(O)**, North Atlantic Treaty (Organization)
- NE**, Near East
- NEA**, Office of Near Eastern and African Affairs (after October 3, 1949, Bureau of Near Eastern, South Asian, and African Affairs), Department of State
- niact**, night action, communications indicator requiring attention by the recipient at any hour of the day or night
- NME**, National Military Establishment
- NOE**, Division of Northern European Affairs, Department of State
- NSC**, National Security Council
- NSRB**, National Security Resources Board
- O**, Office of the Assistant Secretary of State for Occupied Areas
- OASIA**, Office of the Assistant Secretary for International Affairs, Department of the Treasury
- OECC**, Organization for European Economic Cooperation
- OPC's**, overseas participating countries
- OSR**, Office of the Special Representative in Europe for the Economic Cooperation Administration
- ourtel**, our telegram
- P**, Office of the Assistant Secretary of State for Public Affairs
- PA**, procurement authorization
- PC**, Permanent Commission of the Consultative Council of the Ministers of Foreign Affairs of the Brussels Treaty powers
- PC's**, participating countries
- P.O.L.**, petroleum, oil, and lubricants
- PPS**, Policy Planning Staff, Department of State
- PriMin**, Prime Minister
- PSI**, *Partito Socialista Italiano* (Italian Socialist Party)
- PSLI**, *Partito Socialista dei Lavoratori Italiani* (Socialist Party of Italian Workers, or Saragat Socialists)
- QR**, quantitative restriction(s)
- RA**, Office of European Regional Affairs, Department of State
- reDeptel (refDeptel)**, regarding (reference) Department of State telegram
- reftel**, reference telegram
- Repto**, series indicator for messages from the Special Representative in Europe for the Economic Cooperation Administration to the Administration headquarters in Washington
- reur**, regarding your
- RFC**, Reconstruction Finance Corporation
- RPF**, *Rassemblement du Peuple Français*, French political party
- S**, Office of the Secretary of State
- S/CFA**, Coordinator for Foreign Military Assistance Programs, in the Office of the Secretary of State
- S/P**, Policy Planning Staff, Department of State
- SAFEHAVEN**, code word for a program begun in 1944 to block the flight of Axis capital assets to neutral countries

# X LIST OF ABBREVIATIONS, SYMBOLS, AND CODE NAMES

- SC**, Security Council of the United Nations
- SE**, Division of Southern (after March 14, 1949, Southeast) European Affairs, Department of State
- Secdel**, series indicator for telegrams from the United States Delegation to the Council of Foreign Ministers and related conferences and meetings, at times headed by the Secretary of State
- Sec Gen**, Secretary-General
- SNCF**, *Société Nationale des Chemins de Fer Français* (French National Railway Authority)
- SWE**, Division of Southwest European Affairs, Department of State
- SYG**, Secretary-General
- SYL**, Somali Youth League
- TC**, Trusteeship Council of the United Nations
- Telac**, series indicator for telegrams to Secretary of State Acheson while away from Washington
- Toeca**, series indicator for telegrams to the Economic Cooperation Administration in Washington from its missions abroad
- Torep**, series indicator for messages to the Special Representative in Europe for the Economic Cooperation Administration from the Administration headquarters in Washington
- U**, Under Secretary of State
- U/CFA**, Coordinator for Foreign Assistance Programs, in the Office of the Under Secretary of State
- U/FAA**, Coordinator for Foreign Aid and Assistance, in the Office of the Under Secretary of State
- UGT**, *Unión General del Trabajadores*, Spanish labor group
- UKDel**, United Kingdom Delegation
- UNA**, Office (after October 3, 1949, Bureau) of United Nations Affairs, Department of State
- UNGA**, United Nations General Assembly
- UNI**, International Administration Staff (after October 3, 1949, Division of International Administration) Department of State
- UNO**, United Nations Organization
- UNP**, Division of United Nations Political Affairs (after October 3, 1949, Office of United Nations Political and Security Affairs), Department of State
- UNSC**, United Nations Security Council
- UNS**, Division of International Security Affairs, Department of State
- UNSCOB**, United Nations Special Committee on the Balkans
- urtel**, your telegram
- USDel**, United States Delegation (Delegate)
- USG**, United States Government
- USGAdel**, United States Delegation at the United Nations General Assembly
- USIE**, United States Information and Educational Exchange Program
- USJCS**, United States Joint Chiefs of Staff
- USRep**, United States Representative
- USUN**, United States Mission at the United Nations
- USWG**, United States Working Group
- WE**, Division (after October 3, 1949, Office) of Western European Affairs, Department of State
- WFTU**, World Federation of Trade Unions
- WU**, Western Union (Belgium, France, Luxembourg, the Netherlands, and the United Kingdom, signatories of the Treaty of Brussels, March 17, 1948)
- WUFEC**, Western Union Finance and Economic Committee
- WUMSB**, Western Union Military Supply Board



PARTICIPATION BY THE UNITED STATES IN THE NORTH ATLANTIC TREATY ORGANIZATION AND IN EFFORTS FOR EUROPEAN INTEGRATION; THE MILITARY ASSISTANCE PROGRAM<sup>1</sup>

840.20/1-349

*Memorandum of Conversation, by the Director of the Office of European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] January 3, 1949.

Participants: Mr. Povl Bang-Jensen, Chargé d'Affaires, Danish Embassy  
John D. Hickerson, Director for European Affairs  
Theodore C. Achilles, Chief, WE  
Benjamin M. Hulley, Chief, NOE

The Danish Chargé came in at my invitation and I made the following statement to him.

The background and early development of the exploratory conversations looking toward conclusion of a North Atlantic Security Treaty were explained in my oral message of September 23.<sup>2</sup>

Late in October the Governments of Canada and of the Parties to the Brussels Treaty advised the United States Government that they were agreed in principle on the desirability of concluding such a treaty. Subsequent exploratory talks have resulted in steady progress toward concrete proposals for a treaty following closely the lines indicated in the oral message of September 23. In these talks it was recommended, and the recommendation is now being considered by the seven Governments,<sup>3</sup> that Denmark, Iceland, Ireland, Norway and Portugal be sounded out as to their willingness to consider participating as original signatories of the treaty and that, if they were prepared in principle to do this, they be invited to participate in the definitive drafting of the terms of the pact. The other representatives

<sup>1</sup> For previous documentation, see *Foreign Relations*, 1948, vol. III, pp. 1 ff. For documentation on other aspects of the U.S. military assistance program and on U.S. policy regarding military facilities overseas, see the compilation on U.S. National Security Policy in volume I.

<sup>2</sup> Hickerson met with the Danish Ambassador, Henrik de Kauffmann, on September 23, 1948. The memorandum of conversation, not printed, is in Department of State file No. 840.20/9-2348.

<sup>3</sup> The United States, Canada, the United Kingdom, France, Belgium, Luxembourg, and the Netherlands.

proposed, and the United States representatives agreed, that the United States Government should be responsible both for extending such invitations at the appropriate time and for keeping these Governments generally informed.

The treaty envisaged would be within the framework of the United Nations Charter. It would be designed to fortify and preserve the common heritage of the parties and to increase the security of the North Atlantic area. It is hoped that the treaty would serve this purpose by:

- (1) Making war less likely through confronting any possible aggressor with evidence of collective determination to resist attack on any party;

- (2) Providing for continuous and effective self-help and mutual aid in order better to assure the security of the area;

- (3) Providing for consultation on the request of any party in the event of a threat to or breach of the peace;

- (4) Providing that, in the event of an armed attack on any party within the area, all the parties would take such action as might be necessary to restore and assure the security of the area; and

- (5) Providing for consultative machinery, both political and military, and in which each party would be represented, to facilitate its implementation.

There would thus be a definite obligation to contribute toward the collective defense of the area both before and after an armed attack had occurred by the provision of assistance in keeping with the resources and geographic location of each party. This would not necessarily involve in every case a declaration of war in the event of an armed attack on another party to the treaty and, indeed, the treaty would not provide that any country automatically declare war in such a contingency. In democratic countries declaration of war is, of course, a parliamentary prerogative. Moreover, in some cases it might be more advantageous to the security of the area as a whole if certain countries did not become involved in war unless directly attacked.

It is hoped that the definitive drafting of the treaty can be undertaken soon enough to permit its final conclusion early in February. We should be glad to receive orally and informally any views which the Danish Government may wish to express concerning the form and timing of an official approach concerning this matter.

Similar approaches will shortly be made to each of the Governments named above. The relationship of Italy to the proposed pact is still being studied and that Government is accordingly not being approached at this time. No corresponding approach to the Swedish Government is contemplated. Should that Government, however, desire to become a party to such a treaty its participation would undoubtedly be welcomed.

Mr. Bang-Jensen asked what difference it would make whether a country were an original member or a later adherent. I said that my understanding is that it would make no difference whatever as regards the terms of the Pact but that obviously a North Atlantic Pact to be worthwhile must include those countries in the area whose position was of strategic importance to the group as a whole. He spoke of the small supply of rifles being obtained from Sweden, expressed the view that Sweden would not be able to supply Denmark and Norway with enough arms, and asked what his country could expect from us in the way of arms as it was very interested in this aspect. I said that the Treaty itself does not commit any country to supply arms to any other, but we plan to recommend legislation to make it possible to supply arms to other members, on the principle that each country would contribute according to its ability to the general defense. He said he had informed his Government that due to limited supplies available it was to be expected that the United States would not have arms available for non-members. I said this was true. He asked what publicity there would be in case Denmark desired to participate now. I said I thought this would be handled according to Denmark's wishes. He suggested that this talk was an approach, but I pointed out that it was not so definite—that its primary purpose is to bring Denmark up-to-date and all we wanted to know now is whether and how and when Denmark wishes to be approached in the light of its own political problems. He asked whether it would be too late to participate in the drafting if Denmark put off acceptance until after February 1 as had been expected for some time. I said that this would run things too close and I believed it would then be too late to participate in the drafting.

JOHN D. HICKERSON

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840.20/1-349

*Memorandum of Conversation, by the Counselor of the Department  
of State (Bohlen)*

TOP SECRET

[WASHINGTON,] January 3, 1949.

The French Ambassador<sup>1</sup> called this afternoon at his request and after a general conversation concerning the situation of France, brought up the following points regarding the North Atlantic Pact:

1. He inquired whether there would be a meeting of the Ambassadors tomorrow as he had to go to New Orleans in the middle of the week.

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<sup>1</sup> Henri Bonnet.

I told him that I had only just heard that the other countries would not be ready for a meeting by tomorrow as they had not yet received the full views of their Governments on the draft submitted <sup>2</sup> and that, therefore, it would not be possible to have a meeting until later on in the week.

The Ambassador said that in that case Mr. Bérard <sup>3</sup> would represent him.

2. The Ambassador said he wished to talk about the Defense Council which although not formally mentioned in the treaty would be set up once the treaty was concluded.

He said he had expected and had so informed his Government that the U.S. would be favorable to the idea of a small restricted Defense Council which would sit in Washington, but that he had recently heard that while no decision had been taken, the thinking here was in the direction of utilizing the London Committee <sup>4</sup> adding American and British participation. He said the French Government strongly favored the idea of a special Defense Council composed of representatives of the U.S., Great Britain, and France in which England and France would represent the Benelux countries and, of course, add Canada if we so desired. He said his Government felt that the important military staff work would be done in the Defense Council set up under the North Atlantic Pact and, therefore, should not be merged with the London Committee; that a small group would make for greater efficiency or the military planning more effective.

I told the Ambassador that I was not familiar with the matter he had brought up but would pass on his views to Mr. Lovett.<sup>5</sup>

The Ambassador said he had mentioned it in passing to Mr. Lovett, and while he was not asking for any answer immediately he wished to put forward the views of his Government. In reply to my question as to what would become of the London Committee, he said that the London Committee would have less importance once the Atlantic Pact was concluded. I replied that I thought in our view the London Committee would still have the important task of coordinating the specific defenses of the Brussels Pact countries since we in no way envisaged that the North Atlantic Pact would be a substitute for the Brussels union but merely a complementary and wider association.

---

<sup>2</sup> A draft treaty dated December 24, 1948, was submitted on that date by the International Working Group to the Ambassadors Group. This draft, a revision of the September 9 and December 21 drafts, was approved by the Ambassadors Group on December 24 for submission to their respective governments. For text, see *Foreign Relations*, 1948, vol. III, p. 333.

<sup>3</sup> Armand Bérard, Minister in the French Embassy.

<sup>4</sup> Brussels Pact Military Committee with headquarters in London.

<sup>5</sup> Robert A. Lovett, Under Secretary of State, was Acting Secretary of State at this time and held the position until January 22 when Dean Acheson assumed the duties of Secretary.

3. The Ambassador said there were two questions which still remain unsolved which might be handled by drafting formulas, namely, the question of the reference to North Africa by which the French Government had in mind particularly Algeria and Italy. He said since Spitsbergen and Alaska were being mentioned, it was difficult to exclude mention of Algeria which was a Department of France. He said he was trying to work on a formula, but he had not yet found the exact one to deal with the subject. As to Italy he said that according to their information Italy was very anxious to be associated in the North Atlantic Pact.

I told the Ambassador that while I had heard in general these two points, I had not had an opportunity since my return to go into them in any detail, that insofar as Italy was concerned since it was a Western European country, it had always seemed to me that association with the Brussels union and through it to the Atlantic Pact was the most logical. I repeated, however, that I had not caught up with the latest developments on that point.

C[HARLES] E. B[OHLEN]

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840.20/1-449 : Telegram

*The Ambassador in Sweden (Matthews) to the Acting Secretary of State*

TOP SECRET

STOCKHOLM, January 4, 1949—2 p. m.

5. I have just received copy Copenhagen's telegram 1110, December 30, 6 p. m. to Department.<sup>1</sup> Regardless of Rasmussen's<sup>2</sup> wishes I consider it extremely important from tactical point of view that no approach to Swedes with invitation to join North Atlantic pact be made at this time either by US or Britain. I see many signs of effectiveness of our tactics of showing indifference to Swedish policy all of which would be undone if we made any approach to Swedes at this time. Let the Norwegians and/or Danes tell the Swedes about North Atlantic pact if and when the time seems proper to them. I consider this of greatest importance from point of view Swedish psychology if we hope for eventual Swedish association in pact.<sup>3</sup>

MATTHEWS

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<sup>1</sup> *Foreign Relations*, 1948, vol. III, p. 346.

<sup>2</sup> Gustav Rasmussen, Danish Minister of Foreign Affairs.

<sup>3</sup> In telegram No. 10, January 6 (not printed), the Department of State informed Matthews that it had no intention of approaching the Swedish Government regarding the North Atlantic Pact, although it had indicated to Denmark and Norway that it had no objections to their discussing the subject with Sweden. (840.20/1-549)

840.20/1-449 : Telegram

*The Ambassador in Denmark (Marvel) to the Acting Secretary of State*

TOP SECRET

COPENHAGEN, January 4, 1949—6 p. m.

6. British Ambassador returned from London January 1 and today informs me terms of North Atlantic pact will near completion mid-January. Further stated his information was Swedish military as distinct from Swedish air and navy are not keen for Scandinavian alliance and that there is possibility Nordic technical report due after January 11 meeting will not be unanimous and consequently chances for Scandinavian military alliance not too propitious. I suggested and he agreed sounding (inquiry whether Danes would accept within specified deadline invitation to join in talks) should be made February 1. February 1 appears to me to be date for approach particularly as it was date suggested by Danes as deadline as reported my 861 September 14<sup>1</sup> *et seq.* and it is my recommendation such be done. Conversations with leaders in the Conservative and Socialist parties over week end convince me there will be Parliamentary majority for ratification North Atlantic pact but that Danish ratification will be doubly assured if sounding to Sweden to join talks is made at same time as to Denmark and Norway. If Danes know all efforts to conclude Scandinavian military alliance have been exhausted as well as equal opportunity has been offered to Swedes to discuss North Atlantic pact then remaining obstacle to severing historical and sentimental ties between Danish and Swedish Socialists will be overcome. Simultaneous soundings Norway, Denmark and Sweden would be helpful here.

BBC diplomatic correspondent here for *Berlingske Tidende* 200 year jubilee has been quite free in telling Danish politicians Sweden will not be extended invitation for North Atlantic pact and reaction has not been favorable.

Sent Department 6; repeated Stockholm 1, Oslo 1, London 1.

MARVEL

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<sup>1</sup> *Foreign Relations*, 1948, vol. III, p. 251.

840.20/1-549 : Telegram

*The Ambassador in Norway (Bay) to the Acting Secretary of State*

TOP SECRET

OSLO, January 5, 1949—6 p. m.

4. Secretary General Foreign Office confirms meeting today and tomorrow between Prime, Foreign and Defense Ministers Norway, Sweden, Denmark to discuss Danish Swedish position regarding na-



tional pact (Deptel 3, January 4 [3] <sup>1</sup>). Meeting taking place small town in Sweden near Norwegian frontier total 9 persons no secretarial staff.

Lange's <sup>2</sup> decision to call meeting appears to have been motivated by imminence Washington talks at which decision would be taken whether to invite Norway become charter member of pact. This required clear-cut understanding by Norway where Denmark Sweden stood. While resulting showdown may be somewhat premature in view fact that Scandinavian defense talks not yet terminated it is nevertheless pertinent to latter subject also. Defense meeting in Oslo next week will be largely for purpose drafting final report and little doubt remains regarding verdict on this score.

If invitation is extended Norway to join Atlantic Pact discussions in Washington probably Lange will attend personally.

Sent Department 4, pouched Copenhagen, Stockholm.

BAY

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<sup>1</sup> Not printed.

<sup>2</sup> Halvard Manthey Lange, Norwegian Minister of Foreign Affairs.

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840.20/1-549 : Telegram

*The Ambassador in Italy (Dunn) to the Acting Secretary of State*

TOP SECRET

ROME, January 5, 1949—6 p. m.

38. I had conversations yesterday with both the Prime Minister <sup>1</sup> and the Minister for Foreign Affairs. <sup>2</sup> They are very anxious that the position of Italy with regard to western defense arrangements be understood in Washington. They are both determined, as has been evidenced by their progressive campaign during last few months, to have Italy included in either Brussels or Atlantic pacts. They are basing their program here in Italy on attainment of peace and security for the country and in their view there is neither peace nor security for this land unless they are tied in with western defense. They are having a little difficulty, however, with Saragat <sup>3</sup> and as they both said to me yesterday, they consider the continuation of the coalition government here of primary importance to the unification of the country and to the carrying out of the progressive and constructive program De Gasperi has promised the country.

Saragat, as Department probably aware, is inherently a timid man and in times of crises seems to lack the courage to take a definite posi-

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<sup>1</sup> Alcide de Gasperi.

<sup>2</sup> Carlo Sforza.

<sup>3</sup> Giuseppe Saragat, Deputy Prime Minister of Italy.

tion. He is, however, an inherently good man; he is sincerely patriotic and is the strongest link to Labor the government has. De Gasperi feels that it is therefore extremely important to have Saragat willing go along with the orientation toward the west. The Prime Minister feels that there is no question about Saragat's ultimate decision to go along but that he must be given a little time and that time is worth waiting in order to have Saragat himself fully convinced of the necessity to take a definite move now. Saragat's trouble seems to be that he does not feel assured that it is necessary at present time to take such a definite act as joining with western arrangements.

Count Sforza read to me portions of a memorandum he is drafting to forward through Tarchiani<sup>4</sup> giving a full exposition of Italy's position. He said this should be considered the first step toward asking to join definitely in the western defense arrangement. Both the Prime Minister and the Foreign Minister hoped very much Italy's international position and her internal cabinet difficulties would be sympathetically understood in Washington; that their sincerity would be given full credit and a favorable reply could be made to their forthcoming approach.

I would be grateful if the sense of this message were not conveyed to anyone, particularly to the Italian Embassy, as Italian Government expects to deal with this subject through Tarchiani but will most likely keep me informed of development from time to time.

DUNN

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<sup>4</sup> Alberto Tarchiani, Italian Ambassador in the United States.

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840.20/1-549 : Telegram

*The Acting Secretary of State to the Embassy in Italy*

TOP SECRET

WASHINGTON, January 5, 1949—7 p. m.

21. For Amb. Dec 24 document<sup>1</sup> of which copy has been sent you concerning exploratory talks North Atlantic security sets forth in Annex C arguments for and against inclusion Italy, position various reps, and possible alternatives. US position not yet final partially due insufficient info re wishes Ital Govt. Tarchiani has frequently indicated Italy would wish inclusion as original signatory Atlantic Pact. Understand from your reports that anything which appeared in Italy as rebuff or insufficient recognition Ital ties with West would be most unfortunate. Some other govts indicate belief Ital public opinion not currently prepared for Ital membership in either North Atlantic or Brussels Treaties.

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<sup>1</sup> *Foreign Relations*, 1948, vol. III, p. 333.

While Dec 24 document as such must of course not be discussed with Italians we would appreciate your recommendations, after talking to de Gasperi, as to position this govt should adopt and seek to have other govts participating in discussions adopt. Alternatives include:

- (1) Ital inclusion in North Atlantic Pact alone;
- (2) Ital accession to Brussels Treaty on conditions mutually acceptable to Ital Govt and present parties, with simultaneous inclusion in North Atlantic Pact;
- (3) Italy not now being included in either, but US, UK, French, and possibly other govts issuing statement at time of conclusion of North Atlantic Pact that armed attack on Italy would be occasion for consultation under North Atlantic Pact. If Ital Govt did not wish join Pact at this time, this alternative might be accompanied by exchange carefully negotiated communications emphasizing Italy's ties with West despite non-participation.

You may wish suggest other alternatives or variations or combinations foregoing.

LOVETT

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840.00/11-948: Telegram

*The Acting Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, January 5, 1949—8 p. m.

50. Advise Chairman Permanent Comm<sup>1</sup> fol sense (Embtel 4798 Nov 9<sup>2</sup>):

US Govt appreciates invitation participate work Western Union Mil Comite on Equipment and Armament and will be glad do so on non-membership basis as in case Mil Comite and Chiefs of Staff Comite. Name regular US Rep will be communicated near future. Pending arrival London Amb Douglas or in his absence Holmes Chargé<sup>3</sup> will represent US Govt meetings Comite.

LOVETT

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<sup>1</sup> Permanent Commission of the Consultative Council of the Ministers of Foreign Affairs of the Brussels Treaty Powers.

<sup>2</sup> Not printed.

<sup>3</sup> Ambassador in the United Kingdom Lewis W. Douglas and Counselor of Embassy Julius C. Holmes.

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840.20/1-649

*The Special Assistant to the Secretary of Defense (Ohly) to the Secretary of State*

TOP SECRET

WASHINGTON, 6 January, 1949.

DEAR MR. SECRETARY: This is with further reference to your letter of 28 December 1948<sup>1</sup> requesting the views of the National Military

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<sup>1</sup> Not printed.

Establishment with respect to the paper enclosed therewith<sup>2</sup> covering the current Washington talks on a possible North Atlantic Pact.

There is enclosed herewith for your information a copy of a memorandum from the Joint Chiefs of Staff to the Secretary of Defense, dated 5 January 1949, which has just come into the office. This memorandum expresses the views of the Joint Chiefs with respect to the paper which you forwarded in your letter of 28 December. Because of the urgency of this matter, and because of the important points made by the Joint Chiefs of Staff, I am taking the liberty of making this copy available to you even before it has been reviewed by Mr. Forrestal.<sup>3</sup>

In view of my understanding that you intend to discuss this general subject at this afternoon's meeting of the National Security Council, I am forwarding a copy of this letter and its enclosure to Mr. Souers.<sup>4</sup>

Sincerely yours,

JOHN H. OHLY

[Enclosure]

*Memorandum by the Joint Chiefs of Staff for the Secretary of Defense (Forrestal)*

TOP SECRET

WASHINGTON, 5 January, 1949.

Subject: North Atlantic Pact.

In response to the request contained in your memorandum dated 30 December 1948, the Joint Chiefs of Staff have formulated the following statement of their views on a report by the Department of State dated 24 December 1948 entitled "Washington Security Talks."<sup>5</sup>

The Joint Chiefs of Staff previously forwarded to you on 22 April 1948 and 19 May 1948 their comments on National Security Council reports which are related to the report on Washington Security Talks. Since these National Security Council reports<sup>6</sup> (regarding The Position of the United States with Respect to Support for Western Union and Other Related Free Countries) are merely the generalized basis for development of the position regarding a North Atlantic Pact set forth in the Washington Security Talks, the earlier comments of the Joint Chiefs of Staff have only general application to the report on Washington Security Talks.

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<sup>2</sup> Draft treaty of December 24, 1948, *Foreign Relations*, 1948, vol. III, p. 333.

<sup>3</sup> James V. Forrestal, Secretary of Defense.

<sup>4</sup> Sidney W. Souers, Executive Secretary, National Security Council.

<sup>5</sup> *Foreign Relations*, 1948, vol. III, p. 333.

<sup>6</sup> NSC 9 of April 13, 1948, and NSC 9/2 of May 11, 1948. For the text of NSC 9 and of the final version, NSC 9/3, dated June 28, 1948, see *ibid.*, pp. 85 and 141.

Preliminary to specific comment on that report, however, the Joint Chiefs of Staff would like to reaffirm their belief that :

*a.* The idea of collective defense embodied in the proposed North Atlantic Pact is an essential feature of a United States policy directed toward preservation of our national security ; and

*b.* Consummation of the proposed pact will emphasize the need for military strength appropriate to the world situation and to the commitments implicit in the pact.

The Joint Chiefs of Staff are in general agreement with the United States position in the report on Washington Security Talks. The following comments on matters of military implication are intended largely to be in confirmation of the United States position. Several of these comments, however, offer suggestions the adoption of which would, from the military viewpoint, improve that position :

*a.* The terms of the proposed pact should be such as to form no more than a broad, general basis for later implementation with respect to military matters. They should not contain in themselves provisions construable as specific directives regarding such military matters as military organization, command relationships, strategic planning and areas of responsibility, or military contributions to the over-all effort. The Joint Chiefs of Staff are of the opinion that, with one exception mentioned in subparagraph *f.* below, the terms of the pact are well designed to meet these conditions and thus to provide the flexibility essential in implementing military responsibilities once the pact has become effective.

*b.* While agreeing, as stated above, with the idea of collective defense embodied in the proposed pact, the Joint Chiefs of Staff believe that its scope should not be such as to result in undue disparity between our commitments and our present and prospective strength. For this reason it may be well to examine rather carefully the wording of Article 4, which reads as follows :

“The Parties will consult together whenever, in the opinion of any of them,

(*a*) the territorial integrity, political independence or security of any of the Parties is threatened ; or

(*b*) there exists any situation which constitutes a threat to or breach of the peace.”

The word “territorial” in subparagraph (*a*) quoted above, since territory is “the domain over which a sovereign state exercises jurisdiction,”\* can be construed to include the colonies of all the signatories to the pact. Subparagraph (*b*) quoted above, since it contains no limiting term, may mean that consultation will be involved whenever there exists any situation *anywhere* which constitutes a threat to or breach of the peace. Thus Article 4 could constitute a very large order indeed and one that does not appear to be essential to the North Atlantic Pact. The scope of Article 4 should, in its final form, certainly be no

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\*Funk & Wagnalls Standards Dictionary. [Footnote in the source text.]

broadier than it is at present and, preferably, it should be restricted. In any case there should be clear understanding that consultation is not in itself a commitment to military action.

c. The Joint Chiefs of Staff are in complete concurrence with that part of the wording of Article 5, paragraph (1), which agrees to "such military or other action . . . as may be necessary to restore and assure the security of the North Atlantic Area." Wording less general in nature might tend dangerously to affect our freedom of planning and action with respect to global strategy, it being manifest that direct assistance alone might well be neither so practicable nor so effective as steps taken in consonance with over-all strategic concepts. It is hoped that Article 5 in its final form will retain the excellent terminology quoted above.

d. It is noted that the initial lines of Article 5, paragraph (1), are so phrased that mutual assistance is called for in case of *any* armed attack against one or more parties to the pact. That is, the terms of Article 5 may be invoked in case of either external or internal armed attack on any of the parties, including armed attack by any party to the pact. From the military viewpoint, so broad a provision is open to question in that the intention of the pact as a whole is taken to be the development of collective defense against external aggression and, further, in that the limitation of mandatory commitment, where reasonably practicable, is good business in terms of future military contingencies. On this point, it is recognized that political and diplomatic considerations may be overriding.

e. Alternative A (U.S. position) is preferable to alternative B in Article 5, paragraph (2). The North Atlantic Area as defined in Alternative A for determination of a basis for invoking assistance in case of attack is adequate and, correctly, avoids unduly widespread commitments. On the other hand, alternative B, which extends the definition to include parts of North Africa and of the Mediterranean, unnecessarily and dangerously broadens what is, in effect, a limitation upon the sovereign choice of the United States in accepting or rejecting war. The area in which this limitation upon sovereignty is to be effective should be held within as narrow bounds as possible, not only because of the limitation itself but because the United States, through constitutional processes, is unlikely to accept any broader application of Article 5 than the minimum acceptable to prospective European partners. Further, alternative B would not only extend the scope of the Article 5 commitment outside of Europe, North America and the North Atlantic, but would tend, during the course of negotiations as to terms of the pact, to extend this scope still further, since if French colonial possessions were to be included, it might prove impracticable to exclude the colonial possessions of other Parties to the agreement; in addition, thus to define the "North Atlantic Area" would be to invite justifiable claims to membership on the part of Mediterranean states whose adherence to the agreement has already been determined to be undesirable.

f. Article 8, regarding the establishment of a Council to deal with matters concerning the implementation of the pact, is in general satisfactory and is consistent with the discussion in subparagraph *a* above as to the essentiality of flexibility in implementing military responsi-



bilities. It could be improved by the insertion of the word "general" in the next to the last line, so that the last sentence would read:

"The Council shall set up such subsidiary bodies as may be necessary; in particular it shall establish immediately a defense committee which shall recommend *general* measures for the implementation of Articles 3 and 5."

Otherwise, the authority of the defense committee could be taken to extend to detailed recommendation on all military matters associated with Articles 3 and 5. Article 8, in its final form, should be no more specific than, with the suggested amendment, it is at present.

g. The primary reasons for Italy's inclusion in either the North Atlantic or Brussels Pact would appear to be political in nature. There is no military necessity for Italy being included in the North Atlantic Pact. However, from the military point of view, it is highly desirable that Italy be included in the Brussels Pact. It is essential that the whole pattern of defense of Western Europe be more properly integrated, more compactly drawn and the greatest economy of forces obtained by Italy's inclusion in the Brussels Pact. It would, in fact, be unrealistic militarily for Italy to be a member of neither. In terms of land warfare in Western Europe, Italy is strategically important. In terms of sea warfare, there is no question as to her critical strategic potentiality with respect to control of the Mediterranean. While it may be that Italy's membership in either pact might prove, in emergency, to be of doubtful value, it is certain that it will be harmful from the military viewpoint for her to be a member of neither. The foregoing comment applies also to Spain, although the Joint Chiefs of Staff are aware that at present it does not appear to be politically expedient to include that country in pact membership.

h. With further reference to Annex C of the report, the Joint Chiefs of Staff are in agreement with Section (V) regarding the desirability of taking steps to assure the governments of Greece, Turkey, and Iran that their security is a matter of concern to the signatories of the North Atlantic Pact.

i. With respect to Annex D of the report, the Joint Chiefs of Staff concur in the intention to invite Iceland, Norway, Denmark, Ireland, and Portugal to join the pact and to inform Sweden indirectly that if she wishes to become a party to the pact she will be welcome.

For the Joint Chiefs of Staff:

LOUIS DENFELD

*Admiral, U.S. Navy*

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840.20/1-749 : Telegram

*The Ambassador in Belgium (Kirk) to the Acting Secretary of State*

TOP SECRET

BRUSSELS, January 7, 1949—10 p. m.

36. High Foreign Office official informs us that Belgian observations on "recent North Atlantic Pact paper" have been sent Silvercruys.<sup>1</sup>

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<sup>1</sup> Baron Silvercruys, Belgian Ambassador in the United States.

Informant offered following strictly confidential information re Belgian thinking:

1. Belgians agree with US that geographic scope pact should be European, North American and Atlantic area lying between. However, Belgians do not like term "North American" since geographically it includes Mexico whereas pact actually applies to US, Canada, Alaska.

2. Belgians opposed inclusion Mediterranean and North Africa areas but willing if French constitutional requirements necessitate to include Algeria which constitutionally is a part of metropolitan France. Belgians believe inclusion any other North African territory would raise question of Congo, Turkey, Greece, Egypt, et cetera.

3. Belgians do not favor initial Italian adherence and tend to view that security of Italy is essentially Mediterranean problem which should eventually be covered by some form of Mediterranean regional agreement which would include Greece, Turkey, North Africa and possibly certain Arab states such as Egypt. Eventually such a Mediterranean system, the North Atlantic system and other regional arrangements should be grouped in a security system on world-wide scope. Among other considerations Belgians appear feel that initial extension North Atlantic system to Mediterranean area might complicate ratification by parliaments of certain countries.

4. At present Belgians apparently would prefer not to have pact come into force until all initial signatories have ratified. While recognizing this might delay entry into force of pact Belgians at same time appear somewhat apprehensive over possibility that under envisaged system (where pact would become effective between ratifying states when a majority of signatories have ratified) "a situation might arise where pact would enter into force without one of most important participants, for example US or France".

5. Belgians hope duration of treaty will be for longest possible period.

KIRK

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840.00/1-949 : Telegram

*The United States Special Representative in Europe (Harriman) to the Acting Secretary of State*

TOP SECRET

US URGENT

PARIS, January 9, 1949—5 p. m.

Repsec 8. Personal for Lovett. Please show Hoffman<sup>1</sup> and Forrestal.<sup>2</sup> Subject is Western Union rearmament: Please refer my letter

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<sup>1</sup> Paul G. Hoffman, Administrator, Economic Cooperation Administration.

<sup>2</sup> Forrestal, as Secretary of Defense, together with Acting Secretary of State Lovett and ECA Administrator Hoffman, comprised the newly established Foreign Assistance Steering Committee (FASC).

to Lovett dated 12 November 1948.<sup>3</sup> From phone calls Nitze-Bonesteel<sup>4</sup> I understand supply board Western Union have made report concerning contribution to rearmament which can be made by Western Union countries. Bonesteel will meet Nitze London 12 January this subject.

Am disturbed that I knew nothing of situation until this late date. As reference letter states it is imperative that rearmament and ERP be closely coordinated and work forward together as integral parts US policy. Particularly in field of impact rearmament on European countries and judgement as to their proper contribution I believe it essential OSR, ECA be intimately involved. Nitze states present thinking is that US representative to Western Union supply board will be civilian from NME. I strongly recommend reconsideration to tie in OSR with this position which is directly concerned with economic situation Europe. Otherwise essential coordination recovery assistance and military assistance can not be effective.

I feel time has come when I should be brought into developments and activity Western Union rearmament. Otherwise we are likely to be working unwittingly at cross purposes.

HARRIMAN

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<sup>3</sup> No relevant letter of November 12 by Harriman has been identified, but the problem of coordination was taken up in his letter of November 23 to Secretary of State Marshall. This letter and a reply of December 3 by Lovett are printed in *Foreign Relations*, 1948, vol. III, pp. 283 and 300.

<sup>4</sup> Paul H. Nitze, Deputy to the Assistant Secretary of State for Economic Affairs, and Charles H. Bonesteel, 3rd, Special Assistant to the U.S. Special Representative in Europe.

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840.20/1-849 : Telegram

*The Acting Secretary of State to the Legation in Ireland*

TOP SECRET

WASHINGTON, January 10, 1949—1 p. m.

6. Substance Dept's 1 Jan 4<sup>1</sup> conveyed orally to Nunan<sup>2</sup> on that date for his info. He preferred study it before commenting or asking questions. Should Irish Govt raise partition question in discussing Pact you shd make clear that we consider two questions totally unrelated and that we take their action in raising partition question to mean they are not seriously interested in Atlantic Pact and will accordingly not consult them further. UK rep in Dublin informed substance Dept's 1. Pls keep in touch with him and advise him Irish Govt's reactions.

Rept to London your 9 Jan 8.

LOVETT

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<sup>1</sup> Not printed. This telegram instructed the American Minister in Ireland, George A. Garrett, to convey to the Foreign Minister, Seán MacBride, the same information on the background and recent developments of the North Atlantic Pact negotiations that was being conveyed to Denmark, Iceland, Norway, and Portugal. (840.20/1-449)

<sup>2</sup> Sean Nunan, Irish Minister in the United States.

840.00/1-949 : Telegram

*The Acting Secretary of State to the Embassy in France*

TOP SECRET      US URGENT      WASHINGTON, January 10, 1949—6 p. m.

70. Personal for Harriman from Lovett. Agree fully necessity coordinating rearmament and ERP problems from standpoint of giving full consideration to impact upon economic recovery programs. Your letter 12 Nov 1948<sup>1</sup> was of course carefully considered here but reply was delayed pending full discussions here looking toward establishment of coordinating arrangements among Washington agencies primarily concerned. Unfortunately this has taken longer than anticipated. Last week State Dept at request President undertook coordination of development and presentation to Congress of overall foreign mil assistance programs. *Ad Hoc* Committee composed of Forrestal, Hoffman and Sec State was established and Correlation Committee set up composed Gross for State as Chairman, Gen Lemnitzer for NME and Henderson for ECA.<sup>2</sup> It was understanding State Dept that ECA would advise you last week of creation of Committee, its general terms of reference and would request certain info from you concerning production studies and economic analyses prepared in connection with ERP programs.

In view shortness time, *Ad Hoc* Committee decided over weekend to send Paul Nitze to Europe for discussions with you, Emb London and DelWU concerning present status of programming and considerations on which programs will be prepared. Committee expects Nitze to return with available info concerning studies already made of Western Union production capabilities, balancing of mil requirements against production capabilities and determination of implications of mil requirements with respect to economic recovery program. Purpose Nitze call to Bonesteel was to arrange earliest possible meeting with Bonesteel and other appropriate US officials in London and Paris. Nitze has been requested discuss with you procedures by which continuing work on rearmament programs should be carried on. This will raise question US representation on Mil Supply Board and Nitze will bring with him proposed instructions to US rep on MSB as well as proposed procedures for effecting coordination of US reps in Europe including of course yourself. *Ad Hoc* Committee also desires info concerning composition and operations Financial Committee re-

<sup>1</sup> See footnote 3, p. 15.

<sup>2</sup> Ernest A. Gross, Legal Adviser of the Department of State and Coordinator for Foreign Assistance Programs; Maj. Gen. Lyman L. Lemnitzer; Alexander I. Henderson. The two committees referred to here are the Foreign Assistance Steering Committee and the Foreign Assistance Correlation Committee (FACC), both centered in Washington. Documentation relating to the formation and activities of the FACC is scheduled for publication in volume I.

lation of which to Mil Supply Board and your office is not at present known here.

Tel formally advising you, Embs London and Paris and DelWU of Nitze mission will be transmitted later today.<sup>3</sup>

LOVETT

<sup>3</sup> Not printed.

840.20/1-1049 : Telegram

*The Ambassador in Denmark (Marvel) to the Acting Secretary of State*

TOP SECRET

COPENHAGEN, January 10, 1949—7 p. m.

20. I discussed with Foreign Minister today Karlstad meeting.<sup>1</sup> He stated it was agreed to form a regional Scandinavian alliance under Section 51 of UN by treaty obligating each country to declare war in case of aggression against any one but with this important condition insisted on by Norway and agreed to by Denmark. The condition is that US will agree to furnish arms to this regional group.

The time table for further discussions calls for meeting Copenhagen January 22 and 23 at which military report now being prepared at Oslo will be presented and also members of various political parties excluding Communists represented on three foreign relations committees will attend. Final meeting will be Oslo January 28 at which meeting Norwegian, Swedish and Danish Ambassadors from Washington will be present and instructed to return to Washington and prevail upon US Government to give its blessing to regional treaty and make available US arms.

Rasmussen stated Swedes would not now agree to joining North Atlantic Pact and all Swedish obligations under regional pact, if such comes into force, would be dissolved if any member joined North Atlantic Pact. In short, 100 percent Swedish neutrality.

I informed him in my opinion there was little hope of US undertaking to supply arms to such a neutral arrangement and inquired what would Denmark's position be if Norway joined North Atlantic Pact leaving Danes alone with Sweden. He avoided this question but stated he hoped Kauffmann<sup>2</sup> could convince US of advantages of Scandinavian regional treaty on his return from Oslo.

Kauffmann will be instructed January 12 to inform Department Denmark desires no invitation to North Atlantic talks until after February 1.

Sent Department, repeated Oslo 3, Stockholm 2.

MARVEL

<sup>1</sup> The Prime Ministers of Denmark, Norway, and Sweden met at Karlstad, Sweden, on January 5 and 6.

<sup>2</sup> Henrik de Kauffmann, Danish Ambassador to the United States.

840.20/1-1049 : Telegram

*The Ambassador in Italy (Dunn) to the Acting Secretary of State*

TOP SECRET

ROME, January 10, 1949—9 p. m.

101. The Foreign Minister asked me to see him this afternoon and showed me a copy of the memorandum he sent to the Italian Ambassador on the position of Italy with respect to participating in western defense arrangements. I consider that this memorandum and the remarks the Minister made to me this afternoon may be taken as a reply to your No. 21 of January 5, 7 p. m.

The Minister said that the Italian Government was fully agreed on desirability of entering western defense arrangements and of course would prefer inclusion in North Atlantic Pact. When I noted that memorandum to Tarchiani did not specifically ask to join Atlantic Pact, he said Italian Government did not feel it would be proper to ask at this time although that was Italian desire. He said in view of reports that other governments were opposed to Italian entry now, government felt here they should frankly set forth their position and hope that a favorable reply to this memorandum would be the key to open the door for their entry in the pact. He said government would like it clearly understood they were not presuming to make any conditions whatever, but in the face of reports that some of the countries concerned considered Italian military weakness as a result of the peace treaty made Italy not as welcome as otherwise might be, government hoped for some encouraging response from US which would make it possible for them to be included among the original signatories to the pact. This, to them, would be preferable to coming in by way of membership in the Brussels Pact as public opinion here had only confidence in an arrangement in which the US was included.

It is my feeling that every favorable consideration should be given to including Italy as a contiguous power in the Atlantic Pact as those responsible for government of Italy now have done splendid work in bringing Italy forward along with western democratic nations, and we should give full encouragement to supporting that movement here and keeping Italian nation on our list with respect to any aggression in the future which might come from non-democratic sources.

DUNN

840.20/1-1149

*The American Ambassador (MacVeagh) to the Portuguese Minister  
for Foreign Affairs (Caeiro da Matta)*<sup>1</sup>

TOP SECRET

## AIDE-MÉMOIRE

The American Ambassador had the honor to be received today by His Excellency, the Minister for Foreign Affairs, for the purpose of conveying to His Excellency certain messages from his Government in connection with a proposed North Atlantic Treaty.

1. The Ambassador began by saying that he was instructed to advise His Excellency textually as follows:

[Here follows a general statement on progress of the exploratory talks and basic features of the proposed treaty.]

2. After communicating the above to His Excellency, the American Ambassador then stated that he was instructed to add orally that the Treaty envisaged is designed to strengthen the defensive capability of sovereign parties in order better to assure the security of all of them against aggression from any source; that it is not to be confused with measures now being taken to promote closer political or economic integration of Western European countries; that it would in no way derogate from the full sovereignty of the parties; and that it will not be applicable to the colonial possessions of any party except through providing for consultation should they be threatened. He also added, as an expression merely of his Government's opinion, that his Government would like to see Spain included whenever this may become politically possible, but that under present circumstances Spain's inclusion is not politically possible for most European participants.

3. In conclusion, the Ambassador said that the above quoted textual communication, and his additional authorized explanatory remarks, were both drafted before the American Government had knowledge either of the *Aide-Mémoire* handed by His Excellency to the British Ambassador on December 31st, 1948,<sup>2</sup> or of the conversation between them which occurred at that time, and that he had now been instructed to add further not only that the quoted text was drafted for presentation to each of the five Governments concerned in substantially similar form, but that the American Government is highly gratified to find

<sup>1</sup> Handed to José Caeiro da Matta by Lincoln MacVeagh on January 10; copy transmitted to the Department of State by MacVeagh in his despatch No. 10, January 11. A copy of a parallel communication, drafted in somewhat different form, was subsequently left with the Minister by the British Ambassador. (840.20/1-1149)

<sup>2</sup> Text quoted by MacVeagh in his telegram 7, January 6, to the Department, not printed.



that Portuguese thinking, as indicated in His Excellency's *Aide-Mémoire* to the British Ambassador, is in such close accord with its own. Specifically with reference to the points raised in that *Aide-Mémoire*, the Ambassador said his Government had instructed him to inform His Excellency as follows:

(a) *European Federation.*

The American Government favors such measures looking toward progressively closer economic and political integration of Western European nations as they themselves think practicable, but the Atlantic Pact (as already indicated in the Ambassador's explanatory remarks) is an entirely different project and not to be confused with such measures.

(b) *Strategic Bases.*

The American Government entirely agrees with His Excellency's observations to the British Ambassador on this subject. If the North Atlantic Pact is concluded, what facilities in what countries may in future be deemed desirable to enhance the security of the North Atlantic area can only be determined in future by the consultative machinery envisaged, in which all parties would be represented. Obviously, no party could be required under the Treaty to grant facilities on its territory to all or any of the other parties without its full consent.

(c) *The Question of Spain.*

The American Government believes that His Excellency's point is also covered, so far as the United States is concerned, by the Ambassador's above-mentioned authorized oral remarks, but additionally states that the United States fully realizes the importance to Portugal of Spain and believes that non-inclusion of Spain at this time should not be a deterrent to Portuguese participation in the proposed Treaty, but rather that Portugal's defense problems, including the Spanish element in the strategic picture, could be dealt with more satisfactorily if Portugal were a party.

LISBON, January 10, 1949.

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840.20/1-1249 : Telegram

*The Ambassador in Denmark (Marvel) to the Acting Secretary of State*

TOP SECRET

COPENHAGEN, January 12, 1949—4 p. m.

27. Formula agreed upon by Nordic leaders at Karlstad is in line with Danish insistence in exhausting all approaches to maintain Scan-

dinavian solidarity. One of basic elements and condition of formula is success in persuading US to supply arms to three Nordic countries. Danish argument will be US is considering inviting Norway and Denmark to joint North Atlantic pact with knowledge supplying of arms is necessary. Therefore these arms must now be in process of being made available and consequently since available should be offered to Danes on reasonable terms even though Denmark not member of pact. Further argument will be advanced it is to US advantage to have neutral Scandinavian block backed up by power of Sweden which will tend to deter Russian aggression in this area while on other hand by Norway and Denmark joining North Atlantic pact thus splitting Scandinavia Russian aggression would be invited by knowledge Sweden would not come to Denmark's and Norway's assistance and US and UK help would be too late.

I assume that the first reaction of Department will be to insist on policy stated Department's 720, November 22,<sup>1</sup> namely, such neutral arrangement disqualifies members from getting US aid until requirements member of North Atlantic pact have been met. However, on reflection and in consideration Karlstad formula is based on assumption only Russia can be considered potential aggressor, I believe problem should be reconsidered in view Karlstad developments. Result of US policy had forced Sweden to commit itself to war in case Norway or Denmark attacked. Sweden has been forced into this position by fear resulting from US policy that Denmark and Norway would join North Atlantic pact leaving Sweden alone. This committing of Sweden to defend the two militarily weak Scandinavian countries cannot help being a deterring factor to Russian aggression. I believe Karlstad formula is only way to commit Sweden, the most powerful Scandinavian country, to war on Russia other than by direct attack on Swedish territory as I am convinced Sweden will not join North Atlantic pact. In this respect US and North Atlantic members are relieved of obligation to defend indefensible Denmark and at same time are assured of Swedish participation in war against Russia in event Denmark is attacked.

There are two important and related problems, namely, Greenland to US and Faroe Islands to UK. Karlstad formula applies only to metropolitan areas and not to these island possessions. It is possible in my opinion to reach understanding with Danes that defense of these islands will follow lines last war, namely, UK will occupy Faroes and US Greenland. When I questioned Rasmussen as to Greenland he replied "we already have a treaty with your country and we have no desire to disturb the situation". Certainly with the supply of a small

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<sup>1</sup> Repetition to Copenhagen of telegram No. 812 to Stockholm, November 22, 1948, *Foreign Relations*, 1948, vol. III, p. 281.

number of arms at reasonable terms which would be much less in number and value Danes would expect as member North Atlantic pact, I am of opinion Danes would continue indefinitely with understanding heretofore given me that Denmark would take no steps to terminate present Greenland treaty so long as crisis exists.

By political pressure Danes and presumably Norwegians can be brought into North Atlantic pact. Question is does mere fact of additional members of North Atlantic pact group openly united against Russia outweigh factors of not having weak Norway and Denmark to defend plus assurance of Swedish participation against Russia for if war comes Denmark will be one of first attacked.

I am convinced Karlstad formula should be calmly and objectively considered and I offer my above views in connection therewith.

Sent Department 27 ; repeated Oslo 4, Stockholm 3, London 4.

MARVEL

840.20/1-1249 : Telegram

*The Minister in Iceland (Butrick) to the Acting Secretary of State*

TOP SECRET

REYKJAVIK, January 12, 1949—7 p. m.

14. Foreign Minister<sup>1</sup> discussed with me on personal basis subject my 13 January 12.<sup>2</sup> Great question confronting those favorable to pact is obtain greatest possible degree security Iceland in face of reluctance, almost abhorrence, Icelanders foreign troops Iceland peacetime. This greater problem for Iceland than for other countries with military history and personnel. He thought it might be good to have an American and a Britisher conversant with thinking of countries who have thus far participated in preliminaries to treaty come to Iceland to discuss matter with political leaders or chosen Icelanders proceed Washington quietly as possible for same purpose. He feels proposition must be as specific as possible to place government in favorable position to approve adherence. He felt it advantageous to Iceland to be original signer, but also felt it highly desirable that sufficient time be allowed for consideration all angles. He restated necessity that Norway and Denmark join to make pact politically palatable here.

As has been reported our weekly editorial reports Communists and Communist press are strenuously attacking proposed pact. My 10 January 11,<sup>3</sup> I shall inform British Minister substance my 13 January 12 tomorrow.

BUTRICK

<sup>1</sup> Bjarni Benediktsson.

<sup>2</sup> In telegram 13, 7 p. m., Butrick stated that the Foreign Minister had just informed him that Iceland's position respecting the North Atlantic Treaty could not be determined until questions of increased security and obligations had been discussed with representatives of other participating countries (840.20/1-1249).

<sup>3</sup> Not printed.

840.20/1-649

*Memorandum of Conversation, by the Director of the Office  
of European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] January 12, 1949.

Participants: Ambassador Tarchiani  
Mr. J. D. Hickerson, EUR  
Mr. T. C. Achilles, WE  
Mr. W. C. Dowling, SE

The Italian Ambassador called this afternoon to leave with me the attached memorandum<sup>1</sup> setting forth a request from the Italian Government to participate in the Atlantic Pact. Tarchiani said he was glad to present this request, adding that he realized some doubts had arisen as to Italy's position but he hoped a second memorandum<sup>2</sup> which he was giving me for the confidential information of the Department would explain the Italian Government's attitude. In brief, he said, De Gasperi's problem has been to obtain participation in the Atlantic Pact without disrupting his coalition government, and Saragat's refusal to face realities has made this very difficult.

After reading through the two memoranda, I assured Tarchiani that we would give the Italian request immediate and careful consideration. I added that we might have some further questions to ask him after studying the request, but I wondered if he could tell me now Italy's attitude toward joining the Brussels Pact. Tarchiani said he thought participation in the Atlantic Pact would mean participation in the Brussels Pact as well. The Italian Government would prefer, however, to join the Atlantic Pact first, as Italian public opinion looked upon it as something concrete, whereas the Brussels Pact was regarded thus far as only a good intention, added that Saragat was still hesitant about the Brussels Pact, but in reply to my question, said he thought there would be no difficulty if Italy entered the two Pacts simultaneously. Asked whether this meant that Saragat intended to remain in the government if Italy were to join the Atlantic Pact, Tarchiani said he felt quite sure that Saragat would do so, having now convinced himself that the Pact would contribute to the maintenance of peace as well as the security of Italy.

In this latter connection, Tarchiani referred to the necessity of increasing the efficiency of the Italian armed forces to ensure internal security as well as an initial defense of Italian frontiers in the event of aggression. When I remarked that Italy's entry into the Atlantic Pact would not of course mean any change in the treaty military limitations, Tarchiani said he quite understood this, but that he felt an effective force could be built up within these limitations.

<sup>1</sup> See telegram No. 101, January 10, from Rome, p. 18.

<sup>2</sup> Not printed.

In response to Mr. Achilles' question as to whether it would be better from the Italian viewpoint for Italy to participate in the Atlantic Pact discussions or to receive an invitation to join after the Pact had been formulated, Tarchiani said emphatically that it would be preferable to participate in the discussions, and the sooner this could be arranged the better it would be. He pointed out that this course would show the Italian people that things were beginning to happen after the recent lengthy discussions, thus crystallizing Italian sentiment, and would also give them a sense of being a part of the Western effort.

As to the effect if Italy were not included in the Atlantic Pact, Tarchiani said that the Communists and left-wing Socialists would have a field day, and the best we could hope for was that political agitation would increase again, with consequent unrest and the loss of any hope of economic recovery and political stability in Italy.

JOHN D. HICKERSON

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840.20/1-1349

*Memorandum of Conversation, by the Director of the Office  
of European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] January 13, 1949.

Participants: Wilhelm Munthe de Morgenstierne, Ambassador of  
Norway  
John D. Hickerson, Director for European Affairs  
Theodore C. Achilles, Chief, WE  
Benjamin M. Hulley, Chief, NOE

The Ambassador came under instructions to give me the reaction of his Government to our talk of December 31<sup>1</sup> about the North Atlantic Pact. His Government desired first to finish its present discussions with the other Scandinavian countries on defense matters and believes they would end by February 1. At that time the Norwegians would want to discuss with us and the British the general question of Norwegian security after which it would give its views about joining the North Atlantic Pact. I thanked him for this information and said that this would fit in all right with our time schedule.

He said he had one question. He wanted to know what the President meant by "certain other countries" in his Budget message of January 11. I said this meant countries to which we had prior commitments for defense such as Greece, Turkey and Korea. It certainly did not mean any to which we do not have present commitments or which would not come within the meaning of the Vandenberg Resolution.<sup>2</sup>

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<sup>1</sup> See memorandum of conversation, *Foreign Relations*, 1948, vol. III, p. 348.

<sup>2</sup> Senate Resolution 239, 80th Congress. For text, see *ibid.*, p. 135.

He asked whether it might develop that the United States in a year or so, perhaps on the urging of our own military, might supply arms to countries which are not in a regional association of interest to US defense. If this happened, the Norwegian Government would be thrown out of office immediately. I told him that so far as I could judge such action would be out of the question.

The question arose of what nations would be included in the Pact and I asked what would be the attitude of Norway toward inclusion of Italy which is still an open question. He said his personal view is that there would be no objection as Norway is sympathetic to Italy.

JOHN D. HICKERSON

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840.20/1-1449 : Telegram

*The Ambassador in Sweden (Matthews) to the Acting Secretary of State*

TOP SECRET

STOCKHOLM, January 14, 1949—1 p. m.

53. The Karlstad formula is in my view completely contrary to the whole conception of the Vandenberg resolution; its avoidance of any provision for mutual aid either to the US or to other Western European countries outside Scandinavia is against both the spirit and the letter of that basic document. The essence (Copenhagen's telegram 27, January 13 [12] to Department) of the Danish arguments for US blessing on Karlstad formula seems to be that (1) we are relieved of the burden of defending Norway and particularly Denmark (2) we gain Swedish agreement to go to war in defense of Denmark and/or Norway (3) we lose nothing essential re Greenland and Faroes.

As to (1) I assume that decision to invite Norway and Denmark to join Atlantic Pact was based on our overall conclusion that advantage would accrue to our national security from their membership. I do not see how their failure to adhere would lessen their importance to us strategically, nor lessen our real interest in defending them if they are attacked. On the other hand their non-adherence to the Atlantic Pact plus their membership in a rigidly neutral Nordic bloc (Sweden will accept no Scandinavian alliance at this time which would permit anything but absolute neutrality by any of its members) would prevent us from the vitally important prior planning, coordination and other advance preparations for their defense which are so essential in modern warfare if such defense is to be in any way effective. Of possibly greater importance the Karlstad formula completely ignores the whole conception of the Atlantic Pact as a preventive or deterrent to war by serving notice on the Soviet Union that an attack on any pact member is an attack on all and is an attack on an Atlantic

group pledged and ready to act in concert. If Norway and Denmark as members of such a pact are in fact a burden to us, may not the same apply to other prospective European members with the exception of Britain? Why then have an Atlantic Pact at all?

As to (2) the argument is based on a tragic over-estimate of Swedish military strength both as a fighting power and as a source of military supply for Norway and Denmark. I emphasized in mytel 1206 October 27 [28] (see also mytel 30, January 10, 2 p. m.)<sup>1</sup> that the Swedes were utilizing this argument with same effect in their efforts to deter Danes and Norwegians from any association with the west. As I have pointed out in the past the Swedish Army has no training either by unit or by staff for anything larger than a battalion. Its Navy with few exceptions is unequipped with radar. All western military observers here are agreed that Sweden's ability to defend itself, let alone Denmark and Norway, against any Russian attack is at best limited to a period of weeks. It is fantastic to conceive that a Swedish commitment to defend Norway and Denmark has any basis of reality unless coordinated with the west. Surely the realists in the Kremlin would never consider a Swedish commitment to defend Norway and Denmark as any serious deterrent for any plans in that regard the Soviet may have. Whatever treaty commitment Sweden might make to defend Denmark, I am certain that Sweden would have neither the ability nor the will to make such commitment really effective.

As to (3) while I cannot, of course, speak with any knowledge, it is inconceivable to me that in the world situation today Denmark would wish to oust us from Greenland.

I feel strongly that acceptance of the Karlstad formula by us would be generally interpreted in Sweden, in Moscow, and elsewhere as a diplomatic setback for us of the first order and that it might well have serious consequences for the whole Atlantic project and for our success in the vital task of coordinating the defensive strength of all western countries now living in fear of Soviet aggression.

Sent Department 53 repeated Copenhagen 14, Oslo 13, London 18, Paris 19, Moscow 11.<sup>2</sup>

MATTHEWS

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<sup>1</sup> Neither printed.

<sup>2</sup> In telegram No. 104, January 15 from Moscow, Chargé Kohler answered as follows: "Desire record our agreement Stockholm's 53, January 14, to Department, particularly as regards estimates Kremlin attitude, i.e., that Swedish commitment defend Norway and Denmark would not be considered serious obstacle and that acceptance Karlstad formula would be regarded as serious setback for US (conversely as Soviet diplomatic, propaganda victory)." (840.20/1-1549)

840.20/12-348 : Telegram

*The Acting Secretary of State to the Embassy in Norway*

TOP SECRET

WASHINGTON, January 14, 1949—7 p. m.

17. Nor, Dan Amb informed Dept their Govts wish complete Scand defense talks before replying re North Atlantic Pact (Deptel 2 Jan 3 to Oslo, rptd Stklm as 1; Cope[nhagen] as 2).<sup>1</sup> They expect have about Feb 1 draft Scand Pact to submit for opinions US and Brit Govts. Until we see draft Pact we shall reserve our position.

Fol general views expressed to Swed Amb today: <sup>2</sup> We favor Scand defense Pact provided its members are not impeded thereby from entering larger regional pact. Scand group alone clearly would not have enough strength protect its members against aggression. They would need outside help. We have rptdly pointed out that our defense materials would be allotted on priority basis to countries coming within Vanderberg Res terms and those to which we had previous commitments such as Turkey, Greece and Korea. Limitations of supply would in foreseeable future preclude furnishing weapons to countries not so qualified for assistance. We hope Scand Govts entertain no illusions on these points.

Substance foregoing para should be communicated orally and informally but as under instructions to all three govts.<sup>3</sup> Matthews may also wish refer to statements Embtel 1331 Dec 3 <sup>4</sup> and Deptel 834 Dec 4 and memo of Dec 7 talk with Swed Amb.<sup>5</sup>

LOVETT

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<sup>1</sup> Not printed.

<sup>2</sup> A memorandum of this conversation between Hickerson, Hulley, and Ambassador Erik C. Boheman is in Department of State file No. 857D.20/1-1449.

<sup>3</sup> This telegram, No. 17, was repeated to the Embassies in Denmark, Sweden, and Great Britain as telegrams 18, 29, and 173, respectively.

<sup>4</sup> *Foreign Relations*, 1948, vol. III, p. 299.

<sup>5</sup> Telegram No. 834 to Stockholm and memorandum by Hulley, not printed.

840.20/1-1449

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*Minutes of the Eleventh Meeting of the Washington Exploratory Talks on Security, January 14, 1949, 3 p. m.*

TOP SECRET

MR. LOVETT suggested a discussion of the three remaining important questions: Italy; the departments of Algeria; and the duration of the Treaty. Also, the question of informing Norway and Denmark, who would be meeting shortly with Sweden, should be considered.

The question of the inclusion of Italy in the Pact had been brought to the front by a formal request on the part of Italy. He regretted



that the request had been made because it could prove to be a complicating element in Italian internal affairs. However, since the request had been made, it was necessary that it be considered. The US position was that Italy, in view of its geographical location, should in some way be associated with Western Europe. This might be through the Brussels Pact or the more general organization of the European Council.

MR. VAN KLEFFENS<sup>1</sup> thought that with regard to Italy, the proposition was now clear. Because of its situation outside the North Atlantic area it was not a natural partner of the North Atlantic Pact. On the other hand, the maximum should be done for Italy. The solution of the Italian problem would have repercussions on the countries in the Eastern basin of the Mediterranean, perhaps even on the position of Spain.

Speaking in a purely personal capacity, he wondered whether a way out of this problem, which had become more complicated by the Note of the Italian Ambassador, could perhaps be found by the insertion in the Treaty of a provision for which he submitted informally, with every apology for hasty drafting, a suggestion reading as follows:

"The Parties recognize that the attainment of the purposes of this convention may be promoted by the association of countries situated outside the area defined in Article 5, which in matters of human rights, state, and society held views similar to theirs. Agreements made with such countries will be in the form of annexes to this convention and will be considered as forming an integral part thereof."

Asked whether there was any geographic limitation to the suggested clause, Mr. Van Kleffens thought that in view of the global nature of the conflict with regard to which this Treaty was being negotiated, it might perhaps not be advisable *a priori* to exclude even remote countries which met the requirements of the clause.

MR. LOVETT thought that Mr. Van Kleffens' approach was an interesting one and that it raised indirectly the definition of the areas in which the Treaty would be operative. At present, US thinking favored specifying countries or continents in the operating clause rather than making a map definition. This would make it simpler to deal with the question of Algeria since reference to the departments of Algeria could be made parenthetically with France.

MR. VAN KLEFFENS pointed out that his suggestion, which was of course open to any amendment, left the "hard core" intact, but created the possibility for other countries outside the North Atlantic area with the same civilization to participate on an equal footing.

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<sup>1</sup> E. N. van Kleffens, Netherlands Ambassador in the United States.

MR. BONNET said it was well known that France favored the inclusion of Italy in the North Atlantic Pact. His position, therefore, with respect to the note presented by the Italian Ambassador was that an invitation should be issued to Italy.

He said that he would refer Mr. Van Kleffens' proposal to his Government, but he personally thought that the approach, although interesting, raised certain doubts. Others had said that the inclusion of Italy would weaken the position of refusing admission to Greece, Turkey, and Iran. However, he thought that the crucial consideration was that there existed territorial continuity between Italy and the Brussels Treaty countries, while no such continuity existed between Greece and Turkey and Western Europe. Hence, the position of Italy was not at all the same as that of other countries such as Greece and Turkey. Therefore, if special arrangements were made with Italy and annexed to the Treaty, it would be more difficult not to grant the same considerations to other nations.

He thought that Mr. Van Kleffens' approach would change the nature and the character of the Pact. It might assume the character of a coalition or become a frame for a coalition rather than conforming with the idea of regionalism as envisaged in Article 52 of the Charter of the United Nations.

MR. LOVETT thought Mr. Bonnet had made a good point in that the arrangement should be confined to a geographic area. This aspect was important because some of the proponents and supporters of the United Nations feared that the consultative provision of the Pact constituted a threat to the authority of the Security Council. It was important not to carry the provisions of the Treaty to the point where it might appear to be a competitor of the United Nations.

SIR OLIVER FRANKS<sup>2</sup> said that his Government had on the whole been against the inclusion of Italy, and although this position had not been altered, the formal approach on the part of the Italian Government did change the picture and would necessitate reconsideration of the question by his Government. Referring to Mr. Van Kleffens' suggestion, he said that the UK had been in favor of a geographical limitation and that the extension of the area into the Mediterranean would create new problems. He asked Mr. Van Kleffens two questions: What would be the content of the Italian agreement which would be annexed to the Pact? Would not some such formula appear very attractive to the Scandinavian countries?

MR. VAN KLEFFENS, in reply to the second question, pointed out that his suggestion solely concerned countries outside the North Atlantic

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<sup>2</sup> Sir Oliver S. Franks, British Ambassador in the United States.

area. It did not refer to Norway and Denmark or any other North Atlantic country.

As to Sir Oliver's first question, he remarked that the agreements could take into account the particular circumstances of each country. In the case of Italy the limitations imposed by the Peace Treaty on its armaments would have to be considered. Some countries might be prepared to make bases available, others might make a military contribution. The scheme he had suggested was of a very flexible nature.

MR. WRONG<sup>3</sup> said that so far as Canada was concerned, it was politically very important that the full obligations assumed by the parties should operate within an area which could be called the North Atlantic area. His Government had been critical of treating Italy as a country in the North Atlantic area, but he thought it possible that it could agree to some form of Italian association if all the other countries so desired. He was not sure that his Government would accept Italy as a full partner, but he was sure it would not be prepared to accept the same obligations for Greece and Turkey as for Italy. He pointed out that a draft article which had been proposed by the Canadian representatives envisaged treating Italy in somewhat the same manner as that proposed by Mr. Van Kleffens, but that it had not commended itself to the working group. He observed that annexes to the Pact would constitute additional obligations which would necessitate separate legislative approval and ratification by the Governments. He said that he had an open mind concerning the approach proposed by Mr. Van Kleffens, but he thought it would require some sort of territorial limitation.

MR. LE GALLAIS<sup>4</sup> said that in view of recent developments he would like to consult his Government before making any comments.

BARON SILVERCRUYS, referring to the question of Italy, said he had previously stated his Government's position. It was considered that Italy raised the entire question of Mediterranean security which was very important but which could not be solved now within the framework of the North Atlantic Pact. It might be that in due time Article 9 as presently drafted could lead to a solution of some of the difficulties. For the present, his Government thought that something such as the proposed British declaration at the time of the signature of the Treaty would be adequate for coping with the Italian situation. In any case, his Government would not stand in the way if it were decided that Italy should be included in the Pact. He thought, however, that the Italian initiative requesting an invitation to be a member of the Pact constituted a new element. The formal request of the Italian

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<sup>3</sup> Hume Wrong, Canadian Ambassador in the United States.

<sup>4</sup> Hugues Le Gallais, Luxembourg Minister in the United States.

Government had changed the situation and required that fresh consideration be given to the matter.

MR. LOVETT agreed that the formal request changed the situation and regretted that it had been made. He thought, however, that since the request had been received, it was necessary to give fresh consideration to the question and arrive at a decision as soon as possible.

MR. VAN KLEFFENS felt that the maximum should be done for Italy. In the note of the Italian Ambassador nothing, however, was stated with regard to Italy's contribution; it only asked for help and a guarantee.

MR. LOVETT observed that it was known very accurately just what Italy could do in contributing to the arrangement.

SIR OLIVER FRANKS thought that Article 5 was flexible and provided for obligations on the part of different countries according to their resources and powers. In what way would Mr. Van Kleffens' idea introduce more flexibility than was allowed for by the present draft Treaty? He asked Mr. Van Kleffens for clarification of the content of a possible Italian agreement which might be annexed to the Treaty.

MR. VAN KLEFFENS, in reply, observed that Italy was not able to undertake the full commitments of the Pact and constituted as such a special case. Moreover, it was outside the area of the North Atlantic where the hard core of the future security system was to be situated. He had submitted his suggestion to give Italy, which according to the note of the Italian Ambassador wanted full partnership, the greatest possible satisfaction. He had given no thoughts to the question whether countries associated under the suggested provision should sit on the council. Perhaps that would, just as in the case of Norway and Denmark, depend on the commitments they were prepared to undertake.

MR. BONNET observed that Italy could accept the obligations of the Pact in every case except that relating to military commitments entailing rearmament in excess of that allowed by the Peace Treaty. In any case, Italy would enjoy the same protection under the Treaty as the other countries. The system of a special annex would not in any way diminish the obligations of the other countries toward Italy.

MR. VAN KLEFFENS doubted if the term "North Atlantic Community" was still applicable if Italy were included.

MR. LOVETT agreed and said that the opposition to the Pact would be magnified if the area were expanded. It would be difficult enough to obtain acceptance for the idea of a tightly knit regional pact, but to expand the area would make the title "North Atlantic Pact" meaningless.

BARON SILVERCRUYS assumed that the Italian note had not induced

Sir Oliver Franks to withdraw his suggestion regarding a declaration covering Italy, Greece, or Turkey.

SIR OLIVER FRANKS said that the proposed declaration was not withdrawn. The Italian request had introduced a new factor which required that further consideration be given to the question of Italy. He was sure that everyone agreed to the importance of strengthening the political ties of Italy with the West. As long as the Italian Government had not sought admission, the UK had not been in favor of it, but now that the request had been made, further consideration was required.

MR. WRONG said that was also the position of the Canadian Government.

SIR OLIVER FRANKS, beginning the discussion on Algeria, said that earlier he had expressed sympathy with the French proposal, but later had felt obliged to say that if no solution could be found, the UK would not regard it as a vital issue. If any solution could be found, the UK would be glad to agree.

MR. LOVETT said that, without in any way indicating that it was a possibility, it might be that by abandoning the map idea and dealing with the question on the basis of enumerating countries, a solution could be achieved. The US military advisers doubted seriously the wisdom of including Algeria and it was necessary to find some way of meeting the views of all the various parties.

MR. WRONG said that the matter had caused concern on the part of the Canadian Government which was reluctant to see the area extended to include part of North Africa. He reserved his position, but was glad to note that the proposal now was concerned only with Algeria.

BARON SILVERCRUYS asked if Malta were to be included and received Sir Oliver's personal opinion that Malta might not be included but that Gibraltar would if Algeria were.

MR. HOYER MILLAR<sup>5</sup> considered that Malta would probably depend on Italy.

BARON SILVERCRUYS expressed satisfaction that only Algeria was being considered with respect to North Africa. He hoped that some formula could be found for this point to which France attached great importance, and suggested that it be considered further when a definite proposal was made.

MR. VAN KLEFFENS had considerable understanding for the French point of view and hoped that the majority would be able to find a solution which would bring this part of metropolitan France into the Pact.

MR. BONNET emphasized the seriousness with which his Government

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<sup>5</sup> Sir Frederick Robert Hoyer Millar, British Minister at Washington.

regarded the question of Algeria. France did not see how a Pact could include part of the Arctic regions and the northern part of Canada without including the three departments of Algeria which were a part of France. The exclusion of Algeria from the Brussels Treaty was explicable by the fact that the Treaty was purely European in scope. The North Atlantic Pact, on the other hand, covered a much wider area.

MR. LOVETT, referring to the question of duration, said that soundings which he had so far taken indicated that the term would have to be moderate—10 or 12 or 20 years—but said that the US had no firm opinion. He explained the difficulty from the point of view of US policy of concluding such a Pact for a long period. If the Pact proved itself, he doubted whether there would be any opposition to its extension.

MR. VAN KLEFFENS pointed out that the Brussels Pact had a duration of 50 years; the thoughts of the Brussels Pact signatories as to the duration of the North Atlantic Pact went along the same lines. He thought, however, it was realized in Europe that the position of the US was rather special on this point. Perhaps the thought would appeal to Congress that if an era of peace and security were to be established, a short period would not be of much avail. The psychological influence of the Pact would be stronger if a period of 20 years could be adopted than if it were for 12 years.

MR. BONNET said that his Government favored a long duration. The Treaty provided for cooperation in cultural and economic fields in which cooperation would not cease in 10 or 20 years. Also, the psychological value of the Treaty, from the point of view of organization for peace and a better working of the United Nations, would be much greater if it were concluded for a longer period.

SIR OLIVER FRANKS thought that the original term of 50 years had been proposed without too much deep thought. However, the UK would not like the term to be markedly shorter than a generation. It would fail in one of its most important aims if it were what people would call a short-term agreement. He would like to see it concluded for at least 25 or 30 years.

MR. WRONG said that since Canada, like the US, was venturing into a new field in foreign policy by subscribing to the Pact, his Government did not favor a long duration. The period suggested by Mr. Lovett was about what the Canadian Government had in mind. Also, if a term of as long as 20 years were agreed, it might be advisable to include a provision permitting, but not requiring, review at the half-way mark to determine whether, in view of the progress of the United Nations, the Pact should be extended, amended, or terminated. The

Canadian representative had introduced such a proposal into the working group.

MR. LOVETT thought that such a proposal certainly had merit in that it might to a certain extent meet the objections of those opposition groups who felt that a competitor to the United Nations was being set up.

MR. LE GALLAIS agreed with the opinions expressed concerning a minimum of 20 years.

BARON SILVERCRUYS said the Belgian Government favored a duration as long as possible.

MR. LOVETT, in answer to a question by Baron Silvercruys, said that in his mind the duration of the Pact would not be affected by the inclusion or non-inclusion of Italy.

MR. VAN KLEFFENS made it clear that his suggestion at the beginning of the meeting was not a formal proposal but merely an indication of a way in which a very real difficulty might perhaps be solved. He would welcome any improvement that could be suggested. It had not as yet been mentioned in the conversations that the Charter of the United Nations authorized only the conclusion of regional pacts. A North Atlantic Pact including Italy as a full partner could hardly be called a regional pact, and on that score might run into criticism which it would be difficult to refute.

MR. LOVETT stated that as a result of conferences which would take place in Scandinavia in the near future, there had been requests from Norway and Denmark for a look at the working papers of the Treaty. He asked for the views of the other representatives on this question.

After some discussion about the security aspect of making the draft text available to other countries, particularly Norway and Denmark, it was decided that the Norwegian and Danish Ambassadors should be thoroughly briefed on the Treaty without actually being given the text. The importance of security would also be strongly emphasized.

MR. LOVETT said that in view of his resignation he would probably not be present at the next meeting and expressed his appreciation for the cooperation of the other representatives.

MR. BONNET, on behalf of the other representatives, expressed gratitude for the great contribution which Mr. Lovett had made to the talks.

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840.20/1-1749 : Telegram

*The Ambassador in Norway (Bay) to the Acting Secretary of State*

TOP SECRET

OSLO, January 17, 1949—5 p. m.

23. Following comments offered on Copenhagen's 27 January 12 to Department.

1. While Norwegians, no less than Danes, are determined explore all possibilities in effort preserve Scandinavian unity, I cannot believe Norwegian Government has any serious expectation Karlstad formula will be approved by US. Foreign Minister Lange has always indicated that for sake Norway's relations with other Nordic countries as well as domestic public opinion, every line of approach must first be exhausted but that Norway would never agree to anything which would close door to association with West. Unless he has completely misunderstood purport Vandenberg resolution, which I do not believe, Lange is in my opinion under no illusions that a Scandinavian pact based Karlstad terms would fulfill requirements of mutual aid and of advancing US security. Norway's willingness discuss Karlstad formula simply confirms that Lange prepared pursue attempts at compromise, but I believe he is fully aware of formula's fallacies.

2. Danish argument that neutral Scandinavian bloc would be deterrent to Russian aggression seems completely unrealistic. Sweden could possibly resist Soviets better alone than encumbered by weak Norway let alone Denmark lacking all essential equipment. Combined front three Scandinavian countries cannot be compared to effect produced if joined with other members North Atlantic pact. Seems to me an insulated Scandinavian defense group constitutes chiefly an imposing consolidation of liabilities stimulating only to a potential aggressor. Moreover Danish reasoning that since US arms are being made available to members of Atlantic pact such arms should be offered to outsiders like Danes, seems to ignore both intent of Vandenberg resolution and limitations of supply under legislation not yet enacted.

3. With respect to Copenhagen's observation that US North Atlantic members will be "relieved of obligation to defend indefensible Denmark" I assume they do not desire to be so relieved.

4. I believe that any support of such fallacious and weak-kneed Danish policy at this critical point would be disastrous in its consequences to Norway and Norwegian morale. By espousing or offering slightest encouragement to such course we might not only lose Denmark as prospective member Atlantic pact, but would undermine whole Norwegian position. Superimposed on present background one might say "as Norway goes so goes the election". Loss of Norway would threaten entire concept North Atlantic community of nations standing in opposition to Soviet encroachments. Lange's present position cries for firm US attitude.

5. It is my belief, shared by others in Oslo diplomatic corps, that Karlstad approach to Nordic security problem may well have its origin in Moscow. Such a plan designed to torpedo or at least materially retard Atlantic pact could be subtly inspired by Soviets and innocently swallowed by Swedes. Any Scandinavian pact that pro-



hibited association with West would give Russia nothing to fear. Furthermore form of Russian aggression may not necessarily be direct military attacks but with Scandinavian neutrality could take form of slow aggression as in Finland.

6. Even Swedish Ambassador<sup>1</sup> appears to have tongue in cheek in discussing Karlstad formula with me and members my staff. Beck Friis acknowledged war unlikely within two years. Later he conceded to me US rearmament at contemplated rate could provide substantial help within that period. He found it difficult explain therefore why Sweden raised doubts of US aid as reason for not joining Atlantic pact. He declared to me his faith in West, and indicated his well learned speech does not always represent his personal views.

7. Over weekend British Ambassador Collier communicated following to me at request of British Foreign Office: Signs appearing of possible attempt prolong Scandinavian defense discussions February 15 or longer and this should be firmly discouraged. British Ambassador Copenhagen Randall has suggested line similar Copenhagen's telegram 27 January 12 to Department. Collier deplores danger of developing unanimity between Danish Foreign Office and US-UK thinking. Collier also concurs Oslo Embassy views. He also stated British Ambassador Stockholm concurs fully with Matthews. Collier says Randall suggests Russian opposition to Scandinavian pact is no less than to Atlantic pact. This is neither Collier's belief nor mine, but possibly is Russia's contribution to Scandinavian confusion. Lange stated to Collier as to me US will probably get request supply missing link, namely arms, to complete Karlstad formula. Based on Lange's conversations Collier firmly convinced, as am I, that Norway will join Atlantic pact if invited regardless outcome Karlstad discussions. Lange told Collier Rasmussen wavered in confidential understanding through giving press information which Lange interpreted as possible desire to condition Danish people for Danish Government's hesitation on Atlantic pact. Collier believes Copenhagen is the danger spot. We agreed if US softened stated arms policy and met Karlstad formula, world would interpret this as premium on neutrality for European states. Any qualifying suggestion from Sweden that in consideration of US assistance under Karlstad formula Sweden might ultimately consent to principle Scandinavian group as whole join Atlantic pact is naive since help program once inaugurated would dissolve any reason for abandonment of *status quo*.

Sent Department 23, repeated Stockholm 2, Copenhagen 3, London 1, Moscow 1.

BAY

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<sup>1</sup> Johan H. Bech-Friis, Swedish Ambassador in Norway.

840.20/1-1749: Telegram

*The Ambassador in Sweden (Matthews) to the Acting Secretary of State*

TOP SECRET

STOCKHOLM, January 17, 1949—11 p. m.

63. Deptel 29, January 14, 7 p. m.<sup>1</sup> I conveyed to Secretary General Beck Friis this morning views given Swedish Ambassador Washington. He said no report yet received from Boheman concerning that conversation. Beck Friis took down word for word what I told him which in addition to information in Deptel 29 contained pertinent excerpts from Department's conversation with Boheman December 7.

His only comment was to ask meaning of the word "assistance". He said Sweden had been purchasing materials for its arms industry and armed forces in the US with its own funds through normal trade channels. He wondered whether the word "assistance" applied also to such trade or primarily to American Government financial aid. I said that on the contrary as he realized we had a licensing system which involved export licenses and allocations for items in short supply and that I felt confident that the word "assistance" referred not only to financial aid but likewise to export licenses for such items. I added that in this connection Department had approved the personal views expressed to him by Cumming (Embtel 1331, December 3, 7 p. m.<sup>2</sup>).

(I took matter up with Beck Friis since he will see that our views are conveyed to interested quarters; Undén<sup>3</sup> might just keep them to himself.)

The Foreign Relations Council composed of King, pertinent ministers and Riksdag Foreign Affairs Committee is meeting this morning to consider report of technical talks concluded at Oslo January 14.

Sent Department 63, repeated Oslo 17, Copenhagen 18, London 22.

MATTHEWS

<sup>1</sup> Printed as telegram No. 17, January 14, to Oslo, p. 27.

<sup>2</sup> *Foreign Relations*, 1948, vol. III, p. 299.

<sup>3</sup> Bo Östen Undén, Swedish Minister of Foreign Affairs.

840.20/12-3148

*The Acting Secretary of State to the Secretary of Defense (Forrestal)*

TOP SECRET

WASHINGTON, January 17, 1949.

DEAR JIM: I have your letter of December 31,<sup>1</sup> enclosing the memorandum of the Joint Chiefs of Staff on the subject of "Base Rights for the United States in Return for Military Aid to Foreign Nations."<sup>2</sup>

<sup>1</sup> *Foreign Relations*, 1948, vol. III, p. 347.

<sup>2</sup> Scheduled for publication in *ibid.*, volume I.

Since there do exist certain political considerations which it will be important for us to keep in mind in dealing with these matters, I am glad that you raised this subject.

The unilateral maintenance of military bases by this country on the territory of other countries involves considerable disadvantage from the political point of view. It tends to emphasize unduly and undesirably the dependence of other countries upon the United States and carries with it a strong implication that the United States would undertake to defend in its entirety the territory of the country on which the base is established. It furthermore has obvious propaganda disadvantages in that it provides a convenient object on which to focus anti-American and nationalist feeling for the nation concerned.

The Joint Chiefs of Staff have recognized in Admiral Leahy's memorandum that they have in mind in this connection primarily the members of Western Union and those other countries which may become parties to the proposed North Atlantic Pact. It is our thought that any North Atlantic Pact which may be concluded would provide for some sort of consultation among the members on military and security matters. Under this framework, careful studies would be conducted, probably among a limited number of the members of the group, of the security problem of the North Atlantic area. If these studies indicated the advisability of the maintenance of military bases of one sort or another on the territory of any member in such a manner that they could be immediately utilized by forces of other members in case of war, the member in question would be approached by the group as a whole and would be asked to make such bases available to the group as a whole. It might then be a matter for the military consultative body to determine which member or members of the group should man and maintain those bases in peacetime. In certain instances, the United States would obviously be the most suitable power to fulfill this function.

The concept would be one of a coordinated defense program under which each country would contribute, commensurate with its resources and geographic location, what it most effectively could whether in facilities (base rights), manpower, resources or in other ways. A collective approach to this problem may also be advantageous from another point of view since the countries in which base rights are most important are not necessarily those most anxious to obtain military equipment.

However, should any member of the North Atlantic Pact be uncooperative in implementing measures recommended for the assurance of the security of the North Atlantic area, this would undoubtedly be a factor to be taken into account by this Government in responding to

any request for military assistance which that member might have advanced.

In this way, I think that a clear connection can be established between granting of military aid and negotiations for base rights. We do not envisage, however, that the United States would unilaterally demand such rights from other members of the pact. This would be inconsistent with the spirit of the pact and would encourage the assumption of the very thesis we are trying to avoid: namely, that it is only the United States which has a real interest in thwarting Russian expansion and that the others are entitled to expect us to bargain with them to induce them to take measures essential to the defense of the North Atlantic community.<sup>3</sup>

Sincerely yours,

ROBERT A. LOVETT

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<sup>3</sup> Forrestal acknowledged this letter on January 21, indicating that he was making it available to the Joint Chiefs of Staff for consideration in their more detailed studies. (840.20/1-2149)

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840.20/1-1749

*The Italian Ambassador in the United States (Tarchiani) to the  
Acting Secretary of State*

WASHINGTON, January 17, 1949.

MY DEAR MR. ACTING SECRETARY OF STATE: According to information just received from Rome, Great Britain would have shown in these days a reserved attitude as to the immediate joining by Italy of the Atlantic Pact, especially on the assumption that the Italian Government might have to face some alleged internal difficulties on the subject.

I have been expressly instructed by my Government to assure the Government of the United States that—provided the Atlantic Pact respond to the exigencies outlined in the memoranda of this Embassy<sup>1</sup>—the Italian Government has reached a unanimous agreement on the matter.

I avail [etc.]

ALBERTO TARCHIANI

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<sup>1</sup> See memorandum of conversation by Hickerson, January 12, p. 23.

840.20/1-1849: Telegram

*The Acting Secretary of State to the Embassy in Belgium*

TOP SECRET

WASHINGTON, January 19, 1949—6 p. m.

57. Text Italian Memo<sup>1</sup> referred to [in] your 87 Jan 18<sup>2</sup> given Embs of Brussels Treaty countries here Jan 13 for transmission their Govts through Brussels Treaty channels.

You may tell Spaak that US position remains substantially as stated Annex C Dec 24 paper<sup>3</sup> but we would accept Italian inclusion in Council of Europe as sufficient evidence of close Italian ties with Brussels Treaty countries to warrant inclusion of Italy in Atlantic Pact. We do not feel any other Medit country should be included. US Joint Chiefs feel strongly non-inclusion of Italy in either Brussels or Atlantic would be unrealistic from mil point of view and that while Italian membership in either might in emergency be of doubtful value it would certainly be harmful from mil viewpoint if she were member of neither.

As alternatives to Italian participation as original member Atlantic Pact it has been suggested that Italy be admitted to some form of limited membership or that original members issue statement at time of signature to effect they would consider armed attack on Italy cause for strong reaction. We feel either these alternatives would if they meant anything involve substantially same responsibility for other members as would full Italian membership but that neither would be adequate to accomplish objectives of avoiding unfavorable Italian reaction and strengthening Italian ties with West.

LOVETT

<sup>1</sup> See memorandum of conversation by Hickerson, January 12, p. 23.

<sup>2</sup> In telegram 87, Ambassador Kirk stated that Paul-Henri Spaak, Belgian Prime Minister and Minister for Foreign Affairs, had just expressed to him his concern over news of Italy's request to be included in the Atlantic Pact. Spaak feared that inclusion of one Mediterranean power would lead to requests from others, and he believed that the step might logically be followed by an Italian request to enter the Brussels Pact, a move he thought might be considered premature by the original members. (840.20/1-1849)

<sup>3</sup> *Foreign Relations*, 1948, vol. III, p. 339.

840.00/1-2049: Telegram

*The Ambassador in Belgium (Kirk) to the Acting Secretary of State*

SECRET

BRUSSELS, January 20, 1949—7 p. m.

100. Loridan<sup>1</sup> says Belgians very disappointed by way in which Paris meeting study committee for European Union is going. When

<sup>1</sup> Walter Loridan, Director-General, Political Department, Belgian Ministry of Foreign Affairs.

British agreed resume conversations January 18 on French and Belgian insistence, Belgians hoped real progress could be made prior Brussels Pact Foreign Ministers London meeting January 26. These hopes were dashed when Dalton<sup>2</sup> came back with new instructions which injected entirely new elements into question.

Loridan said while there is general agreement re European Council, British still strongly opposed European Assembly and on January 18 proposed its replacement by "European Conference" composed delegates chosen by participating governments. These delegates would not vote individually, but by country, which Loridan said missed whole point of European Assembly as French and Belgians saw it. He added Belgians were shaken by British suggestion that eventually Germany would have 11 delegates, whereas Belgium would have only four, proposal Belgian public opinion would not swallow.

While question European Union will be discussed Foreign Ministers meeting in London next week, Loridan is not optimistic in view present British position and fears that no agreement will be reached in London, thus postponing real progress in formation European Union for another three months.

Sent Department 100, repeated London 8, Paris 12, The Hague 6.

KIRK

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<sup>2</sup> Hugh Dalton, British Chancellor of the Duchy of Lancaster.

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840.20/1-2049: Telegram

*The Secretary of State to the Embassy in Belgium*

TOP SECRET      US URGENT      WASHINGTON, January 21, 1949—2 p. m.

61. We would not favor anything in Atlantic Pact with respect to Italy which would be at variance with Peace Treaty on either Trieste or military clauses. Belg impression of US position indicated first sentence para 3 your 101 Jan 20 distinctly erroneous.<sup>1</sup> Our position, felt even more strongly now that Ital govt's wishes have been made clear, is (1) satisfactory solution of question of Italy must be found; (2) preferably on line indicated para 7 Annex C Dec 24 paper but (3) if Brussels Treaty countries prefer along line indicated second sentence Deptel 57 Jan 19. We hope this is clear to all Brussels Treaty govts. Question of Italy now principal outstanding question and

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<sup>1</sup> In telegram 101, not printed, Kirk said that the Belgians had "the distinct impression" that the United States, while favoring Italian participation in the Atlantic Pact, was not insistent on it and "not nearly as favorable" to original Italian adherence as was France, judging from Annex C of the December 24, 1948, paper (840.20/1-2049).

satisfactory solution would materially expedite conclusion of negotiations.

Lond Paris and Hague pls advise representative govts orally substance foregoing and Dept 57 Jan 19.

ACHESON

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840.00/1-2149 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*<sup>1</sup>

SECRET

PARIS, January 21, 1949—3 p. m.

263. Five-power study group on European federation, which reconvened here earlier this week, has concluded its discussions and FonOff skepticism concerning attitude of British delegation was confirmed.

According to FonOff source Dalton told meeting flatly that he was under firm instructions to present British plan and endeavor to win over other delegations to it, but that he had no authority to change any part of it. Consequently no negotiations were possible and there was nothing for group to do but adjourn. British were completely isolated in their position. FonOff gained impression, however, that British delegates were personally embarrassed by their instructions and that personally they were in agreement with other delegations on almost every point, only important exception being question of voting machinery in consultative council whereby under British plan head of each delegation would cast one vote for his entire group.

As result of impasse British plan and plan favored by four other delegations will be presented to Brussels Pact consultative council next week. FonOff feels that:

(1) Bevin<sup>2</sup> hopes he will have better chance of making his views prevail at small meeting where only FonMins will be present, and

(2) Bevin will probably put forward suggestion for enlarging study group by inviting Scandinavian states and Italy in hope of picking up allies. (French, who favor early inclusion of these countries, will probably oppose this suggestion, however, on theory that five Brussels Pact powers should come to agreement among themselves before inviting any others.)

While disappointed by British intransigence, FonOff believes that British position is untenable and that in time they will have to come some distance in meeting views of other parties. Consequently they are not unduly discouraged over long-term prospects but regret delays which British position will entail.

French regard British suggestion at opening meeting that Strasbourg be selected as capital of federation as merely attempt to sweeten

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<sup>1</sup> Dean Acheson assumed the office of Secretary of State on January 21, 1949.

<sup>2</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

unpleasant pill which was to follow. No objection was taken to suggestion except by Belgians, but French would much prefer Paris. Reason given us is that press facilities are much more efficient here, but real objections obviously more fundamental. No decision was taken on question.

Sent Department 263, repeated London 64, Brussels 19, Hague 6, pouched Luxembourg.

CAFFERY

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\$40.20/1-2249 : Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

TOP SECRET      US URGENT      BRUSSELS, January 22, 1949—3 p. m.

114. Today Spaak referred to conversations with Loridan re Italian participation Atlantic pact (Embtel 101, January 20) and sense Deptel 61, January 21 was conveyed him. Spaak said:

(1) He fully agrees with Department's view that nothing should be in Atlantic pact with respect to Italy which would be at variance with peace treaty either on Trieste or military clauses. He observed that if these questions are allowed enter pact it would afford Soviets ideal weapon.

(2) He now clearly understands that we strongly favor Italy's entrance into pact; that this is now principal outstanding question and that satisfactory solution would materially expedite conclusion negotiations. He said he was very glad have this information before leaving for London.

(3) Referring Italian memorandum (requesting entry in pact) Spaak said his impression was that its terms were ambiguous and were not unequivocal request for inclusion in pact. In this connection main point, as Spaak sees it, is whether Italian Government really wants enter pact. If they would take categorical position in favor entry Spaak would be in favor their initial adherence.

(4) Immediately prior this interview Spaak had seen Italian Ambassador and had asked him whether Italian Government was positive that it wanted in its own interest join Atlantic pact. Ambassador replied he could not reply officially since subject had only been taken up with US. He promised however obtain something concrete from Rome prior Spaak's departure for London which has now been postponed from 25th to 26th.

(5) Spaak also again made point that Italy is not Atlantic power, this would raise whole question of Mediterranean (i.e. Greece, Turkey, North Africa) and that latter area would in turn bring up question Congo. Furthermore he wondered how we proposed draft pact pro-



vide for Italian inclusion. He said, however, that in final analysis question lay between Italy and US and that if we feel strongly that Italian inclusion is essential he will certainly not oppose this.

KIRK

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840.20/1-2449 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

TOP SECRET

LONDON, January 24, 1949—6 p. m.

286. In compliance Department's 233,<sup>1</sup> saw Bevin today and communicated substance refel and Deptel 224 January 19.<sup>2</sup> He said that he would have to consult cabinet but gave me the impression that he reluctantly agreed to Italy's initial inclusion Atlantic Pact. Jebb<sup>3</sup> was present and in conversation with him following interview he stated that if we and French insist Italy, British will not hold out. Both Bevin and Jebb seemed concerned that inclusion Italy would drain available equipment from continental powers. Jebb inquired whether Italy could be warned not to expect important allocations at least for some time. I replied that I could not answer this question but that I felt sure our position would be that equipment should be allocated where strategically most needed.

Sent Department 286, repeated Paris 56, The Hague 11, Brussels 14, Rome 12.

HOLMES

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<sup>1</sup> Printed as telegram No. 61 to Brussels, January 21, p. 41.

<sup>2</sup> Printed as telegram No. 57 to Brussels, January 19, p. 40.

<sup>3</sup> Sir H. M. Gladwyn Jebb, British Assistant Under-Secretary of State and U.K. Representative on Brussels Treaty Permanent Commission with personal rank of Ambassador.

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840.00/1-2449 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET

LONDON, January 24, 1949—7 p. m.

294. In conversation today with Bevin on many subjects he told me he would try to work out compromise solution on political organization of Western Union (Embtel 230, January 19)<sup>1</sup> at meeting of Brussels Pact Consultative Council London January 27 (date has been changed from 26 as Bevin will be engaged in Palestine debate that day).

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<sup>1</sup> Not printed.

As to method of selection of members of conference or assembly he said agreement might be reached on basis of allowing each participating govt to determine method to be used. In case of voting procedure he also did not despair of possibility of reconciliation of differences though here he was less specific. He said his plan providing for unit vote had been influenced by procedure in Pan American Union.

He indicated that if agreement not reached among five Foreign Ministers he was in favor of consulting other possible charter members of organization and added he believed Scandinavian countries would agree with his approach. He also repeated usual British arguments against elected assembly.

Jebb who was present at our conversation afterward added that form of organization was not as important as speedy establishment of organization which could be modified later.

Sent Dept 294; repeated Paris 57.

HOLMES

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840.00/1-2449 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

PARIS, January 24, 1949—9 p. m.

314. Schuman <sup>1</sup> tells me he is willing to go along with us in general and in particular and he is willing to go along with admission of Italy to Brussels Pact. (Deptels 57, January 19 and 185, January 21.<sup>2</sup>) He tells us however that all other parties (especially British) are strongly opposed to Brussels Pact formula and that French Ambassador to Italy informs them Italians themselves are not at all keen. In circumstances he does not expect this solution to be approved by Brussels Pact Consultative Council <sup>3</sup> in their London meeting this week.

In talking to other officials in Quai d'Orsay they state that British objection is mainly based on reluctance to have Italy represented on London Military Committee. They point out that wording of Article IX of Brussels Pact would permit inclusion of Italy with strings, but feel that this solution involving special status for Italy and incomplete membership would be open to same objections as alternatives in final paragraph Deptel 57.

It is for these reasons that they anticipate solution through Italian participation in European Council. (In circumstances, French will either have to drop their objection to inviting Scandinavians and Italians to join European Council prior to agreed position along line of

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<sup>1</sup> Robert Schuman, French Minister of Foreign Affairs.

<sup>2</sup> Telegram No. 185 printed as telegram No. 61, to Brussels, p. 41.

<sup>3</sup> Consultative Council of Foreign Ministers.

European federation question (mytel 263, January 21), or British will have to revise their position re consultative assembly on which other four are agreed.)

Sent Department; repeated London 73, Brussels 26, The Hague 5, Rome 23.

CAFFERY

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840.20/1-2549 : Telegram

*The Ambassador in Denmark (Marvel) to the Secretary of State*

TOP SECRET

COPENHAGEN, January 25, 1949—7 p. m.

55. I questioned Foreign Minister today on meaning paragraph three of communiqué issued conclusion Copenhagen conference (mytel 53, January 25)<sup>1</sup> relating to clarification whether Scandinavian countries can procure outside defense material particularly in view my presentation US views contained Deptel 18, January 14<sup>2</sup> reported mytel 39, January 18. Rasmussen stated he understood then and understands now present US view limits defense materials to countries coming within Vandenberg resolution terms and to those of previous commitments such as Turkey, Greece and Korea. Purpose this part of communiqué aside from Scandinavian political necessity for including same, he said, was in event regional Scandinavian agreement reached then this agreement and reasons therefore would be presented to Washington for its blessing in attempt to persuade US to modify its presently understood views. In short the program remains as outlined mytel 20, January 10.

He went on to state that it was by no means certain that regional agreement would be reached in Oslo. I asked him what would be result if (1) no agreement reached at Oslo or (2) if agreement reached but no blessings for it given by Washington. He stated he thought Norway would then seek to join North Atlantic pact although he felt Norway was not as anxious to do so as had been heretofore reported. As to Denmark final decision could only come after occurrence of either of above events; whichever step Denmark took would have political repercussions in the country, but he added more than a majority would desire joining North Atlantic pact.

Sent Department 55, repeated Oslo 8, Stockholm 8.

MARVEL

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<sup>1</sup> Not printed.

<sup>2</sup> Printed as telegram No. 17 to Oslo, p. 27.

840.20/1-2649 : Telegram

*The Ambassador in Denmark (Marvel) to the Secretary of State*

TOP SECRET

COPENHAGEN, January 26, 1949—4 p. m.

57. Canvass of Scandinavian situation as it appears in Copenhagen indicates efforts now will be made to delay clear cut decision and to prolong Scandinavian discussions long after February 1. In light of US policy expressed Deptel 18, January 14,<sup>1</sup> which I agree is as far as US Congress will go, consequences of delay in Scandinavian decision must be appraised.

If decision is not concluded at Oslo I can see two detrimental results affecting us :

(1) During period of delay Stockholm, mecca of Scandinavian Socialists, will use every string to influence fellow party members in Norway and Denmark to traditional Socialistic neutral point of view. Longer Swedish Socialists have to exert such efforts more converts they will obtain.

(2) Delay may bring about Scandinavian defense agreement conditioned upon terms at variance with and unacceptable to US policy. This proposal will be dumped on Washington's doorstep and upon its not receiving US blessing, cry "US has split Scandinavia" will be taken up by Communists and echoed by some Socialists, the number of which will be determined by length of time delay has been permitted to endure.

To prevent growth of theme now harmful developments, only cure appears to be to torpedo Oslo conference by bringing pressure to bear on Norway to withdraw therefrom and seek immediately invitation to North Atlantic pact. On two occasions during Copenhagen conference Norwegians threatened to walk out and while Swedish rumors to effect Norwegian Labor Party members were withdrawing support to adherence to Atlantic pact were rampant during Copenhagen conference, it may be Norwegians with appropriate push would take definite stand this week-end and collapse conference. While blame on US would be voiced it would not be as powerful as that if final decision made in Washington. Once this step is taken after short period of mourning and no offer of tangible help from Sweden, Denmark in my opinion would likewise seek invitation to Atlantic pact. Unless some such drastic step is taken I believe Swedes together with Danish acquiescence will attempt to drag on negotiations for long time.

Sent Department 57 ; repeated Stockholm 10, Oslo 10.

MARVEL

<sup>1</sup> Printed as telegram No. 17 to Oslo, January 14, p. 27.

840.20/1-2449 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      US URGENT      WASHINGTON, January 26, 1949—7 p. m.

289. Pls tell Bevin and Jebb that in allocating US arms we will be guided by major strategic considerations in which Atlantic Pact membership will be most important but not only factor. (Embtel 286 Jan 24.) In case of Italy US position approved by highest civilian and mil authorities is to exert every endeavor to assist in preventing Italy from falling under domination USSR either through external armed attack or through Sov dominated Communist movements within Italy so long as Ital Govt evidences determination to oppose such Communist aggression. Under this policy we would supply arms to Italy within treaty limits whether or not Italy were party to Atlantic Pact.

Our position inclusion Italy in North Atlantic Pact has been made clear in Deptels 224 and 233.<sup>1</sup> We understand from your 222 Jan 18<sup>2</sup> and Paris 263 Jan 21 and 314 Jan 24 there is general agreement include Italy and Scandinavia in preparatory stages prospective "Western Union" but continued disagreement between Brit and French on Council of Europe versus European Assembly. We strongly hope communiqué issued following Consultative Council meeting will make plain agreement that Italy as natural member Western European community should be included from outset in whatever arrangement (Council or Assembly or both) may be proposed.

ACHESON

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<sup>1</sup> Printed as telegrams 57 and 61 to Brussels, January 19 and 21, respectively, pp. 40 and 41.

<sup>2</sup> Not printed.

840.20/1-2649

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*Memorandum by the Legal Adviser and Coordinator for Foreign Assistance Programs (Gross) to the Secretary of State*<sup>1</sup>

[WASHINGTON,] January 26, 1949.

Subject: Coordination of Atlantic Pact and Military Assistance Programs.

1. On January 3 I was asked by Mr. Lovett to coordinate the Department's responsibilities in connection with the development of military assistance programs. Because the Department was months behind in this work and because there is no standing coordinating

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<sup>1</sup> Copies of this memorandum were sent to Under Secretary of State James E. Webb, Charles Bohlen, John Hickerson, Coordinator for Foreign Aid and Assistance Henry R. Labouisse, Jr., Paul Nitze, and Assistant Secretary of State John E. Peurifoy.

mechanism at the requisite level in the Department, I reluctantly agreed to do this. For the past few weeks I have been getting people together who should have been getting together for months prior to that time. I have had the fullest cooperation from everyone concerned. A certain group effort has resulted and the development of the military assistance programs and underlying policies are fairly well off the ground. Generally speaking, it will be possible (and work is actually in process) to prepare logistical tables of items for transfer to other countries, to estimate the dollar values and to prepare a rough, if arbitrary, estimate of the amount of money which we should ask Congress to authorize and appropriate.

2. In addition to presenting to Congress the general supply requirements and related programming information, it will, of course, be necessary to explain the relationship between the military programs, the Atlantic Pact and the E.R.P. Accordingly, it remains essential to coordinate the work on the E.R.P. and the Atlantic Pact with the work on the military programs. As an example, Article 3 of the Pact contains an undertaking by the parties to use every endeavor "by means of continuous and effective self-help and mutual aid" to strengthen themselves against aggression. Neither in the formulation of the Article nor its discussion with the representatives of other countries has the Article been given any substance, content or meaning. Article 8 of the Pact contemplates the establishment of a Council to deal with matters concerning the implementation of the treaty. I do not know whether any thought has been given, or whether any discussion has taken place with other countries, concerning the extent or method by which Article 3 is to be "implemented", if at all. But the answers to this question directly affect work on the military programs.

My impression is that the thinking about the Atlantic Pact in the Department has viewed military assistance primarily in terms of what we will transfer to other countries and has in general considered that certain types of reciprocal assistance (for example, base rights) would be handled in some other way. As an illustration, Secretary Forrestal has been advised, without reference to the Departmental work being done on military assistance programs, that it would be our policy to favor collective base rights, rather than exclusive U.S. base rights, so far as Atlantic Pact countries are concerned. Question at once arises whether this will be accomplished through the Council to be set up under the Pact, through negotiations connected with provision of military assistance, or through the Brussels Pact mechanisms.

3. In the course of work on military assistance programs, many of us have been able, on a fragmentary basis, to perceive problems of

this sort involving relationship between the Pact, E.R.P and the military assistance programs. I am confident that others undoubtedly exist. I think that someone who is in the constant and current policy stream of the Department should as soon as possible be charged with the responsibility for overall coordination, which cannot be carried out through an isolated and jerry-built coordinating mechanism.

4. I urge strongly that my own operation be liquidated as promptly as possible and that I be returned to my regular duties in the Department. I should think two weeks more should be enough and that the responsibility for achieving real coordination of the Atlantic Pact, Military Assistance and E.R.P. should be assumed by a Deputy Under Secretary, with the day-to-day work being performed on a staff basis by persons with clarified official duties. Unless this is done I fear there will be an illusion that effective coordination is being accomplished, with the result that the E.R.P., Atlantic Pact and military assistance programs will not be properly related and fully understood as component parts of our foreign policy, and will not properly be presented to Congress in true relationship.

ERNEST A. GROSS

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840.20/1-2549 : Telegram

*The Secretary of State to the Legation in Iceland*

TOP SECRET

WASHINGTON, January 27, 1949—6 p. m.

12. Description in your 32 Jan 25<sup>1</sup> of Ice Govt's problems as being to attain security Iceland without mil occupation expresses precisely our view of that problem. We most emphatically do not wish to station forces in Iceland and would be prepared to send them there only in acute emergency. North Atlantic treaty is designed to assure coordinated defense planning. Particular problems of all parties would be considered. Re Iceland it is anticipated that after treaty's entry into effect plans will be formulated for assuring security of Iceland in face of emergency including for example what facilities in Iceland should be constructed in advance, what mil, naval or air forces would be necessary for its defense in event of emergency, who would supply such forces, etc. Pls make this clear Ice Govt.

ACHESON

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<sup>1</sup> Not printed.

857D.00/1-2849 : Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*

SECRET PRIORITY

OSLO, January 28, 1949—4 p. m.

51. British Ambassador yesterday gave member my staff impressions confided by Skylstad, Secretary General Foreign Office, on Copenhagen Conference. Skylstad did not attend conference, but reflects Foreign Office information.

1. Discussions never got around to terms of possible Scandinavian alliance, but centered on proposal to ask US whether Nordic group could be furnished military aid without joining Atlantic Pact. Swedes so difficult even on this subject, that Lange observed no serious business could be transacted with them. This attitude on part Sweden believed largely motivated by Soviet displeasure any Scandinavian arrangement carrying link with West.

2. Norwegians greatly annoyed by Danes vacillation and lack of positive attitude. Skylstad thought in last analysis however, Denmark would join Atlantic Pact.

3. Even if Scandinavian alliance had been discussed, Swedish proposals would have been unacceptable to Norway. Defense talks recently concluded showed Swedes wished dominate management merely using Denmark, Norway as instruments Swedish policy. For example Swedes would be in charge military, naval and air forces; military equipment would be standardized on Swedish lines, and Bofors would furnish arms for all by greatly expanded production with US funds.

4. General feeling of Norwegians was Oslo discussions, commencing today, would be futile, but game must be played out to end.

Collier is recommending to his government invitation join Atlantic Pact be issued Norway immediately after expected failure Oslo conference.

Sent Department 51; repeated Copenhagen 8, Stockholm 7.

BAY

861.9111 RR/1-2949 : Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

Moscow, January 29, 1949.

228. Soviet press January 29 carries 10 column spread giving text "Statement Minister Foreign Affairs USSR on North Atlantic Pact." Referring Dept's publication January 14: "Building the Peace. Collective Security in North Atlantic Area",<sup>1</sup> statement denounces Western Union as weapon aggressive Anglo-American bloc in Europe. Fact

<sup>1</sup>"Collective Security in the North Atlantic Area," Department of State publication 3377.



that USSR and countries Peoples Democracies excluded from Western Union reveals that organization formed not in interests peace but in pursuit aims having nothing do with international security. Great Britain, France are accused thereby of violating spirit Yalta Potsdam and attempting use Western Germany in setting up grouping against former allies World War Two. Statement then blasts Marshall Plan which ruining participating countries and passes to discussion formation North Atlantic Union which characterized as being closely linked to Anglo-American plans for forcible establishment Anglo-American world domination under aegis of USA.

Expanding on latter theme statement asserts North Atlantic Pact, Rio Treaty, proposed Scandinavian defense system, project for regional grouping south Asiatic countries all part Anglo-American plans for world domination. These intentions proved also by great armaments programs fact that leading circles USA and Britain not interested in agreement and cooperation with USSR. North Atlantic Union undermines UN and Articles 51 and 52 as referred to by US as justifying formation union are inapplicable. "New direction" in foreign policy Western Powers really return to old anti-Soviet course directed at isolation USSR. Full translation follows of statements concluding paragraph headed "Main conclusions:":

First conclusion, Soviet Union is forced to reckon with fact that ruling circles US, Great Britain have passed to openly aggressive political course, ultimate aim of which is forcible establishment Anglo-American world domination with which moreover their policy of aggression, their policy of unleashing new war is in accord. In view of such situation Soviet Union must still more energetically and still more consistently wage struggle against each and all warmongers, against policy aggression and unleashing of new war. For general stable democratic peace in this struggle to strengthen world peace and internal security Soviet Union considers as its allies all other peace loving states and all those countless supporters of universal democratic peace who are real expressers of thoughts and feelings of peoples bearing on their shoulders incredible burdens of last world war and justly rejecting each and all aggressors and instigators of new war.

Second conclusion, everyone sees that UNO now being undermined since it at least to certain extent hinders and restrains aggressive circles in their policy of aggression and unleashing new war. In view of such situation Soviet Union must fight still more firmly and still more insistently against undermining and destruction of UNO by aggressive elements and their helpers and must insure that the UNO shall not indulge such elements as is now not infrequently the case but shall hold its authority in higher esteem when matter concerns rebuff to

those who are conducting a policy of aggression and unleashing of new war. Advise if full text desired.<sup>2</sup>

KOHLER

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<sup>2</sup> The Chargé in the Soviet Union transmitted three copies of the Joint Press Reading Service's translation of this statement in his despatch No. 64, January 31, 1949. (861.9111/1-3149)

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*Editorial Note*

The Soviet Ambassador in Norway, S. A. Afanasyev, on January 29 presented to the Norwegian Foreign Office a statement of his Government's views regarding the projected North Atlantic Treaty and the possibility of Norway's adherence to it. References to the content of this statement and the Norwegian reply of February 1 are found in a second Soviet statement delivered to the Norwegian Foreign Office on February 5 and transmitted to the Department of State in despatch No. 51 from Oslo, February 10, page 91.

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840.00/1-3149 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

PARIS, January 31, 1949—7 p. m.

406. Schuman and Chauvel<sup>1</sup> were both very pleased with results of London meeting.<sup>2</sup> First of all they were pleased with outcome of conversation on European federation. They opposed sending conclusions back to experts and advocated that they should be handled by permanent committee at London and this was finally accepted by the others. Although it is not clearly set out, it was generally understood, they say, that voting in the Consultative Assembly shall be "individually".

They were pleased that nobody objected to inclusion of Italy in Atlantic Pact.

Turkey and Greece were discussed but no conclusions reached.

Report of Military Committee, Supply Board and Committee on Subversive Activities were routine.

Report on cultural activities and social matters were included in communiqués.

Sent Department 406, repeated London 87, Brussels 29, Hague 10.

CAFFERY

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<sup>1</sup> Jean Chauvel, Secretary-General, French Foreign Office.

<sup>2</sup> Meeting of the Brussels Pact Consultative Council on January 27-28, 1949.

NEA Politico-Military Files, Lot 484

*Memorandum by Mr. Paul H. Nitze, Deputy to the Assistant Secretary of State for Economic Affairs, to the Foreign Assistance Steering Committee*

TOP SECRET

[WASHINGTON,] January 31, 1949.

Subject: Report on Trip to London and Paris in Connection With Military Assistance Program

1. *Purpose of Trip*

The Foreign Assistance Steering Committee instructed me to proceed to London and Paris for discussions with our Embassies in these two cities, the Delegation to the Western Union and the Office of the Special Representative. I was asked to obtain information and any studies already made concerning production capabilities of the Western Union countries, the balancing of military requirements against potential productive capabilities, and the determination of implications of present and future military requirements to ERP. I was also asked to discuss with U.S. officials abroad appropriate procedures by which continuing work remaining to be done may be carried on.

2. *Status of Studies Already Made*

a. The Western Union Military Committee had prepared an interim program estimating the requirements necessary to fully equip existing forces and those mobilizable on three months' notice in 1949. They had also estimated the magnitude of stocks existing in Europe, estimated production in Europe during 1949, and wastage. From these estimates a list of deficiencies had been prepared.

b. The Supply Board had received reports from the various countries estimating the production facilities which were available in their countries and which could be utilized during 1949 without affecting their economic recovery program, providing necessary raw materials and full financing were made available. The Financial and Economic Committee had worked out arrangements for financing the headquarters expenses of the Western Union organization, and had evolved an interim policy of transfers on memorandum account to cover excesses available in one country and needed by another country. No discussions had as yet taken place with respect to more permanent financial or economic arrangements.

3. *Relationship of Military Assistance Program to ERP*

a. From an examination of the Western Union Military Committee and Supply Board planning documents and from discussions with the U.S. observers to the various Western Union Committees, it appeared that all of the Western Union countries feel not only that economic

recovery must have a clear priority over the military rearmament program, but that no additional military cost over their current military programs can be carried by them (the British military program was increased last fall in a manner estimated to require increased military expenditures of some £50,000,000 per annum). None of the programs so far considered by them contemplate any further increase in the current military budgets of any of the countries. If these programs are carried out, there would, therefore, be no further impact upon European recovery, and the additional cost of the rearmament program would fall entirely on the U.S. taxpayer.

b. The issue was immediately raised as to whether or not some greater degree of self-help and mutual and reciprocal assistance on the part of the Western Union countries should be required by the United States, if the military program is to be sound in the long run and of a nature to secure the long-run support of the U.S. people and Congress. The principal considerations appear to be the following: (a) that a strategically adequate long-run program will, of necessity, require increased numbers of effectives, improved training of personnel, and improved maintenance of equipment in Europe which requirements cannot be met merely by supplying equipment from the U.S.; otherwise the equipment provided from the U.S. will not be fully effective; (b) that in the long-run it would be desirable if the Western Union military establishment could be as self-supporting as possible; (c) that unless a beginning is made early in the program toward the principle of increased self-help and mutual and reciprocal assistance it may be difficult to initiate that principle at a later date; (d) that a sense of participation and sacrifice would appear to be essential if a sound psychological foundation for an expanded defense program is to be established; and (e) that Congress will expect some tangible evidence of increased self-help and mutual and reciprocal assistance on the part of the European countries if the U.S. taxpayer is to be asked to absorb additional burdens.

c. If there is to be self-help and mutual and reciprocal assistance going beyond current European military budgets, other than coordinated planning and exchange of items in excess supply in stocks carried over from the war, a real cost to the Western Union countries will be involved. This cost will be in the first instance a financial one, but will also translate itself into manpower, facilities, and raw material considerations. In Belgium, excess facilities and manpower exist today. In other countries certain facilities and manpower are being inefficiently or under-employed. In all the Western Union countries the problem of attaining or maintaining internal financial stability is acute. It was the consensus of all the people I talked to in our em-

bassies and in the ECA missions that the most important criterion against which any contribution of increased self-help and mutual and reciprocal assistance on the part of the Western Union countries must be measured is the financial criterion. In the case of France, in particular, balancing of governmental receipts and expenditures this year appears to be possible if full and constant pressure by the United States is maintained on the accomplishment of this objective. Success in achieving internal financial stability this year is a pre-condition to French economic stability and thus to any long-run military security program.

*d.* It was the feeling of Messrs. Holmes, Caffery, Harriman, Finletter<sup>1</sup> and Bruce<sup>2</sup> and of the technical people, both in our Embassies in London and Paris and in the ECA, that some increase in the military budgets of the various Western Union countries could be met by increased taxes or other non-inflationary means, depending upon the magnitudes involved and the timing and method of approach to the Western Union governments.

*e.* The most important question in this regard appeared to be whether or not there existed or could be created the necessary broad public support for a military security program to lay the foundation for increased sacrifices to accomplish that objective. In general the picture appears to be that a sense of insecurity is widespread, but no one can be sure that this will of itself lead to a willingness to make increased sacrifices. The problem is particularly acute in France where many associate the idea of security with a decrease in tension between the U.S. and the U.S.S.R., and not with an increase in the military potential of the Western Union countries. In France it appears that only the motivation of national pride might be strong enough to support an increased military program involving sacrifices on the part of the French people.

*f.* With the above considerations in mind, it appeared that a portion of the assistance to be made available from the U.S. might well be linked to and made conditional upon increased military budget appropriations by the individual Western Union countries. It was thought that such a "carrot and stick" procedure would help the governments of Western Union countries sell a program involving increased self-help and mutual and reciprocal military assistance to their own people. If they did not come in they would, to some extent, be left out of the procession.

*g.* Furthermore, if the portion of assistance so linked is made available in dollars rather than in military aid items, it would cover the

<sup>1</sup> Thomas K. Finletter, Chief of the ECA Mission in the United Kingdom.

<sup>2</sup> David K. E. Bruce, Chief of the ECA Mission in France.

dollar cost of increased imported raw material requirements resulting from their increased military budgets and any decrease in export potentialities resulting from diversion of manpower.

4. *Size, Scope and Composition of a Military Assistance Program*

a. From discussions in London with Colonel Westphalinger<sup>3</sup> and others, it appeared evident that the putting into effect of a military program of adequate size to give Western Europe true military security against an all-out attack would be beyond the capacity of the Western Union countries, irrespective of the magnitude of U.S. assistance, at least during the period of the European Recovery Program. If a start were made during the next three years on a rearmament program and if the European Recovery Program were a success, the foundations might, however, be laid for an adequate security program to be developed in subsequent years.

b. From this it follows that the limiting factor on the magnitude of a military program during the ERP period will be the economic and financial resources which can be made available rather than the requirements evolved from an adequate strategic plan of defense. This point seems to be realized by the Western Union planners and until some principles are laid down on a high political level, which give some guide lines as to the general magnitude of economic and financial resources which can be made available for carrying out the program, there will be long delays and a dangerous unreality in the work being done by the various Western Union Committees. The work which has been done to date has been largely restricted to an interim program based on bringing up to adequate levels the equipment and balance of existing forces and those mobilizable on three months' notice during 1949. This work has assumed nine French divisions. It was Colonel Westphalinger's opinion that, in view of the reduced number of effectives which he understood to be contemplated by the current French military budget, it would be more realistic to cut the French figures in the interim program down to a five-division basis. (Subsequent information casts doubts on this point.) It was both General Kibler's<sup>4</sup> and Colonel Westphalinger's opinion that no longer range program than the interim program could be evolved by the Western Union Committees in less than six months.

c. From conversations with Roger Makins of the British Foreign Office and Sir Henry Brittain who is the British secretary of the

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<sup>3</sup> Col. Henry R. Westphalinger, Senior Technical Representative, Office of U.S. Military Attaché, London; after February 10, U.S. Army Member, Military Committee of Five (Brussels Pact) Powers Joint American Military Advisory Group, London.

<sup>4</sup> Maj. Gen. A. Franklin Kibler, Chief of the U.S. Delegation to the Military Committee of the Five (Brussels Pact) Powers, in London.

Western Union Financial and Economic Committee, it was apparent that little of a concrete nature could be expected from that committee during the next few months.

*d.* In view of the above, it appeared to Colonel Bonesteel of ECA, Colonel Westphalinger and me that if the necessary work in developing the principles to apply to a military assistance program were to be developed prior to March 1st a considerable degree of initiative would have to be taken by the U.S. In order to stimulate the development of a U.S. position, we drafted a telegram to Mr. Gross containing a suggested approach with illustrative figures. It was our thought that such illustrative figures could then be promptly checked from a number of different angles as to general order of magnitude and feasibility, that a U.S. position could then be developed which could serve as a basis for further discussions with the Western Union Committees, and that the testimony before Congress could be developed in the light of those further discussions. It was our thought that a U.S. position would include a target figure for the aggregate dollar value of military assistance to be made available from the U.S. during fiscal 1950, an estimate as to the increased Western Union military budgets which could be carried by them during 1950 without seriously affecting European economic recovery, and a determination as to the dollar or raw material assistance which the U.S. might be able to make available within the overall U.S. target figure to help them minimize the economic effects of such increased budgets.

*e.* It was Colonel Westphalinger's rough guess that if the interim program were reduced to a five-division basis for the French and all items not absolutely essential screened out, military end items which could be provided from the U.S. might have a replacement value of three to four hundred million dollars, and the cost of rehabilitation and transportation might amount to an additional hundred to two hundred million dollars; and that items not covered by the interim program but necessary for a balanced program such as tactical air training in the U.S., etc. might add an additional 200 million dollars. On the basis of information received subsequent to our return, it appears that these rough guesses are probably much too low.

*f.* Similarly as a rough guess, Colonel Bonesteel and I estimated that France, Belgium and the U.K. might be able to carry increased military programs of the general order of magnitude of \$300 million apiece and Holland \$100 million, provided that the principle outlined in paragraph 3*f* above were accepted and only half these amounts required internal financing of increased military appropriations, the other half to be covered by the U.S. in the form of raw material or dollar financing. We, therefore, suggested as illustrative figures for

the Western Union countries as a whole increased military programs aggregating expenditures equivalent to \$1 billion, \$500 million of which to be carried by the Western Union countries through increased military budgets to be financed by non-inflationary means, \$500 million to be supplied by the U.S. in the form of dollars or imported raw materials. Subsequent discussions have indicated that these illustrative figures are probably too high.

g. In discussions with Messrs. Bliss and Bartlett of the Embassy staff in London<sup>5</sup> and with Mr. Finletter, it appeared that the British economy was extremely tight financially and as to manpower and facilities, but that some increase in military expenditures was not necessarily out of the question. We left a memorandum on the basis of which the Embassy and ECA staffs were preparing to give further study to the problem.

h. In Paris we discussed the French budgetary situation at length with the Embassy and ECA staffs. It was their preliminary opinion that if the French budget could be gotten into balance during the next six months an additional load of \$100 million during fiscal 1950 would not necessarily be an impossible burden. They were preparing to give as concrete a reply as possible to the questions asked in Mr. Gross' telegram of January 14<sup>6</sup> by January 25.

5. *Considerations Bearing on Tactics of Possible Negotiations with Western Union Countries as to Economic and Financial Principles Governing the Military Assistance Program*

a. It was the opinion of Ambassador Harriman that little progress could be made by the Western Union Financial and Economic Committee until we had arrived at a measure of agreement on overall policies with Cripps<sup>7</sup> and with Schuman in view of the fact that the important questions involve basic political considerations. It was his feeling that, after a U.S. position had been evolved in Washington, Ambassador Douglas and he might explore the subject with Cripps and Schuman and attempt to reach an agreement in principle, the detailed arrangements then to be developed by the appropriate Western Union Committees with full U.S. participation.

b. It was his opinion that a program of increased self-help and mutual and reciprocal assistance could be successful only if Cripps and Schuman considered it politically feasible and committed themselves to support the measures necessary to gain a favorable public reaction and to put it through.

<sup>5</sup> Don C. Bliss, Counselor of Embassy for Economic Affairs, and Frederic P. Bartlett, First Secretary of Embassy.

<sup>6</sup> Telegram 127 to Paris, January 14, not printed.

<sup>7</sup> Sir Stafford Cripps, British Chancellor of the Exchequer.



840.00/2-149 : Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

SECRET

BRUSSELS, February 1, 1949—5 p. m.

158. Discussing progress made London last week<sup>1</sup> regarding European Union Loridan said greater area agreement had been reached at meeting than Belgians had anticipated. While latter encouraged by British concessions (i.e., agreement establish "consultative body" voted by members rather than by dels,\* etc), Belgians still hope British will agree to "consultative body" being a "consultative assembly". Loridan added permanent Brussels Pact committee in London meeting this week iron out details.

Speaking of initial membership he said it was agreed "European Council" should consist of 5 powers plus Italy and Scandinavian countries if latter agree join. (Italy and Scandinavia will be sounded out informally prior being approached officially since 5 powers would not risk being rebuffed. Belgians believe Italian adherence certainty but not sure about Sweden.)

When queried regarding timetable for establishment "European Council" Loridan said it difficult fix timetable at present because details still to be worked out: i.e., (1) regarding pact itself; (2) sounding out Italy Scandinavia; (3) regarding form instrument establishing "European Council", etc. Nonetheless, Belgians hope final arrangements will be reached prior to or by next meeting Brussels Pact Ministers scheduled April.

Sent Department 158, pouched London, Paris, The Hague, Luxembourg.

KIRK

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<sup>1</sup> Reference is to the meeting of the Consultative Council of the Brussels treaty powers, attended by the five foreign ministers.

\*Delegates? Delegations? [Footnote in the source text.]

840.20/2-149 : Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*

TOP SECRET

OSLO, February 1, 1949—6 p. m.

68. At my request Foreign Minister invited me Foreign Office this p. m. Also present were British Ambassador Collier and Secretary General Skylstad. Lange handed us text Norwegian answer Soviet note January 29 scheduled release press tomorrow morning (Embtel 69, February 1<sup>1</sup>). Russian note he volunteered had incited resentment

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<sup>1</sup> The Norwegian answer, dated February 1, is quoted in telegram No. 69, not printed; but see p. 91.

Norwegian Government. Lange stated Norwegian Ambassador London, Prebensen, will call British Foreign Office while Morgenstierne<sup>2</sup> scheduled arrive Washington February 6, will request meeting Secretary State February 7 to make full report Scandinavian meetings ending in disagreement Oslo January 30.

Referring specifically paragraph 5 of reply,<sup>3</sup> Lange says Morgenstierne and Prebensen will request fuller explanation basic concept Atlantic Pact including extent of area covered, reciprocal obligations and such additional information as Norwegian Foreign Office believes required for full Storting discussions prior reaching decision whether accept invitation join Pact. Lange elaborated orally on paragraph 6, stating although Government opposed to providing bases in Norway to any foreign government, it would nevertheless be consistent with Norwegian policy enter into discussions of and preparation for defense against possible attack. Norway prepared initiate conferences near future western powers primarily US to plan military strategy and defense. Morgenstierne will therefore ask Secretary of State how much and how soon US military aid to Norway forthcoming under Pact.

Lange explained rock on which Oslo meeting foundered was Norway's determination remain free initiate and pursue military discussions at any and all times. Sweden obdurately negative this point. Lange expressed appreciation Deptel 36 January 28,<sup>4</sup> stating this proved most helpful in buttressing final Norwegian stand.

Lange admitted Labor Party split but not sufficiently to block favorable Storting vote on pact. Asked whether Soviet note would accentuate party division, Lange replied note would strengthen dissent by still undisillusioned believers in Soviet social system. Together with die-hard supporters, Scandinavian neutrality and those possibly influenced by Danish decision (see below) number dissenters would be further increased. Government particularly concerned these defections in election year.

Lange now extremely doubtful Danes will join Atlantic Pact. Danish delegation informs Lange joining would split Government Social Democratic Party through middle and Government probably unwilling risk such split.

<sup>2</sup> Wilhelm Munthe de Morgenstierne, Ambassador of Norway in the United States.

<sup>3</sup> Paragraph 5 of the Norwegian reply concerned the question of how Norway's geographic location and maritime interests might qualify her for membership in a North Atlantic security system. (840.20/2-149)

<sup>4</sup> Telegram No. 36 described as "completely erroneous" a press report that had disturbed the Embassy in Norway. The telegram closed with the words: "Only ulterior motives can account for such reports in face of Pres's categorical statement in Inaugural Address that 'we will provide military advice and equipment to free nations *which will cooperate with us* in maintenance of peace and security'." (840.20/1-2749)

Asked whether Swedes might change minds later, Lange considered this impossible. Swedish delegation confirmed their neutrality based on strategic considerations since Sweden considers itself ideologically and economically lined [*linked?*] to west.

Questioned on Morgenstierne opinion expressed Department Norway not likely oppose inclusion Italy Atlantic Pact Lange expressed contrary view contending Norway views Mediterranean not integral part North Atlantic.

Sent Department 68, pouched Stockholm, Copenhagen, Moscow.

BAY

840.20/2-149 : Telegram

*The Secretary of State to the Embassy in Iran*

TOP SECRET

WASHINGTON, February 1, 1949—7 p. m.

86. Iranian Amb<sup>1</sup> inquired Jan 25 whether Iran had been considered in connection North Atlantic Pact. Dept replied substantially as follows:

We have given careful consideration to situation Iran in relation anticipated Atlantic Pact and fully recognize its security requirements cannot be overlooked. However, for geographical and other reasons it was clearly impracticable to include Iran in Pact itself. Furthermore, contemplated association of US with mutual defense group of this kind represents such radical departure from traditional US policy that we were obliged proceed very cautiously and step by step. Did not feel able as yet consider desirability regional group to include Iran and other Near East states.

Nevertheless, we recognized we must avoid giving false impression that, by apparently preemptive commitment to Western Europe, we are abandoning Iran to predatory Soviet designs. Iranian people must not be led to feel that increased US support to Western Europe means any lessening of support for Iran and correspondingly USSR must not be given impression that aggression against Iran would go unchallenged because of apparent US concentration on European security. There would be in fact no slackening in US support of Iran and we were studying ways and means of making this clear to world. We did not yet say what measures wld be taken to this end, but we were confident satisfactory action would materialize approximately concurrent with conclusion Atlantic Pact.

Dept also pointed out strengthening of Western powers through Atlantic Pact would itself constitute security factor for Iran, since it wld tend to restore balance power and create strong point which shld have deterrent effect on any Soviet plans for aggression anywhere in world.

ACHESON

<sup>1</sup> Hussein Ala.

857D.00/2-249 : Telegram

*The Ambassador in Sweden (Matthews) to the Secretary of State*

SECRET

STOCKHOLM, February 2, 1949—3 p. m.

130. Ambassador Boheman who is leaving today for Washington told me last evening that he was neither greatly surprised nor too unhappy about the "failure" of the Oslo conference. He said the Danes were the most upset but he did not know whether Hedtoft's<sup>1</sup> principal anxiety was over the possible splitting of his party and its internal political effect or over Denmark's international position. He said the Norwegians had suggested some formula permitting "unilateral American guarantee" of a Scandinavian alliance but he had opposed this as "the worst possible solution." He said the meeting had not lasted long. The Swedes had presented their formula supported by the Danes, which was unacceptable to the Norwegians; the latter presented theirs which was unacceptable to Sweden and the meeting was over.

Boheman remarked that he thought the Norwegian position favoring adherence to the Atlantic Pact was the right one "if war were imminent within the next year" but since he thinks it is not likely within five years he believes Swedish position was the sound one and the one most likely to keep the Soviet cold war away from Scandinavia. He said the Norwegians seemed surprised at the Soviet *démarche* but he could not understand why because it was the natural thing to expect. He emphasized that it had no effect on the conference deliberations and that they did not know about it until the decisions had been taken. The serious thing for Scandinavia, he said, was Norway's association in the Atlantic Pact for this would bring the pressure on this area and would make Finland's position more difficult. If Norway joins, however, he sees no reason why the Danes should not follow suit but he was not yet certain that Norway would adhere to the Atlantic Pact.

I asked him the meaning of the phrase "at present" in the Oslo communiqué and whether it implied that there were plans for further talks. He said no, and that the phrase had been put in on the insistence of the Danes who did not want to give up hope and of the Norwegians who thought it would ease the shock to public opinion. Swedes, he said had no interest either way and he considered Scandinavian pact plans a dead issue.

Sent Department 130; repeated Oslo 33, Copenhagen 36, London 42, Paris 40, Moscow 26.

MATTHEWS

<sup>1</sup> Hans Christian Hedtoft, Danish Prime Minister.

840.00/2-249 : Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

SECRET

BRUSSELS, February 2, 1949—8 p. m.

177. Spaak says London meeting Foreign Ministers Brussels Pact very satisfactory as to climate and general progress. But in strict confidence, he says he very disturbed lack real forward movement on military matters. After ten months existence, he considers little accomplished to increase actual military strength Western Union. Although plans have been drawn for defense on Rhine and several high command staffs and headquarters established, there still seem to be too many generals and no armies whatever. Although a study has been made on what armaments and equipment different countries can produce, he disappointed that nothing effective has been accomplished in allocating responsibility for manufacture and supply weapons among five powers, even matter small arms and machine guns. Spaak says 12 billion Belgian francs are talked of for his total military budget, which he can defend if this sum is to be wisely spent for common good. (Military budget 1949 presently envisaged would total about 6½ billion francs.)

Spaak also feels much more positive action required in military field and he inclined blame command setup. He says that while each Defense Minister has his own chief staff, and military committee presided over by Field Marshal Montgomery also has another complete staff organization with various headquarters. In practice these organizations are not tied together in any manner as to responsibility and authority. He would wish example American-British combined staff in late war could be emulated and that right early.

Sent Department 177, repeated London 13, Paris 26, The Hague 14.

KIRK

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*Editorial Note*

Secretary of State Acheson and Counselor Bohlen met on February 3 with Senators Arthur Vandenberg and Tom Connally to consider together, article by article, the latest draft of the Atlantic Pact. The alterations suggested by the Senators, except as they dealt with Article 5, were mostly inconsequential and were referred to by Acheson in the Minutes of the Twelfth Meeting of the Washington Exploratory Talks, February 8, pages 73 ff. A memorandum of the conversation, with a list of Department recommendations regarding the Senator's suggestions, and revised drafts of the Preamble and Articles 5, 7, and 10, are in Department of State file No. 840.20/2-349.

A second meeting of the same participants was held on February 5

to consider the above-mentioned revisions. The discussion was almost entirely concerned with the possible revision of Article 5. A memorandum of this conversation is in file 840.20/2-549.

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840.20/2-749 : Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

SECRET

Moscow, February 7, 1949—4 p. m.

304. As seen from Moscow, Soviet representations<sup>1</sup> Oslo against Atlantic Pact adherence present problems not only Norwegians but US. If Kremlin achieves objective frightening Norwegian Government into refusal join, impression will be left and fully exploited Soviet propaganda Foreign Minister Lange forced to conclude after investigation Atlantic Pact actually hostile and potentially aggressive toward Soviet Union, as Moscow charges. Conclusion may also be drawn by third countries pact implementation insufficiently planned, regarded as ineffective protection.

While tough tone Soviet *démarches* carries implication bad consequences to Norway, we believe after careful consideration that Soviet bark this instance stronger than bite, Kremlin has high hopes present menacing tone will suffice for its purpose and that no disastrous consequences will follow Norwegian decision join Atlantic Pact.

We are convinced Kremlin does not want serious risks hostilities at present juncture and this limits its field possible retaliatory action to propaganda and hostile economic and political maneuvers. Example Iran, to which even tougher notes addressed,<sup>2</sup> instructive display Moscow ability quietly backdown when bluff called.

Consequently we think US Government need not hesitate continue seek Norway adherence pact and latter need not fear having courage its convictions. On surface, except for unilateral Soviet interpretation, there would be no conflict between Norway's adherence Atlantic Pact and non-aggression treaty and we believe Norway well-advised offer do both at same time. While Moscow would reject offer, on basis its own interpretation, Norway's position would be honest and clear, and wind would be taken out of Soviet propaganda sails. Soviet Government would then be in actual position turning down a "peace pact" of its own proposing (as its distorted propaganda re Stalin questions and answers is now attempting portray US as doing).<sup>3</sup>

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<sup>1</sup> Soviet statements of January 29 and February 5. See editorial note, p. 53, and enclosure to despatch No. 51, February 10, p. 91.

<sup>2</sup> Documentation on this subject is scheduled for publication in the Iranian section of volume vi.

<sup>3</sup> Documentation on the exchange of questions and answers between Kingsbury Smith, the European Director of the International News Service, and Generalissimo Stalin is scheduled for publication in volume v.

As to (Swedish-inspired) suggestion Norway adherence would cause Soviet Union bear down on Finland, demand bases, we think this unlikely. This may have been real possibility if all three Scandinavian countries joined Atlantic Pact, but with Sweden out we doubt Kremlin would risk scaring Sweden (and Denmark) into following Norway's example by confirming suspicions latest Soviet aggressiveness.

Sent Department 304, repeated Helsinki 7, Stockholm 13, Oslo 13, Copenhagen 6.

KOHLER

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840.20/2-749

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 7, 1949.

Participants: Mr. Lange, Norwegian Foreign Minister  
Wilhelm Munthe de Morgenstierne, Ambassador of Norway  
Mr. Torp, Leader of the Norwegian Labor Party in Parliament  
Mr. Acheson, Secretary of State  
Mr. Bohlen  
Mr. Hickerson

Mr. Lange, the Norwegian Foreign Minister, accompanied by Ambassador Morgenstierne and Mr. Torp, Leader of the Norwegian Labor Party in Parliament, came in to see me by appointment made at the Foreign Minister's request this afternoon.

I welcomed Mr. Lange and his party to Washington, expressed sympathy for Norway's present situation and told him of the admiration which Norway's quiet, courageous stand had evoked in the United States. I told him that we would be very glad to listen to what he had to say and to discuss with him any questions about the North Atlantic Pact which he might wish to raise. I stated that I hoped that he will be agreeable to regarding this first talk as an introductory one to be followed up with detailed talks with Mr. Bohlen and Mr. Hickerson after which the Foreign Minister and I could discuss this whole question again.

Mr. Lange indicated that this procedure was quite satisfactory to him. He referred to the Scandinavian talks which had broken down over divergence of views between Norway and Sweden. He said that Norway had insisted on approaching the problem of Scandinavian security as just a part of the common security problem of all the western democracies, and a problem to be solved on the basis of the fundamental solidarity of the western democratic world.

Sweden, on the other hand, insisted on limiting the discussions to the possibility of finding a solution on the basis of a Scandinavian pact, free from any alliances or entanglements outside of Scandinavia. He said that Norway was not willing to go along with Sweden and Denmark in presenting to the western democracies a joint Scandinavian security plan along the lines of what might be called Swedish neutrality. He said that it seemed clear to Norway that a neutral Scandinavian bloc would not be strong enough to afford its members any reasonable degree of security and that to achieve that end such a bloc would require help from the western democracies in peacetime and in war, the kind of help, he added, that he understood the Atlantic Pact intended to provide to its member states. In refusing to make such a joint approach, Mr. Lange said, he was anxious to avoid putting the United States and the United Kingdom Governments in the position that by refusing support to such a Scandinavian bloc they would be causing a split in Scandinavia. A negative answer by the western powers to a common Scandinavian request might, in the Norwegian view, give the outside world and especially Soviet Russia a false impression that a serious weakness of the general democratic front had occurred. Mr. Lange continued that the Norwegian Government had consequently made all necessary preparations to put before the Norwegian Cabinet and subsequently before the Norwegian Parliament the question as to whether or not Norway alone should indicate its willingness to accept an invitation to join the preparatory talks on the Atlantic Pact. Nonetheless, the Norwegian Government is acutely aware of the fact that the problem of finding a solution of Scandinavia's security needs is a very difficult and delicate one. The Norwegian Government sees important advantages in a joint Scandinavian solution provided it could be arrived at with full understanding and support of the western governments, particularly the United States and the United Kingdom Governments and provided the Scandinavian bloc could obtain the necessary war materials for its armaments on lenient terms.

Mr. Lange said that Norway would regret very much to see a break in Scandinavian solidarity although he intimated that his country was prepared to take this step if necessary. He said that such a break would undoubtedly increase to some extent Communist influence in Norway although he did not think this would in itself be due so much to increase in the number of Communists as in causing disagreements among the non-Communist left over this issue.

The foregoing were the reasons, therefore, why the Norwegian Government had wished to raise the whole Scandinavian security problem with the United States and, at a later stage, with the United Kingdom Governments. He concluded by asserting that Norway has



a strong desire to confer and consult on this situation as a whole on the basis of the fundamental solidarity of the western democracies with a view to finding a solution which would at one and the same time satisfy the common security needs of the democracies and meet the special conditions in Scandinavia.

I informed Mr. Lange that I understood the difficulties of this whole situation and that we would consider what he had said and what he would subsequently say to Mr. Bohlen and Mr. Hickerson with the greatest sympathy and care. I added that I would look forward to seeing him again later in the week.

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840.20/2-849 : Telegram

*The Minister in Iceland (Butrick) to the Secretary of State*

TOP SECRET

REYKJAVIK, February 8, 1949—8 p. m.

53. While at Foreign Office on another matter, Foreign Minister informed me late this afternoon that Iceland wishes to be informed before hand of any invitation to participate in North Atlantic treaty so that it can time formal indication. He also stated that he was not sure that Iceland would wish to participate. I expressed great surprise and stated that this seemed to be an abrupt change from what I had previously been led to believe, particularly mentioning public statements of Prime Minister<sup>1</sup> and Oliver Thors.<sup>2</sup> He said nevertheless that conditions in Iceland had changed considerably and that the neutrality movement had gained great impetus and the government is not now sure of its position. I have not consulted Prime Minister.

It is true that opposition to the pact has been expertly whipped up, principally by the Communists, on the basis that stationing of foreign troops in Iceland would through contact destroy Icelandic culture. This popular theme had wide acceptance and recently there has been a gradual shift to a neutrality theme. This, as has been reported, was discounted by presumably informed political observer, perhaps too much. That there is considerable opposition to the pact, as it is generally understood, is true, but in view of the fact that the stationing of troops in Iceland in peace time is not contemplated, I had felt that a great part of this opposition would melt away and this had evidently previously been the opinion of Foreign Minister.

While statement of the Foreign Minister must be given great weight, it is barely possible that he is attempting to maneuver Iceland into bargaining position.

BUTRICK

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<sup>1</sup> Stefán J. Stefánsson.

<sup>2</sup> The reference here is presumably to Olafur Thors, Prime Minister and Minister of Foreign Affairs, 1942, 1944-1947.

840.20/2-849

*Memorandum of Conversation, by the Counselor of the Department of State (Bohlen)*

TOP SECRET

[WASHINGTON,] February 8, 1949.

Participants: Halvard M. Lange, Foreign Minister of Norway  
Wilhelm Munthe de Morgenstierne, Ambassador of Norway  
Mr. Torp, Leader of the Norwegian Labor Party in Parliament  
Mr. Dag Bryn, Norwegian Defense Under Secretary  
Mr. Arne Gunneng, Norwegian Foreign Office  
Mr. Sivert Nielsen, Second Secretary, Norwegian Embassy  
Mr. Charles E. Bohlen, Counselor  
Mr. John D. Hickerson, Director for European Affairs  
Mr. Theodore C. Achilles, Chief, WE  
Mr. Benjamin M. Hulley, Chief, NOE  
Mr. Walter S. Surrey, L/E

The Foreign Minister reviewed some of the statements he had made yesterday to Mr. Hickerson. He then discussed briefly the Scandinavian Alliance Plan of which three drafts were made. The Swedes think recent events prove the Soviets do not have as strong objections to a Scandinavian Pact as to an Atlantic Pact. They would not put on paper any evidence of connection with the West for fear of Soviet reaction. The three countries are ready to give automatic commitments to each other (since in each the King in Council declares war) to use all means available to go to the assistance of any of the parties attacked on its home soil. Attacks on outlying areas like Spitzbergen, the Faroes and Greenland would not involve mutual defense. However, there is no restriction on making other arrangements to protect such outlying territories. Hence, if such an outlying area were attacked, Sweden would not be obligated to defend it. Nor would it be obligated to assist in case Danish or Norwegian forces in Germany were attacked. Only an attack on the home soil, irrespective of its cause, would make defense obligatory. If any is attacked, help from outside of Scandinavia would at once be requested. The agreements do not provide for consultation except in case of a threat of aggression against Scandinavia or elsewhere affecting the security of the three countries. Probably any war on the continent would be deemed to affect the security of Scandinavia. Sweden would accept a clause under which any of the parties during the life of the treaty (e.g., 10 years) could give notice of intention to enter into defense talks with an outside power, but in that case the others could withdraw. The Swedes would not agree to a contractual tie of any kind with any regional

group. The Norwegian position was that if the reality of the tie were there, that would suffice without any legal tie. Swedish military experts have no illusions that they can stay out if a war starts, but their politicians believe they could stay out a week or two which would be very valuable for mobilization.

I thanked the Foreign Minister for this which is the first definite information we have had on the subject. I emphasized that we expect adherence to the Atlantic Pact to be purely voluntary. We do not want to persuade any country which feels doubtful. The Scandinavian countries form an important part of the democratic world and have the same general political objectives as we do. However, from the viewpoint of United States security, the purely military aspect of adherence by one or more of them is not a major overriding consideration for us.

Mr. Lange said he told Secretary Marshall in Paris<sup>1</sup> that the Scandinavian countries would be more of a burden than an asset and that Mr. Marshall disagreed, saying that Southwest Norway was a very vital area as a base to be denied to Russia and for control of the Baltic. The Swedes said, and would not want to be quoted, that if a Scandinavian pact were signed, the West would have to come to the defense of the Norwegian coast. The Norwegians replied that this would not be good enough unless the US agreed in advance to it.

I said that we had two thoughts underlying the proposed Pact: (1) An aggressor should not be left in doubt about what he would run into if he started something, and (2) we wanted European countries to have a sense of security which would be vital in regaining normal economic and political existence. We believed each country would have to decide for itself what is in its best interest. One of the factors which had to be weighed but on which views could only be speculative was the question of probable Soviet reaction. We think the Soviets will have a strong antagonism to any grouping—to a Scandinavian defense pact as well as a North Atlantic treaty. They would look on a Scandinavian pact as essentially hostile and would not believe it had no legal connection with the West.

Mr. Lange agreed that the decision was one for Norway to make alone using its best judgment. Also, he agreed on the basic priority of the Economic Recovery Program. He fears the Soviets might react to the Pact by moving its military bases nearer to the Norwegian border which would oblige Norway to mobilize and that would destroy its economic recovery. He feels that the maximum security can

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<sup>1</sup> See Secretary of State Marshall's summary of his conversation with Lange on September 29, 1948, in telegram No. 5130 from Paris, September 30, 1948, *Foreign Relations*, 1948, vol. III, p. 256.

only be obtained if the Soviets know that an attack on Norway would involve the Western Powers. In his opinion the Soviets do not seek or deliberately plan a war now. They want to push their positions as far as possible without starting war. Last March Mr. Bevin favored the Scandinavian Union accompanied by a public unilateral US-British guarantee.<sup>2</sup> At that time the Swedes feared this but are now inclined to it provided there is no mutual agreement. Norway feels it necessary to draw a line beyond which the Soviets cannot advance without getting into trouble with all the Western countries. The Swedes say they will not join the Atlantic Pact now or at any future date. Norway considers the Scandinavian countries more stable and reliable than, say France or Italy. The communists have been kept down, but a split in Scandinavian unity would strengthen the communists. I said I agreed that the effect on the internal political and economic situation in Norway was of very great importance and must be carefully considered. Furthermore, what people think the Soviets will do is an important political factor.

Mr. Lange agreed that the Soviet constituted a political menace more than a military one. He hoped Norway would not have to make its decision before February 20 as a very important Labor Party meeting would start on February 17 at which this question would be debated and very valuable groundwork would be done.

I said we were anxious to avoid using the question of military supplies as a pressure weapon. Membership in the Pact will be one factor but not the only one in allotting military supplies. It does not follow that countries not in the Pact would be excluded. Obviously, common sense would require that available supplies be allotted to countries cooperating with us for mutual aid. (Mr. Lange commented that it is very important that we be clear on this point.) I said arms would go to places where it was considered most advantageous for our security and that of the world, and that we do not as yet have commitments for sending arms to any of the Pact countries. When Mr. Lange asked if Mr. Bryn could get an idea of availabilities in relation to Norwegian needs, I said a meeting with Mr. Gross is being arranged. I pointed out that the matter is not before the Congress as yet, programs are not yet made up, and we are not advanced far enough on this line to be definite. I repeated that we are not going to rush into this Pact, that there is no deadline, and no take-it-or-leave-it offer. Our object is to preserve peace but if this fails we do not want to have to wait before knowing what will be done about it.

Mr. Lange said the Danes ask what the Pact offers in the way of

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<sup>2</sup> For documentation on this subject, see *Foreign Relations*, 1948, vol. III, pp. 46 ff.

protection apart from its preventive effects. They say the Pact provides for consultation and other action according to constitutional processes and meanwhile Denmark will have been overrun. We then had a brief discussion of the meaning of constitutional powers in the US.

Mr. Lange said that if the US and Britain believed the Scandinavian Pact is the best solution for the three countries, their three drafts would be reduced to one in a couple of days. Norway must be sure of US and British approval of the Pact as being in the best interest of all the democratic nations.

Mr. Hickerson reverted to the question of the schedule and said we had never had a deadline although we had set up various tentative target dates. There would certainly be time for Norway to take part in the discussions after February 20 and in any case there is a provision to adhere after the Pact is signed.

I pointed out that the Soviets are quick to exploit any weakness and to use any initial success as a new point of departure from which to launch further actions based on the initial advantage as a starting point. They would not be slow to follow up any weakness displayed by Norway to pursue their advantage with further demands. It would be in Norway's interest that any decision reached implies no restriction on Norway's freedom of action.

Mr. Lange referred to Secretary Marshall's statement to him in Paris that the period between signature and the arrival of arms—possibly a year—would be critical and might be a temptation to Russia. This was important to Norway because of its exposed position. He asked about security during the intermediate period. He thought the Soviet war of nerves might be stepped up and asked if there were any solution.

I commented that the Soviets feel that the tide has turned against them with the progress made in economic recovery and that they would be on the alert to exploit any point where a weakness is shown. Mr. Lange agreed that Norway would have to be firm and for this reason it had insisted on staff talks with the West as essential to its security. The effects of a Soviet war of nerves might become very real in Norway. The communists are now arranging meetings to defeat the Atlantic Pact and he cited the close connection between the Norwegian communists and the Soviets, giving as an example use in the Soviet note of the exact words spoken by a communist member of Parliament two days earlier. He thought there might be growing public opinion favoring that Norway sign both the Atlantic Pact and a nonaggression pact with Russia and asked what the American reaction would be. I commented this looked like a too obvious tactical move which would

defeat itself and that Americans would probably consider it as a sign of Norwegian weakness and as a Soviet victory.

CHARLES E. BOHLEN

840.20/2-849

*Minutes of the Twelfth Meeting of the Washington Exploratory Talks  
on Security, February 8, 1949, 3 p. m.*

TOP SECRET

MR. ACHESON said that he wished to report on his talks with Senator Connally and Senator Vandenberg<sup>1</sup> about the North Atlantic Pact and with the Norwegian representatives who had recently arrived in the United States.

Mr. Acheson had not yet spoken to any Senators other than the two just mentioned and it was clear to him that after further discussions with them he would have to talk privately with other members of the Senate Foreign Relations Committee and, in the near future, when things were a little more crystallized, to spend a good deal of time with the full Committee. Discussions with Congress had not gone as far as he had expected. It was most important from all points of view to proceed sufficiently slowly to make sure of carrying the Senate Committee along with the negotiations. He explained that he had not found objection or obstruction on the part of the Senators but a sense that they did not fully understand the discussions which had taken place between the seven governments over the past few months. It would be a greater disaster and would defeat the purpose of all seven governments if by trying to go too fast in the negotiations the result were to cause misunderstanding in the Senate which might result in limitations. Contrary therefore to his first impression that rapid progress could now be made in the negotiations, he thought that the various discussions would take some time. A further delay of this kind, however, would, he thought, be amply repaid later on by the smoothness of the debate in the Senate.

Referring to Article 5, he said that the Senators agreed that the wording should aim at implementing the Vandenberg Resolution and should make it perfectly clear that an attack in an area or upon a country which involved the security of the United States would be met with force. What gave them pause at this moment was the detail of the draft text: What was armed attack? Who would determine what was done? It would take a little time to find the right form of words. An armed attack really did not require definition. If there was

<sup>1</sup> See editorial note, p. 64.

any doubt about whether there had been an armed attack, there would be no need to bring the armed might of all the nations into play. On the other hand, if an armed attack did take place, then the situation would be perfectly plain. This question was not really important enough to cause anybody any concern.

On the subject of who would determine what would be done under the Pact, Mr. Acheson said that discussions would have to take place in advance to work out in joint staff talks, etc., the action to be taken under any one of a number of circumstances. The Senators thought that the language used gave an impression of crescendo and haste which perhaps overstated the problem. It implied that the United States was rushing into some kind of automatic commitment. The Senators wanted the Pact to avoid overstatement or rhetoric. There would be preliminary talks, there would be plans, but the ultimate action would depend upon the decision of each member country and would have to be in accordance with its international legal and moral obligations. There was no difference of opinion on this subject, but it was a question of finding more neutral language than that contained in the present draft.

The Senators had also talked to him about the need to make it as clear as possible at every turn that the Pact was consonant with and concluded within the framework of the United Nations Charter. He did not think that that would cause any trouble.

On his talks with the Norwegians, Mr. Acheson said that while the Norwegians felt strongly the advantages of participation in the North Atlantic Pact they were also very conscious of the seriousness of any step which might split Scandinavia. To divide the Scandinavian countries would furnish opportunities for propaganda to the Soviet Union which might be seized upon in Norway and Denmark and result in the weakening of the governments there. The Norwegians thought that a breach, once made, might widen and result in a tendency on the part of Sweden to drift in one direction while Norway and Denmark went in another. The Norwegians wanted to know if it was really the opinion of the Atlantic Powers that it was in Norway's interests to have a division in Scandinavia take place, or whether the interests of the Atlantic powers might not be served by a Scandinavian defense arrangement which would either bring the Scandinavian countries into war if they were attacked, or, alternatively, serve to reassure the Atlantic powers that Scandinavia would remain neutral if they were allowed to do so. Such a Scandinavian defense arrangement would, so the Norwegians had indicated, apply only to metropolitan territories and would not preclude other treaties being made for reciprocal

as instance covering the overseas territories of the Scandinavian countries.

Finally, the Norwegians had given the impression that they were frightened of being rushed. The subject would have to be carefully considered before decisions could be reached and they did not wish to be hurried into precipitate action.

MR. VAN KLEFFENS thought that the wish of the Senate Foreign Relations Committee for a little more time to study the provisional draft should be taken into account in setting up the time-table. On the other hand, any delay would provide the detractors of the Pact with further opportunity for their undermining activities.

The wording of the treaty should enlist the greatest possible support in all quarters. Substitute language might well be found for expressions which met with criticism. However, the Netherlands Government would not like to see the substance of the treaty materially weakened.

The Norwegian problem was very complicated. The way in which this problem presented itself had materially changed since the exploratory talks began. In July of last year the Netherlands Government had been of the opinion that the territorial scope of the Treaty should not be too greatly extended. Later on, the point of view was generally accepted that in view of their coast lines and their proximity to the shores of Great Britain and the Netherlands, the participation of Norway and Denmark outweighed certain disadvantages inherent in their non-participation. Now it had been allowed to become publicly known that the Western countries wanted the participation of the Scandinavian countries, or at any rate Norway and Denmark, in the projected North Atlantic Pact. The Soviet Government, on the other hand, was putting some pressure on Norway to discourage it from joining that Pact. If Norway should ultimately not participate, the Soviet Government would be in the position to claim a major victory for its policy and would undoubtedly fully exploit that position.

He thought that not too much importance should be attached to the Norwegian preoccupation lest Scandinavia be disrupted by the North Atlantic Pact. The force which held the Scandinavian countries together was very strong and would not be materially weakened if one or two of these countries undertook some commitments which others deemed it inopportune to undertake. He was not prepared to give an offhand answer to the question whether from the point of view of Western security a Scandinavian defensive alliance, not linked with the North Atlantic Pact, which only in case of need would swing its point of gravity to the West, or participation of Norway and possibly Denmark in the Pact would be preferable. This was a problem he did



not consider himself competent to deal with without expert advice of the military. As he understood it, Norway was concerned that its security would not be adequately safeguarded in the period between the proclamation of its willingness to participate and the conclusion of the Pact. Had the military given any advice on this point?

He further drew attention to the probability that an attack on Norway would involve Sweden. If Sweden did not participate in any security arrangement, prearranged planning which had proved so important in the years 1942 and 1943 would, for the whole of the Scandinavian area, be impossible.

He felt that these and other considerations should be weighed in the scales in order to determine what would be best for the West.

MR. BONNET began by emphasizing the importance of not losing too much time at this stage. There was no intention of reaching hasty conclusions, but he pointed out that there had already been protracted talks over many months. All this time there had been an attempt to keep secret the progress of the negotiations but some indiscretions had taken place on the most important points and too much delay would inevitably create the undesirable impression that serious difficulties had arisen. Mr. Bonnet nevertheless well understood Mr. Acheson's need to have full discussions with the Senate Foreign Relations Committee.

On the subject of Article 5, Mr. Bonnet said that the draft text as it stood at present had only been arrived at after much thought and negotiation. The text did not really go very far. Other treaties of this type had been made in the past and were much more binding. It would create a bad impression if the wording of the Atlantic Pact were much weaker than that of the Rio Treaty. He recognized the strong feeling in the United States against any wording which might imply an "automatic action". But Article 5, from this standpoint, was extremely prudent and modest. It left certain freedom of judgment to each participant while also providing, in keeping with the views of all participants, that if one Party were attacked, it would be to the advantage of each to act. Mr. Bonnet did not think, however, that there need be any difficulty over one word or two, if such minor changes would help. If, however, there were to be important changes, he thought it would be useful to discuss them soon to learn how matters stood so that early consideration could be given in the various capitals.

On Norway, Mr. Bonnet said that he did not think it was surprising that the Norwegian Foreign Minister wanted the two alternatives for Scandinavia to be compared. In the previous discussions he, Mr. Bonnet, had expressed his preference for approaching the three Scan-

dinavian countries together—not just Norway and Denmark—and discussing frankly with them the whole problem from the point of view of their own interest and that of the Atlantic powers. It was extremely interesting that in the opinion of Mr. Lange a mutual defense pact might be concluded among the three Scandinavian countries and which would not preclude them from making partial arrangements for overseas territories such as Greenland. There were, Mr. Bonnet thought, certain military aspects on which it was essential to consult governments. For the time being, the French Government was in favor of inviting Norway, Denmark, and Sweden into the Pact; even if Sweden and Denmark did not join, the French Government would still favor the participation of Norway.

Before concluding, Mr. Bonnet drew attention to one or two outstanding points for discussion, including the Preamble, Article 8, and Algeria. The French Government had strong views about Article 8 to which they had already drawn the attention of the U.S. Government.

SIR OLIVER FRANKS said that what Mr. Acheson had expressed about the necessity of consulting Congress must be regarded as a question of fact which obviously entered into the general consideration of timing. There was, however, another side to the time question. Enough had been published to create a mood of expectancy and if, after the recent propaganda activities of the Russians, too long an interval were to elapse without any final result, that in itself would be taken as a sign that there was trouble and would constitute something of a gain for the East. Subject to the conditions which Mr. Acheson had explained, everyone was anxious to make progress with the Treaty for other and more general reasons.

In a sense, the substance of the Treaty was what mattered and the words were of secondary importance. But there was another angle to this. It was not just a matter, Sir Oliver thought, of what would in fact happen if one of the Parties to the treaty was attacked. There was also the question of the effect which the Articles of the Treaty would produce themselves. The European representatives in the talks were aware that what the United States and Canada were proposing to undertake was more a change in general foreign policy for them than similar action for the European governments. Greater care might therefore have to be taken in North America in accommodating what was done to what public opinion was prepared to take. But there was also the question of public opinion in the other countries participating in the talks, as well as the question of public opinion elsewhere, for instance, in Russia itself.

These discussions were not, Sir Oliver thought, a complement to,

but at once the foundation and crown of what the United States had been able to do on the economic front in Western Europe. If this North Atlantic Pact came into being, there would be established a set of arrangements between the countries of North America and the West of Europe which might ensure peace for a lifetime. One of the conditions of this was that the words of the Pact, while sober in tone, should make it plain beyond misunderstanding what would happen in the event of trouble occurring.

As to the words "forthwith such military or other action" in Article 5, Sir Oliver said he could see that objection might conceivably be taken to them by some. He felt that there should be mention of military action. From the point of view of people on the other side of the Atlantic, it was precisely the sober mention of that kind of possibility which would contribute toward making political, moral, and economic recovery go all the way and make the European countries into complete partners, rather than partial dependents. It was therefore necessary to balance what opinion in North America might be prepared to accept with what those on the Eastern shores of the Atlantic would regard as necessary. Wording which erred on the side of understatement might make the Pact look weaker than it really was and thereby detract from its value in maintaining peace.

Referring to Scandinavia, Sir Oliver said that in the last ten years the Scandinavian countries had not been united in the policies they had pursued. It would not be a new thing for them to go different ways. The British Government attached very great importance to the participation of Norway and, if possible, Denmark in the North Atlantic Pact. It would be a new situation requiring careful study if it were really possible for there to be a Scandinavian mutual defense pact which did not preclude the conclusion of special agreements with the Atlantic powers for overseas dependent territories.

It was Sir Oliver's impression that the united efforts of the Scandinavian countries would probably not alone suffice to build up a completely strong military defense unit. It would obviously be a matter of considerable importance whether other countries would be prepared to give a neutral Scandinavia the arms they required.

The British Government had never expected that Sweden would be willing to join the North Atlantic Pact. They had hoped that Norway would do so and considered it possible or even likely that Denmark would also join. They were anxious that Denmark should come in. The fact that the three countries were now worried about the situation had not altered the British view. The Swedes had indicated that if Norway were to join the Atlantic Pact, the Russians might take some step such as moving a division up toward Kirkenes, but

Sir Oliver thought it difficult to believe that the Russians would go so far as to move a division into Norway. Moves which menace had to be distinguished from moves which matter and he did not think that Norwegian participation in the Pact would be the occasion for an explosion. Unless, therefore, other considerations were brought forward, he thought that the British view would remain as it had been and would not be altered in the light of the arrangements which had been discussed among the three Scandinavian countries.

MR. BOHLEN, in answer to questions by Mr. Hoyer-Millar on the subject of a possible Scandinavian defense pact, confirmed that according to Mr. Lange a country joining such a pact would not be prevented thereby from making separate arrangements for its overseas territories. Such separate arrangements could not, however, be made in respect to metropolitan territories. Likewise, if an attack took place on the overseas territories of a Scandinavian country, this would not bring the Scandinavian Pact into operation. Thus Norway would have to stay neutral unless directly attacked; this would prevent the members of the Atlantic Pact from making use of Norwegian shipping or facilities.

MR. HOYER-MILLAR also asked whether the Norwegian Foreign Minister had said anything about how the proposed Scandinavian alliance would defend itself. He doubted whether the Scandinavian countries could rearm their armies without outside assistance.

MR. HICKERSON replied that Mr. Lange had admitted that the Swedish arms would not be enough; equipment would also have to come from the West. Norway would be disinclined to join a neutral Scandinavian Pact unless there was some sort of blessing from the West and an assurance that arms would be forthcoming on fairly generous terms.

MR. BOHLEN recognized that the Scandinavian group would require assistance in arms if it were to be effective. He did not think that the Swedes really believed they would be able to stay out of a war. But a neutral pact would provide an element of delay. The Swedes had told the United States that, had Sweden been attacked on the same day as the attack upon Norway in 1940, the result would have been roughly similar, but if the attack had come ten days later, when the Swedes had had time to prepare defenses, they would have been able to put up considerable resistance. It was an important consideration in the Swedish mind to provide for some delay so as to improve their defensive position.

MR. HOYER-MILLAR pointed out that the value to the Western countries of a Scandinavian pact would depend very largely on the extent to which it could defend itself in the event of an attack. This in turn

would depend on the quantity of arms the Scandinavian countries could expect to get from elsewhere. He thought the Norwegians would want to know the answer to that before they could reach a decision.

MR. WRONG said that he was in general agreement with what had already been said. On the timetable, while recognizing the importance of further discussions with the Senate, he referred to a certain impatience on the part of the Canadian Government at the delay in the negotiations. The negotiations had aroused considerable public interest and there was the danger that those opposed would gain adherents. Opposition was already beginning to increase to some degree in Canada.

The Canadian Government was in favor of the present wording of Article 5 and would be sorry to see any change which might give rise to the idea that it had been watered down. In particular, he considered it desirable to retain, if possible, a reference to military action. If the negotiations had been just starting, it might have been possible to avoid such a reference. But such a change of wording after so much had appeared in the press about the present wording would cause difficulties and might be of considerable advantage to Soviet propaganda.

The Canadian Government, Mr. Wrong explained, would be happy to see a Scandinavian defensive arrangement on the lines proposed by the Swedes, provided there could be some organic connection with the Parties to the Atlantic Pact without this involving any of the Scandinavian countries in full participation in the Pact. He understood, however, that this would not commend itself to the Swedes. While the Swedes said privately that they recognized that if a major war broke out on the continent of Europe their country would probably be involved in a matter of six weeks, they were not prepared to make any advance commitment of cooperation. The Swedes, so he understood, did not necessarily attach as much importance as did the Norwegians and Danes to outside arms; they considered that their own requirements would be modest. He thought that there would be reluctance to see scarce military equipment going to reinforce some sort of armed neutrality in Scandinavia, rather than going to those who are prepared to incur the responsibilities of full participation in the North Atlantic Pact. On these grounds he believed that the Canadian Government would welcome full Norwegian participation in the North Atlantic Pact, if they were prepared to join, and also Danish participation in good time.

MR. LE GALLAIS expressed the view that Article 5 should be considered also in the light of what influence its wording might have on Soviet foreign policy. He said he was in favor of retaining the original text, particularly those five most important words "forthwith such

military or other", as this wording would have a definite meaning when under scrutiny by Soviet officials. He thought this argument might well impress Congress, as obviously no one wished the Soviet Union to try any experiments.

BARON SILVERCRUYS drew attention to the many months which had elapsed since the start of the talks on the implementation of the Vandenberg Resolution. The subject had also been thoroughly discussed in detail in working groups and subcommittees. He did not therefore think it could be said that there had been precipitation or an absence of thoroughness in dealing with the problem. He realized, however, that, owing to the stringent secrecy which had surrounded the talks, there were many who still required to learn and study some of the details. It was reasonable that they should be given all the time required and should not have the impression of being rushed. But the points at issue were not great and the delay should not have to be too long.

At the outset of the negotiations misgivings had been expressed about the wisdom of extending the North Atlantic Pact to the Scandinavian countries. He had then asked whether it might not be better to limit the Pact to the Brussels Treaty signatories, the United States, Canada, and one or two other countries. But some of the representatives of the Brussels signatories and those of Canada and the United States had felt strongly that there were security gaps which would have to be filled if the Pact were to be fully effective. In these circumstances, the Belgian Government for its part had not felt justified in arguing its misgivings further.

While it was up to Norway and Denmark to make up their own minds, it would be wrong if the seven governments now in negotiations were to be deflected by the antics of the Kremlin. They must not deviate until they reached their goal, whether with or without Norway and Denmark. The seven countries represented at the talks had good will and strength in sufficient measure to make an efficient defense pact.

This brought him to Article 5. The North Atlantic Pact was definitely a defense pact. It should not only be interpreted in that sense but so worded that everybody could readily recognize it as a defense pact. Only in that way would people come to realize that it was not directed in a spirit of aggression against anyone. He believed that the Pact should involve an obligation on each member to come to the rescue of another and to take effective measures of assistance. The Pact should serve both as a deterrent against aggression and as a means of bringing about collective action to restore order should an attack occur.

MR. ACHESON explained that regulating progress depended more

upon the Senators than upon himself. He acknowledged the importance, to which Mr. Van Kleffens had drawn attention, of bearing in mind the possible propaganda use which the Soviets might make of a decision now not to invite Norway into the Pact. As regards the pros and cons of the two alternatives, he pointed out that, if Norway and Denmark were included in the Pact, this would enable facilities to be obtained in Greenland. On the other hand, it might be better for Norway and Denmark themselves to remain non-belligerent in the event of an attack upon some other country; this would not be possible if they were in the Pact. If the Scandinavians had a defense arrangement of their own, this would mean that if one of them was attacked the others would be involved in war. The Soviet Government, to do anything effective in a military way, would wish to obtain a passage across Sweden. It was conceivable that they might confine their military operations around the north of Sweden, but that was unlikely. If, therefore, the Russians wanted a passage across Sweden, then Sweden would be involved in war, which was further than she went during the last German war. The Scandinavian arrangement might have certain advantages over the alternative of having Norway and Denmark in the North Atlantic Pact.

There were many questions which would have to be answered, Mr. Acheson thought. Would military positions of any sort in Norway be required by the members of the Atlantic Pact? If there was a Scandinavian Pact, and Scandinavia was attacked, he supposed that they would be willing to receive all possible help. It might well be that the supply of arms could be the means to having staff discussions since it could be argued that there was no use supplying arms unless there was some information on the use to which they would be put. If, on the other hand, Scandinavia was not attacked, was it desirable to take up positions along the coast of Norway, which would almost certainly provoke an attack? If such an attack occurred, could these positions be held?

Looking at it from all points of view, it might be that a certain kind of Scandinavian agreement involving arrangements between some Scandinavian countries and the Atlantic Pact countries, and staff conversations and the supply of arms, would add up to something more valuable than the alternative of having Norway alone in the North Atlantic Pact.

MR. VAN KLEFFENS, after referring to his previous remarks about prearranged military planning, expressed the opinion that it might perhaps be advantageous not *a priori* to exclude the possibility that Scandinavia would not be involved in a future conflict. He thought

it advisable to have military opinion on this and other matters which, in part at least, lay outside the political sphere.

MR. BONNET drew attention to the fact that the Norwegian Government had recently given an assurance to the Russians that no foreign bases would be organized in peacetime on Norwegian territory. Another important consideration was that there was no doubt about the willingness of Norway to join the North Atlantic Pact. In consequence, he did not think that joint pressure should be put upon Norway to join if after considering the whole matter they decided in favor of staying out. If, in fact, Norway was reluctant to join, Mr. Bonnet continued, there might be advantage in seeing the conclusion of a Scandinavian Pact which would create a neutral area in which there would be no friction between East and West.

BARON SILVERCRUYS expressed the view that the decision whether or not Norway and Denmark would join the Pact would ultimately be for the governments of those two countries to decide for themselves.

MR. ACHESON said that, from his talks with Mr. Lange, he had received the impression that neither he nor the Norwegian Government had yet made a decision.

MR. BOHLEN said that he thought it was clear from Mr. Lange's attitude that Norway would not be disposed to join a neutral Scandinavian Pact unless this had the blessing of the North Atlantic Powers. Although, therefore, the decision would ultimately rest with the Norwegians, they would find it easier to reach conclusions after knowing the viewpoint of the Atlantic Powers.

MR. VAN KLEFFENS pointed out that the question whether to participate or not was, of course, for the Norwegians and Danes themselves to decide. He thought, however, that some more spadework should be done in order to determine more specifically the position on this problem of the countries represented in the talks and to work out in more detail the arguments which could help the Norwegians and the Danes to make up their minds.

BARON SILVERCRUYS recalled that some countries acting within the spirit and letter of the United Nations Charter had taken the initiative in an attempt to build up a defense organization to safeguard peace and repel attack. The work had been carried on in an inclusive, not an exclusive, spirit, and the Scandinavian countries would be welcomed into the organization either now or later. While the Scandinavian Governments were making up their minds what to do, it was necessary, however, for the North Atlantic Powers to keep moving forward toward their goal.

The Scandinavian countries could, if they chose, conclude a regional arrangement of their own under Article 52. But that was a quite



different solution from joining the proposed North Atlantic Pact. He could not imagine anything more likely to bring the matter to a head and help the Scandinavians to reach a decision than to impress upon them the fact that the present negotiations were moving rapidly forward to a successful conclusion.

MR. WRONG said that the informal approach which had been made to the Norwegian and Danish Governments should have left them in no doubt that they would be welcome if they wished to join the Pact. He thought a possible solution would be that Norway should join now, Denmark later on, and Sweden come in eventually, perhaps after a year or two. Alternatively, if all the Scandinavian countries stayed out, an attempt should be made to see that there was no language in the Scandinavian Treaty which prevented a later tie between the Scandinavian and the North Atlantic countries.

MR. HICKERSON said that what the Scandinavians had been considering was the possibility of a ten-year treaty providing that an attack on one would be an attack on all with the tacit understanding that during the period of the treaty none of the members would join the North Atlantic Pact. The Norwegians had been very insistent on obtaining an understanding that such a treaty would not preclude staff talks with the Western countries.

MR. ACHESON asked what would be the total effect, including that of propaganda, of having at one and the same time a North Atlantic Pact which would include Iceland, a Scandinavian defense arrangement, and a treaty between Denmark and the Atlantic group as regards overseas Danish territories.

MR. VAN KLEFFENS was afraid that such a solution would, rightly, or wrongly, be construed by Soviet propaganda as a great success for Soviet policy.

MR. BONNET wondered whether on these conditions the Danes would be prepared to make an agreement regarding Greenland as well as joining a Scandinavian pact.

MR. HICKERSON admitted that the State Department had no information about this.

SIR OLIVER FRANKS asked what the chances would be of Iceland joining the Atlantic Pact if the Scandinavian countries were all outside it.

MR. HICKERSON said that the Foreign Minister of Iceland had told the United States Minister in Reykjavik that it might be difficult for Iceland to join in those circumstances. He added that the Communist Party was stronger in Iceland than in Scandinavia.

MR. ACHESON gave an account of some other points which had been made by the Senators. They had suggested that the second paragraph

of Article 6 should be tacked on to the end of Article 5. This paragraph stated that action taken under the Treaty would be immediately reported to the Security Council. He did not think there should be any objection to this proposal of the Senators.

He said, with reference to a remark by Mr. Bonnet, that there was no intention to make the language of the Atlantic Pact weaker than that of the Rio Treaty. But it was a question of finding the right wording for Article 5 of the North Atlantic Pact. The phrase "military or other action" was an unnecessary embellishment; the words merely meant "action", i.e., of military, diplomatic, economic, and any other kind of action in concert with the other Parties as may be necessary to restore security. That was what would actually happen.

The question of who would decide what would be done was also a problem in the minds of the Senators. They were worried by the words in Article 5 "action, individually and in concert with the other Parties". Some of them were probably afraid that it would be the "concert" which would decide what action was necessary. There would be a great deal of discussion about the wording of Article 5, both in the United States and in all the other participating countries. By the time the Treaty had been debated there ought to be no question in anyone's mind as to what was intended.

Referring to Article 1, Mr. Acheson said that the Senators had proposed omitting the words "article 2 of".

On Article 4, the Senators had asked about the purpose of the words "or security". They considered that, if consultation was provided for in the event of a threat to the territorial integrity or political independence of any of the Parties, that practically covered the whole field.

The Senators also had taken the view on Article 10 that the Treaty should only come into effect after the seven powers now negotiating it had deposited their ratifications. Mr. Acheson considered this wise.

Mr. WRONG said that he had just received instructions from the Canadian Government urging the strengthening of Article 2. For political reasons, the Canadian Government was anxious to emphasize the fact that the Treaty was not merely a military alliance. Article 2 was the only non-military article in the Treaty and, as at present drafted, it was weak. The Canadian Government therefore suggested an additional sentence for insertion after the first sentence of the article on the following lines:

"The Parties agree to make every effort in common to eliminate conflict in their economic policies and develop to the full the possibilities of trade between them. The Parties also undertake to make every effort in common to promote the attainment of a higher standard of living by their people and greater economic and social justice, and to

bring about a better understanding on the principles which form the basis of their common civilization."

MR. ACHESON said that the Senators were worried about Article 2 as at present worded. It detracted from the main purpose of the Treaty and got involved in social and economic questions which might raise internal political problems. What, for instance, was the meaning in the Article of the words "the general welfare"? Did this refer to the whole world?

MR. WRONG said that he did not want to go into details at this time, but wanted to point out that it would cause great political difficulty in Canada if there were no article in the Treaty of a non-military nature. There was need for something which reflected the ideological unity of the North Atlantic powers.

MR. ACHESON suggested that this might be done in the Preamble.

MR. WRONG said that it had always been understood that there would be some wording in this sense in the Preamble, as well as in Article 2. The Canadians had originally suggested much stronger language for Article 2. They wanted now to find words which would be more explicit. The Government would be able to win more support for the Pact in Canada if it was not purely military in character. This point would carry considerable weight with several political groups. He hoped that the political necessities in Canada would be borne in mind in any further discussions between Mr. Acheson and the Senators.

MR. BONNET, referring to Article 4, said that he did not think the words "or security" were useless. A country's security could be affected by ways other than a threat to its territorial integrity or political independence.

On Article 5, he said that any attempt to weaken the phrase "military or other action" would raise very strong objections. The present wording had only been agreed to after protracted discussions and every effort should be made to avoid having to change them.

He also referred to the outstanding question of area, particularly regarding Algeria.

MR. ACHESON said that he would much prefer to avoid a reference in the Treaty to Algeria. The United States Government did not see how there could be an attack on Algeria without there being also an attack on European France, unless it was a local scrimmage which would not be within the scope of the Treaty. The U.S. would much prefer merely referring to an attack "in Europe or North America" rather than having a definition of area in the Treaty.

MR. BONNET said that insertion of these words constituted a definition of area and that to use them alone would amount to leaving

out a part of French national territory. If there was no mention of area in the Treaty then, of course, the question of Algeria would not have been raised, but unfortunately an area had to be defined. There was, he added, a political aspect to this from the French point of view, and the omission of Algeria would be as difficult to justify in France as the exclusion of some of the northern territories in Canada and the United States. Moreover, the French Government thought that the Pact, for strategic considerations, must not be exclusively oriented toward the north of Europe.

MR. WRONG said that he appreciated the arguments on political grounds but the arguments on strategic grounds were not sound.

BARON SILVERCRUYS said that political considerations had to be taken into account. They had been taken into account by other governments in respect of other questions in the Treaty.

MR. ACHESON said that the United States attitude was pretty strong and that the question would have to be postponed.

MR. BONNET reiterated that there could be no question of a Pact covering the whole Arctic area and not the French Department of Algeria. Referring to Article 8, he then said that the French Government wished to see the Article so worded as to provide that the Defense Committee would not only "recommend measures", as stated in the present wording, but also "prepare plans" for the implementation of Articles 3 and 5.

He said he presumed that whatever decision was reached about Norway, it would have no bearing on the question of inviting Italy to join.

SIR OLIVER FRANKS said he understood that Italy was an unresolved question.

MR. ACHESON agreed that no conclusions had been reached about Italy.

MR. VAN KLEFFENS said that he understood that Norway might be less inclined to join the Pact if Italy were in than if she were out.

SIR OLIVER FRANKS confirmed that he had information in the same sense.

MR. BONNET raised a protest against such pretensions on the part of Norway.

SIR OLIVER FRANKS suggested that the Military Committee of the Brussels Treaty might be asked to give their comments urgently on the military questions governing Norway and the North Atlantic Pact as they had been raised at the meeting.

There was general agreement with this suggestion.

MR. ACHESON recalled that the question of Norway's attitude and the arguments discussed at the meeting were of the utmost secrecy.

He understood that in the Washington talks on the Atlantic Pact strict security had been adhered to hitherto and he asked that these be continued.

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857D.20/2-949

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 9, 1949.

Participants: The Secretary

Mr. Henrik de Kauffmann, Danish Ambassador

Mr. Benjamin M. Hulley, Chief, NOE

The Ambassador came at his request on the instruction of his Government to inform me of the outcome of the recent Scandinavian defense talks which he attended. He reminded me that at dinner last night we had covered a great deal of the ground including our interest in Greenland. He said that the three countries felt that the best solution for them, and possibly also for the countries of the West, was a Scandinavian Defense Pact. In all three there was a strong reluctance to depart from traditional Scandinavian unity. There was now in Washington a Danish naval captain, who had represented Denmark in the talks, who is prepared to inform us of the Scandinavian military discussions at our convenience. He had just heard that in my press conference today I was asked about this subject and replied that we had an open mind on it, and he hoped this was true.

I confirmed that I had said that we have an open mind on the question and are ready to give careful attention to anything which the three countries want to say to us about it. At the same time, we do have views, as our minds are not a vacuum on the subject, but we had not prejudged it. In regard to his naval expert, I would be glad to have talks arranged so that he could explain the situation to us.

I asked whether the Scandinavian Pact was conditioned on neutrality of all its members. He said that it was, but he considered it slanted toward the West. The obligation each country undertook referred only to the home territory of each and did not cover outlying positions such as Greenland and Spitsbergen.

He asked what he could telegraph to his Government about this talk. We agreed that it should suffice if he said that he had discussed the subject with me as instructed, had learned that we would be glad to consider anything the Danish Government wanted to put before us, and he might ask whether they wanted him to say anything further.

DEAN ACHESON

857D.20/2-949

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 9, 1949.

Participants: The Secretary

Mr. Erik Boheman, Swedish Ambassador

Mr. Benjamin M. Hulley, Chief, NOE

The Ambassador came at his request on the instruction of his Government to report on the recent Scandinavian defense talks which he had attended. He had found when he got home at the end of January that his Government had reached a decision with the consent of all important parties to enter a defense alliance with Norway and Denmark under which each country would automatically come to the defense of any of the others which was attacked on its own soil, excluding outlying territories. This was a radical change from previous Swedish policy in recent times. His country is not living in an atmosphere of fear. His Government believed that the military talks had shown that the three countries could defend a very considerable part of Scandinavia for perhaps as much as three or four months until assistance could arrive from outside. He said that Sweden would be able to equip and put in the field an army of about 700,000. His Government thought that this alliance would be the best solution for the three countries and also for the great democracies of the West. With respect to Soviet reactions to it, his Government believed that there would be the usual violent propaganda campaign but that this would not be accompanied by active measures such as occupation of Finland or moving bases nearer to the Scandinavian frontier.

I told him that I realized the seriousness of the problem, and that we proposed to give it very deep thought in all its aspects. Some points were not clear to me, for instance, would the arrangement preclude staff planning with countries or organizations outside of the group such as the North Atlantic group? He said that such consultations could not be formally arranged but, of course, there was such a thing as suggestions offered by our Service attachés in the northern capitals. I commented that this was hardly a strong enough connection and that it appeared to me that the Scandinavian group lacks sufficient strength to defend itself, and that a very important preparation for defense would be thorough preliminary staff talks. I asked whether the alliance would be based on neutrality in the sense that none of its members could have any military connection with other countries. He confirmed that this was the case. I asked what would happen if the Soviets failed to react on the limited scale he anticipated and took a

much more vigorous line. He said in that case the Scandinavian countries would have to apply for admission into the Atlantic Pact.

He will be glad to place at our disposal his understanding of the strategic and military decisions reached by the three countries.

DEAN ACHESON

840.20/2-949

*Memorandum of Conversation, by the Director of the Office  
of European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] February 9, 1949.

Participants: Mr. Sean Nunan, The Irish Minister  
EUR—Mr. Hickerson  
BC—Mr. Satterthwaite  
Mr. Fales

Mr. Nunan presented the attached *aide-mémoire*<sup>1</sup> and stated that he was under instructions to state orally that he desired to impress upon us that this reply was not to be regarded as closing the door and that the Irish Government desired United States mediation in the problem of partition.

I explained that the Atlantic Pact was designed for security purposes and that it was not an appropriate means of settling problems of such long-standing duration as the question of partition in Northern Ireland. I stated that I believed that the attitude of the United States would remain unchanged and that we felt we could not intervene in a question between our two very good friends in as much as it was a question for them to settle between themselves.

Mr. Nunan pointed out that previous American attitude had to some extent been based upon the fact that Ireland was a member of the British Commonwealth and that this situation no longer pertained. I replied that our views were not based entirely on Ireland's position as a member of the Commonwealth and that we still felt that partition was an issue to be settled by the two interested parties.

It was pointed out to Mr. Nunan that the United States was speaking as only one of the original signatories and that the *aide-mémoire* would be brought to the attention of the other participants.

Mr. Nunan again expressed hope that the United States could mediate and stated that the Irish were informed that there were certain members of the British Government who desired to see this matter settled. Mr. Nunan requested that we investigate this situation. It

<sup>1</sup> From the Irish Legation, February 9, 1949, not printed. A close paraphrase of this *aide-mémoire* was issued to the press by the Irish Legation on February 14 under the title "The Irish Position Regarding the Atlantic Pact".

was pointed out to Mr. Nunan that we would be surprised if there were not many members of the British Government who desired to see the matter settled and that we ourselves desired a peaceful settlement but that it remained an issue for settlement between the United Kingdom and Ireland.

JOHN D. HICKERSON

840.20/2-1049

*The Ambassador in Norway (Bay) to the Secretary of State*

RESTRICTED

OSLO, February 10, 1949.

No. 51

SIR: I have the honor to transmit the full translated text (from the Norwegian) of a "declaration" delivered by Soviet Ambassador Affanasiev to Foreign Minister Lange at the latter's home at 3 o'clock p. m. on February 5. The "declaration", which was in Russian, was translated orally into French by Soviet Ambassador, apparently in order that the Foreign Minister would be aware of its contents before his departure to the United States scheduled for 5:00 p. m.

The Embassy's press telegrams will have apprised the Department of the Norwegian press reaction to this "declaration", which is so designated because the Soviet Ambassador, following the delivery of his Government's *démarche* on January 29,<sup>1</sup> specifically informed the Norwegian Foreign Office that "his Government had not delivered a note, as it was falsely alleged by the press, but only a declaration". The *démarche* of February 5 also referred to the preceding *démarche* as a "declaration" and the Norwegian press has so described both *démarches* since that time.

Respectfully yours,

C. ULRICK BAY

[Enclosure—Translation]

Source: *Aftenposten*

February 7, 1949.

RUSSIAN DECLARATION DELIVERED TO FOREIGN MINISTRY AT 3 O'CLOCK  
FEBRUARY 5, PROPOSING A NON-AGGRESSION PACT

"The Soviet Union's Government has examined the Norwegian Government's answer of February 1 concerning its declaration in connection with Norway's attitude toward the question of an Atlantic Union.

"As is known, the Soviet Union's Government in that declaration requested the Norwegian Government to clarify the Norwegian Gov-

<sup>1</sup> See editorial note, p. 53.



ernment's attitude toward the question of an Atlantic Union, particularly considering the common border between the Soviet Union and Norway, and likewise to state whether the Norwegian Government will assume any obligations whatever vis-à-vis the Atlantic Union in connection with the establishment of air or naval bases on Norwegian territory.

"From the Norwegian Government's answer it appears that it is at the present time considering the question of Norway's participation in the Atlantic Union, being of the opinion that the United Nations is not yet strong enough to maintain peace and security for all nations. At the same time the Norwegian Government declares the Atlantic Union must be regarded as one of the regional agreements which are provided for in the Charter of the United Nations, whose object it is to prevent aggression.

"The Soviet Union's Government does not share the Norwegian Government's opinion of the objectives and character of the Atlantic Union.

"Since the Atlantic Union has been created by a definite group of Great Powers and does not have as its objective the uniting of all peace loving nations, but rather aims at lining up one group of States against other States, it is wholly clear that the Atlantic Union is a closed grouping of States which in no way is aimed at strengthening peace and international security.

"Norway's incorporation in this grouping cannot only not serve to strengthen Norway's security, but can on the contrary lead to Norway's being drawn into a policy on the part of a particular group of States which has far-reaching aggressive objects.

"The Soviet Union's Government cannot agree with the Norwegian Government's declaration that the Atlantic Union has been created in accordance with the United Nations' objects and Charter. It is known that the initiators of this Union employ this kind of argument, but the fact cannot be denied that the Atlantic Union is in reality being created outside of, circumvents the United Nations, and serves the interests of certain great powers' aggressive policy.

"In its answer, the Norwegian Government vows that Norway will never participate in a policy which has aggressive objectives and that it will not permit Norwegian territory to be utilized in the interests of such a policy.

"The Soviet Union's Government takes note of this declaration from the Norwegian Government, but considers it insufficient.

"The Soviet Union's Government cannot ignore the circumstance that the Norwegian Government did not offer any clear answer to the Soviet Government's question of whether Norway's association with the Atlantic Union would lead to its assuming obligations with re-

spect to the establishment of air or naval bases on Norway's territory. However, it is known that the engagement of small States in this Union has precisely this object—the taking over of their territory for the establishment of such bases, something which in this occasion is of special importance for the Soviet Union, since Norway and the Soviet Union have a common border.

“In the Norwegian Government's answer it is said that Norway will not conclude any agreement with other States making available to them military bases on Norwegian territory as long as Norway is not attacked or threatened with attack.

“It follows from such a declaration that it would be sufficient if there circulated provocative rumors or hurriedly concocted falsifications to the effect that Norway was threatened by attack for the Norwegian Government, at any time, including the present period of peace, to make Norway's territory available for the military bases and forces of foreign powers.

“In the Norwegian Government's declaration there can be discerned an intimation that a threat of attack can emanate from the Soviet Union. Such an intimation lacks every foundation, since the Norwegian Government has no reason whatever to doubt the Soviet Union's good neighborly-intentions toward Norway, something which excludes every possibility of attack.

“As the Norwegian Government is aware, the Soviet Union has always adopted a friendly attitude toward Norway and during the second world war it contributed its share to Norway's liberation from the Fascist aggressors. In addition, the Soviet Union's forces were withdrawn from Norway's territory voluntarily and even before the Norwegian Government itself desired it.

“But if the Norwegian Government nonetheless doubts the Soviet Union's good neighborly-intentions toward Norway, the Soviet Union's Government, in order to eliminate all possible doubt concerning the Soviet Union's intentions, proposes that the Norwegian Government enter into a non-aggression pact with the Soviet Union and thereby put an end to all doubt.”

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757.6111/2-1049 : Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*

[Extracts]

SECRET

OSLO, February 10, 1949—8 p. m.

108. Norway's expected reply latest Russian *démarche*<sup>1</sup> together with previous exchange viewed here as important milestone Norway's

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<sup>1</sup> Dated February 5, *supra*.

history. Further felt Norway's reply may prove key to future Soviet attitude toward Denmark and lesser degree Sweden; may also imply threat to other nations considering invitation Atlantic Pact. Norway small but vital fulcrum in international balance. Government officials and public remain calm with no evidence fear though obviously determined move cautiously. While certain officials believe complications and some degree pressure, might be anticipated from USSR, nevertheless, believe Soviet proposal has loophole on hypothesis "If Norwegians doubt Soviet's good neighborly intentions" logical answer would be "Norway has no ground for questioning Soviet intentions and therefore no need for nonaggression pact". Chief Political Section Foreign Office stated to my counselor, no reply before return Lange and possibility accepting Soviet suggestions being seriously studied with opinion somewhat divided. Press opinion and to less determinable extent Norwegian people clearly favor Atlantic Pact and express opposition though more cautiously to Soviet pact.

My observations and understanding Norwegian people lead me to believe majority resent and will reject Soviet proposal on theory disadvantages far outweigh advantages to Norway.

Possibility should not be overlooked Norway offered pact with little expectation by Russians of favorable reply main target being Sweden and Denmark, in light of present Scandinavian relations.

Embassy believes Soviet interference Norway constitutes intensification war of nerves possibly effort to find soft spot in West hitherto undiscovered in probe Greece, Iran, Berlin, elsewhere. I therefore cannot subscribe to Embassy Moscow (their Embassy's telegram 304, February 7<sup>2</sup>) belief Norway might well consider offer join both pacts same time. Potentially serious implications Russian notes with Norway's pending reply coupled with usual reaction Norwegian people under duress impelled Embassy establish rigid hands-off policy in its broad contacts, thus avoiding possible suspicion of US pressure. I believe this policy contrasted with Soviet behavior will be rewarded.

Sent Department 108, repeated Moscow 2, pouched Stockholm, Copenhagen.

BAY

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<sup>2</sup> Not printed.

840.20/2-1049

*The Secretary of Defense (Forrestal) to the Secretary of State*

TOP SECRET

WASHINGTON, February 10, 1949.

DEAR MR. SECRETARY: This is with further reference to your letter of 9 February 1949<sup>1</sup> requesting the views of the Joint Chiefs of Staff concerning the relation of Scandinavia to a North Atlantic Pact.

In accordance with your request, I am forwarding herewith a copy of a memorandum addressed to me by the Joint Chiefs of Staff, dated 10 February 1949, and entitled, "Anticipated Position of Scandinavia in Strategic Considerations," which expresses their views on the questions which you propounded. Because I understand from your letter that time is of the essence, I am forwarding these views before having thoroughly studied them myself.

I am also forwarding herewith one copy of the study of the Joint Chiefs of Staff on "The Military Implications to the United States of a Scandinavian Pact," which is referred to in the enclosed Joint Chiefs of Staff memorandum and which was subsequently circulated as NSC 28/2.

Sincerely yours,

JAMES FORRESTAL

[Enclosure 1]

*Memorandum for the Secretary of Defense*

10 February, 1949.

Subject: Anticipated Position of Scandinavia in Strategic Considerations.

As requested in your memorandum dated 9 February 1949, the Joint Chiefs of Staff have considered the letter from the Secretary of State and its attached list of questions, all dealing with the anticipated position of Scandinavia in strategic considerations. Their views are as follows:

The conclusions contained in the Study on The Military Implications to the United States of a Scandinavian Pact which was forwarded to you by the Joint Chiefs of Staff on 28 January 1949 and which was subsequently circulated to the National Security Council as NSC 28/2, are substantially applicable to the questions enclosed with the Secretary of State's letter. The study as a whole, together

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<sup>1</sup> Not printed.

with its conclusions, provides background and justification for the following specific answers:

*Question: "What strategic role is anticipated for Scandinavia in the event of war?"*

*Answer:* The strategic role anticipated for Scandinavia in the event of war is largely defensive because of our major strategic interest in the denial to the Russians of air and submarine bases in Scandinavia and its island possessions. Other than this, Scandinavia would be expected to make available such base and communication facilities, particularly in its island possessions, as may be required by the United States and her allies in the prosecution of war.

*Question: "Would our strategic objectives be accomplished by Scandinavian non-belligerence or neutrality?"*

*Answer:* Our strategic objectives could not be accomplished under these circumstances since:

a. It cannot reasonably be expected that strict nonbelligerence or neutrality could be maintained in the face of Soviet pressure for concessions and actions advantageous to the Soviets;

b. Effective denial by Scandinavia to the Soviets of Scandinavian air and submarine bases without assistance from allies would be impossible;

c. We could not obtain needed Scandinavian base and communication facilities other than by force. Further, the United States would be denied the right to overfly Scandinavian territory, a factor seriously detrimental to our strategic air potential.

*Question: "In the light of these factors what are the relative advantages to the North Atlantic Powers of:*

(a) *Norwegian and Danish membership in the North Atlantic Pact with a neutral Sweden unwilling to contribute in any way to the defense of Norway or Denmark unless it is itself attacked.*

(b) *A Scandinavian defense pact committing Norway, Sweden, and Denmark to go to war in the event of an armed attack on the metropolitan territory of any of them, but precluding any association, either by treaty or through military conversations, with the parties to the North Atlantic Pact?"*

*Answer:* By far the more advantageous arrangement would be that set forth under subparagraph (a). From the United States strategic viewpoint, the disadvantages of the arrangement in subparagraph (b) would not be materially less than those of Scandinavian non-belligerence or neutrality.

*Question: "Would it be in the interest of the parties of the North Atlantic Pact to furnish arms for Scandinavia under (b)?"*

*Answer:* While, even under the conditions set forth, some degree of military assistance might be provided by the United States prior to the outbreak of war to strengthen Scandinavian military potentiality, the actual value of such assistance in the event of war would be minor, since without allies no effective Scandinavian defense against the Soviets could be expected.

*Question: "How would the situation under (b) be modified if Iceland were a member of the North Atlantic Pact and a separate arrangement could be made with Denmark covering Greenland?"*

*Answer: It would be advantageous if, in spite of a separate Scandinavian Defense Pact, a separate arrangement could be made with Denmark covering Greenland.*

*Question: "Any comment on other relevant military considerations would be welcome."*

*Answer: Since comment on other relevant military considerations has been invited, the Joint Chiefs of Staff offer the opinion that any trend toward disclosure of strategic matters, particularly in advance of treaty agreement and subsequent implementation, could have implications potentially of great seriousness to our national security. While realizing that diplomatic considerations must be regarded as overriding in certain cases, they earnestly recommend that all possible secrecy safeguards be maintained with respect to the answers set forth above, particularly with regard to Scandinavia's strategic role and our strategic objectives.*

The views outlined above are based strictly on military considerations and represent the thinking of the United States Chiefs of Staff only. The Joint Chiefs of Staff believe that the information outlined above should be used by the State Department for background only and strongly urge for security as well as other reasons that reply to the Norwegians be made along the following lines:

"The strategic role anticipated for Scandinavia in the event of war is not known at this time, since that role would depend on the strategic concept which would be determined by the North Atlantic Pact organization."

For the Joint Chiefs of Staff:

LOUIS DENFELD  
Admiral, U.S. Navy

[Enclosure 2]

#### STUDY ON THE MILITARY IMPLICATIONS TO THE UNITED STATES OF A SCANDINAVIAN PACT

1. It is United States policy to endeavor by all appropriate measures:

a. To strengthen the present tendency of Norway and Denmark to align themselves with the Western Powers;

b. To influence Sweden to abandon its attitude of subjective neutrality vis-à-vis the Soviet Union and the West and look toward eventual alignment with other Western Powers and, at the same time, to refrain from forcing Sweden into an attitude which would be unnecessarily provocative toward the Soviet Union; and

c. In the security interest of the United States, to insure that Norway, Denmark, and Sweden remain free from Soviet domination. (NSC 28/1 approved by the President on 4 September 1948.)<sup>2</sup>

2. An informal, although public, expression of USSR policy appeared in the Soviet Government newspaper "Izvestia" on 2 December 1948 as a warning to Norway, Denmark, and Sweden against plans for a military bloc and against joining Western Union. The warning included a statement to the effect that the lessons of history more than once have shown the small countries, including the small countries of Northern Europe, how disastrous for them is participation in the expansionist policy of aggressive powers.

3. Re-entry of Finland into the Soviet orbit has revived the long-standing Swedish fear of Russian aggression and has intensified Swedish desire to avoid assuming belligerent status in the event of war. Sweden is not now directly threatened by the USSR. Swedish fears of Soviet attack and the recent orientation of Norway and Denmark toward the Western Powers have resulted in preliminary talks among the three Scandinavian nations with a view to the possible negotiation of a military agreement. Such a treaty might take the form of a defensive alliance or, because of Sweden's insistence, a neutrality pact. Any separate Scandinavian military pact would have important military implications for the United States.

4. The major strategic interests of the United States in the Scandinavian nations are the denial to the Russians of air and submarine bases in Norway and the island possessions of Denmark (Greenland) and Norway (Spitzbergen Archipelago, including Bear Island), and to secure such base and communication facilities as may be required by the United States in the prosecution of a war.

5. Greenland is a major bastion of United States air defense and also can provide advance bases both for our offensive operations and from which to conduct antisubmarine warfare. Its use must be denied to any potential enemy of the United States. Therefore, it is vital to United States security that we retain our present facilities and obtain additional base rights in Greenland and that the United States control this island in event of war.

6. The Spitzbergen Archipelago is of some strategic importance to the United States in the event of war. It is of greater importance to the USSR, however, since it could provide that nation with advance air and naval bases and a position from which to dominate the sea lanes to the Soviet ports in the Barents Sea. The United States at present requires no base rights from Norway in Spitzbergen (NSC

<sup>2</sup> The conclusions of NSC 28/1 are printed under date of September 3, 1948, in *Foreign Relations*, 1948, vol. III, p. 232.

32/1).<sup>3</sup> However, it would be greatly to our advantage to deny this archipelago to the USSR for military purposes.

7. It is in the security interest of the United States that Norway, Denmark, and Sweden remain free of domination by the USSR. Any Scandinavian pact made now would, in all probability, be for the same purpose. However, so long as the USSR is the predominant power on the Eurasian continent, it is extremely doubtful if action in accordance with such a pact, regardless of the form it might take, could be successful in preventing Soviet aggression and eventual domination. In addition, either a neutral position or a defensive alliance on the part of the Scandinavian countries in the event of war might deprive the United States of the use of Greenland and the Western Powers of the use of the air routes over the Scandinavian Peninsula.

8. It is now apparent that nonbelligerent nations or coalitions cannot maintain an attitude of strict neutrality during major wars. During World War I the three Scandinavian nations were unable to do so and Sweden made no pretense of strictly neutral conduct during World War II.

9. The worsened situation in which Sweden now finds herself would seem to make further Swedish efforts for strict neutrality in the event of a major war an absurd procedure. It would be contrary to our military interests for the three Scandinavian countries to bind themselves by such a pact which, in effect, could only ensure their seeking non-belligerent status in the face of Soviet pressure. This pressure against the strictly neutral attitude of the Scandinavian nations would be especially strong during the initial stages of a major war. It could force these small nations to grant such concessions to the USSR as would jeopardize not only our North Atlantic lines of communications but also the security of the British Isles. The alternative most objectionable from the United States military point of view would be peacetime Soviet domination of any or all of the Scandinavian nations.

10. Any alliance which would not be an alignment with the Western Powers and which in its terms restricted the freedom of action of its members with respect to adherence to larger defense agreements would probably be contrary to United States military interests. Such alliance might through collective effort, however, strengthen the military posture of Norway, Sweden, and Denmark and thus be a deterrent to Soviet aggression against the members of the Scandinavian defense pact. In event of war, the armed forces of Norway, Denmark, and Sweden would not be effective in withstanding any major effort of

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<sup>3</sup> Not printed; the text of NSC 32/1, "Current Position of the U.S. Respecting Base Negotiations with Denmark and Norway," November 17, 1948, is in the Department of State Executive Secretariat files.



the USSR to overrun the peninsula unless large-scale outside aid had been previously furnished and preparation to reinforce Sweden and/or Norway had been made in advance of attack. Even then, resistance would not be greatly prolonged unless the Western Powers joined in the defense.

11. From the United States military viewpoint, the participation of all the Scandinavian countries, but especially Denmark and Norway, in a defensive alliance as a part of a North Atlantic security system would be most desirable from the long-term point of view. Such a course would also offer the greatest assurance of security to the Scandinavian nations since it should lead to so strengthening the Norwegian, Danish, and Swedish forces that eventually they would be able to resist actively an actual attack.

12. In the light of the numerous United States military commitments, it is conceivable that only those nations of Western Europe participating in the North Atlantic security system will receive military aid and assistance from the United States. There is a possibility that certain other nations of Western Europe, members of regional or collective security arrangements designed to prevent aggression, might receive minor aid and assistance. However, those countries desiring to remain neutral must expect consideration of military aid or assistance from the United States only after the Brussels Treaty countries and other countries aligned by similar collective defense arrangements. (See Memorandum for the Secretary of Defense dated 9 June 1948 on United States Assistance to Norway in Case of War.<sup>4</sup>)

13. Based on the foregoing considerations, it would appear that participation of Sweden, and especially of Denmark and Norway, in a defensive alliance as a part of a North Atlantic security system would enhance United States military interests in both Western Union and the North Atlantic security system; that a separate Scandinavian defense alliance, even though intended to keep member nations free from Soviet domination, would, in all probability, be ineffectual and might have the effect of a neutrality pact. A separate Scandinavian defense alliance which would not preclude the conclusion by those countries of foreign agreements with Western powers with respect to base rights or other strategic facilities, would eliminate much of the objection to a defensive alliance.

14. The following are the major conclusions arrived at as a result of this study:

*a.* The major strategic interests of the United States in the Scandinavian nations are the denial to the Russians of air and submarine bases in Norway and the island possessions of Denmark (Greenland) and Norway (Spitzbergen Archipelago, including Bear Island), and

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<sup>4</sup> Not identified in Department of State files.

to secure such base and communication facilities as may be required by the United States in the prosecution of a war;

b. It is vital to United States security that we retain our present facilities and obtain additional base rights in Greenland and that the United States control that island in event of war.

c. The Spitzbergen Archipelago is of some strategic importance to the United States but is of much greater strategic importance to the USSR. It would be greatly to our advantage to deny this archipelago to the USSR;

d. It is in the security interest of the United States that Norway, Denmark, and Sweden remain free of Soviet domination;

e. Strict neutrality cannot reasonably be expected from nonbelligerent nations or coalitions during major wars, nor should reliance in this regard be placed on neutrality pacts or guarantees;

f. Even if the entry of Denmark into a Scandinavian neutrality pact did not endanger our rights in Greenland, it would be contrary to United States military interests for the three Scandinavian countries to bind themselves by such a pact which, in effect, could only insure their seeking nonbelligerent status in the face of Soviet pressure. This Soviet pressure on the Scandinavian neutrality group would be especially strong during the initial stages of a major war and could possibly force these small nations to such unneutral concessions to the USSR as would jeopardize not only our North Atlantic lines of communications but also the security of the British Isles;

g. A separate Scandinavian defense alliance would, in all probability, be ineffective in withstanding USSR efforts to overrun the entire peninsula, unless large-scale outside aid had been previously furnished and preparations to reinforce Sweden and/or Norway had been made in advance of attack;

h. From the United States military viewpoint, the participation of all of the Scandinavian nations, but especially Denmark and Norway, in a defense alliance as a part of a North Atlantic security system would be most desirable. From the long-term point of view, such a course would also offer the greatest assurance of security to the Scandinavian nations.

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840.00/2-1149: Airgram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, February 11, 1949.

A-285. The Permanent Commission of the Brussels Treaty Powers is holding frequent meetings to work out the plans for the establishment of the Council of Europe. Although it is not the intention of the Commission to prepare a final draft of a document to be laid before the conference to be called, it must nevertheless prepare a working paper embodying the principles laid down by the Consultative Council in its meeting of January 27-28, 1949 (see the Embassy's telegram no. 349 of January 28 [29], 1949<sup>1</sup>). The decisions now being reached

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<sup>1</sup> Not printed.

in the Commission may therefore be regarded as tentative. Moreover if in any case they depart from the directives of the Consultative Council they will have to be referred back to it.

With all the above cautions a Foreign Office official indicated to one of the Secretaries of the Embassy, for the information of officials of the United States Government only, that agreement had been reached in the Commission on the following points:

- (1) Strasbourg is to be the seat of the organization.
- (2) Representation in the Assembly is to be on the following numerical basis:

18 representatives each for Great Britain, France, Italy and Germany.

6 each for the Netherlands, Belgium and Sweden.

4 each for Norway, Denmark and Ireland.

3 for Luxembourg.

(Although the French were to have sounded out the Norwegian and the Irish Governments and the British the Danish and the Swedish Governments on February 7, 1949, as to their willingness to participate if invited, the Permanent Commission on February 10, 1949, had received no communications on the subject.)

(3) Voting in the Committee of Ministers will be by a simple majority on questions of procedure, but by a two-thirds majority on matters of substance and on the question of placing an item on the Assembly agenda. Whether the two-thirds majority is to be of members present and voting or of all members is under discussion.

(4) The provisions concerning the powers of the Assembly are to follow closely the communiqué contained in the Embassy's telegram no. 438 of February 5, 1949, 1 p. m.<sup>2</sup>

DOUGLAS

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<sup>2</sup> Not printed.

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840.20/2-1349 : Telegram

*The Secretary of State to the Embassy in Norway*

TOP SECRET      US URGENT      WASHINGTON, February 13, 1949—8 p. m.

56. Norwegian For Min Lange, Defense UnderSecy Bryn, majority leader Torp in conversations with Secretary and other Dept. officials during past week have posed numerous questions re Atlantic Pact, US arms assistance to Norway, and US attitude toward Scandinavian Pact. At final meeting Feb 11<sup>1</sup> US policy explained by Secretary as follows:

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<sup>1</sup> A transcript of this meeting, dated February 11, 1949, is in Department of State file 840.20/2-1149. The Norwegian participants were the same as those present at the February 8 meeting. The U.S. participants were the Secretary, Bohlen, Hickerson, Gross, and Hulley.

Careful and sympathetic consideration given Nor problems by Dept. Our conclusions fully discussed with Pres and reflect his views. Following points advanced.

1. If Nor Govt wishes join Atlantic Pact at any time, during discussions, at end of discussions, after treaty has been signed or ratified, warm welcome assured from US and presumably others. However, decision entirely up to Nor Govt. US has not and will not persuade, advise or apply pressure notwithstanding statements by certain newspaper writers.

2. Re question Norw security during period between possible decision to join Pact and coming into force of Pact, no one authorized to commit US in advance of its constitutional procedures. However, no doubt whatever that aggression against any country considering defense pact with us "would be regarded very gravely and US would take most serious possible view of it."

3. Re question military supplies raised by Norwegians, this subject will not be used by us as indirect method persuasion or pressure. Under no circumstances will matter of military assistance to any country be used for political purposes. Nevertheless clear that demands for assistance much greater than our ability supply. This necessitates system of priorities which must be awarded where US has commitments or interests. Priorities not determined solely by Pact as for example Greece and Turkey, but assistance will be given from viewpoint overall military effectiveness.

After above statement following specific questions and answers discussed:

1. Does Pact require members to raise defenses to defined level? Answer clearly no. Fundamental purpose of Pact and any US military assistance would be its deterrent value. Balance must be maintained between recovery and security in order that military measures do not defeat recovery objective and thus weaken rather than strengthen. Member country must do all it can without impairing economic recovery or political stability. No arbitrary fixing of limits.

2. Under Art 5, would attack on any part Norw territory require all members automatically take action against aggressor? Answer. Although Art 5 still under discussion, armed attack on any member considered armed attack on all and individually and collectively all members will take all appropriate action meet emergency. Nothing happens automatically, other than certain actions executive might take. Will of people intervenes. Great question of whether nation goes to war must be decided by Congress in light of Treaty commitment which would condition its freedom. It would have international obligation which it would certainly exercise.

3. Would commitment cover all Norw territory including Spitzbergen where by international Treaty Norway precluded from preparing defence? Answer. Pact would cover European Norway but because of Spitzbergen's special status Atlantic Pact participants should examine latter question.

4. How long before defense machinery comes into effect? Answer. We hope put Pact before Senate middle or latter part March for

urgent consideration and action within next couple months. When Treaty comes into effect, or possibly earlier, there would be staff discussions, and depending where and how serious attack was machinery expected to operate quickly. If matter involved war action might take a little longer but Congressional action in regard to war usually follows matter too clear to leave doubt and is ordinarily very rapid. Consultative body established by Pact would probably be in practically continuous session, thus avoiding delays.

5. Duration of Pact? Answer. No decision yet. Europeans propose 50 years as in case Brussels Pact. We have thought in terms 12 to 20 years with reexamination midway for possible revision.

6. Inclusion of Italy (which Lange had said would raise political difficulties in Norway)? Answer. Still open question primarily for Europeans to settle, and we hope they will take positive attitude. Italy has taken initiative which we feel it important not to rebuff.

7. Any further US reaction to Scandinavian regional group and position of such isolated pact vis-à-vis US assistance? Answer. We have felt it undesirable for any nation to pressure any Scandinavian country to join such group and we have no intention of exerting any pressure on Scandinavians who must reach own decision. However, degree to which effective military operations could be carried out without prior staff talks is problem. Correlation would be difficult if there were barrier between two groups. Arms supply question is one of priorities. If US military knew what would be done with US assistance in one case and not in another, they would naturally be more interested in former. No intention of exclusion; merely matter of priority. Question of payment or nonpayment related to recovery which we would not wish to impair. US has certain equipment now regarded as surplus (to certain levels of mobilization) although not enough to go around, other equipment must be manufactured. Equipment immediately available would go to countries where we have commitment or interest. Equipment to be manufactured might in time be available for others depending on technical considerations and strategic plans. Our effort will be directed towards carrying out co-ordinated military plan. Those outside plan, such as an isolated Scandinavian bloc, will be in less favored position and needs could hardly be considered for some time to come. (Lange interposed that Norway had felt under no pressure at all and that he would not regard our answer as pressure, but that he must make position clear as possible on his return. He therefore asked whether Norw acceptance of isolated Scandinavian plan would imply remaining outside common plan and thus that needs of such group would receive lesser and later consideration.) He was advised available supplies must be used first to give effect to common plan. It is problem of supply where requests are at present about three times availability. Furthermore, programming assistance based on uncoordinated requests more difficult for us than programming on basis common plan.

8. Question of Scandinavian bloc as neutral cushion between two chief possible antagonists (as urged by Lippmann)? Answer. Assumption that such bloc possible is wrong since Soviets would probably regard it as tempting prize, an area where action might be taken with least risk.

9. Bases on Norwegian soil? Norwegian Govt cannot grant bases in peacetime unless attacked or threatened by attack (with exception obligations under UN Charter). Answer. This would not constitute obstacle to acceptance into Pact. However, Lange stated understanding that coordinated plan would require certain materials to be on spot and people who are going to use them must know they are on spot.

10. Military supplies for Norway if not associated with Pact? Norway planning national defense organization for development over six year period, must know alternative positions re supplies in or out of Pact. Answer: We are still obviously unable talk in terms of quantities or dollars but discussion of general factors between Bryn and Gen. Lemnitzer might be useful.

11. Could Norway outside Atlantic Pact or in isolated Scandinavian Pact expect any supplies? Would integrated Scandinavia be considered more acceptable or too weak either as deterrent or for effective resistance? Answer. Military would be concerned regarding equipment sent to neutral area—and have doubt as to its fully effective end use. Equipment could conceivably be used against us. Unquestionably Scandinavian defense potential greater if united. However, our purpose in sending equipment to Scandinavia would probably be to strengthen defense particularly in Southwest Norway until help could be sent from West, but this difficult without prior coordination. Something would be lacking unless supply of arms was geared into larger purpose.

Atmosphere meeting sympathetic and cordial, Lange stating decision would be up to Cabinet and Parliament in light of information given which had greatly clarified delegations minds. At end Norwegians emphatically denied existence of pressure on them at any time and have so stated to press. Joint press release agreed.

Immediately following meeting Bryn met with Bohlen, Gross and Gen. Lemnitzer where he explained Norwegian defense plans and requirements, and transmitted list of needed equipment based on six year development program. List incomplete but indicative. Norwegians estimate completed list would amount to approximately \$200 million. Bryn also mentioned necessity of building stockpiles of basic commodities such as food, fuel, etc. for civilian use to extent \$100 million, but was informed we do not contemplate such assistance during first year program.

Bryn informed that we need specific information on what Norwegians plan during fiscal 1950, what forces they intend bring in, what equipment on hand, what equipment can be locally produced. We desire itemized list additional equipment thus required from outside to complete one year program, as well as information as to types of equipment presently possessed for purposes coordinating supply. List of information desired will be presented Bryn Feb 14 by military

authorities. Bryn unable discuss one year plan of Norw Govt but promises info from Norway in approximately week.

Agreed that pending Norwegian decision join Pact it would be embarrassing for Norway further negotiate arms program in Washington now. Impossible state reaction of US to Norwegian requirements at moment but this will as far as possible be given promptly after military has examined list for fiscal 1950. Reaction may not, however, be in time to affect debate in Norway regarding Pact. Atmosphere meeting businesslike and apparently heartening to Norwegians who did not expect discuss details.

ACHESON

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840.00/2-949 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, February 14, 1949—6 p. m.

523. For Ambassador only. Ur 495, Feb 9.<sup>1</sup> It is our understanding that many Western Union military proposals such as those for increased military production in Western Union countries will be referred to Western Union Finance and Economic Committee for review as to effect on economy of countries involved and as to methods of financing. Assumption of responsibility for additional military production in Western Union countries is of direct interest to U.S. in view (1) importance our being in position to assure Congress Western Union countries doing full share and (2) possible effect on success of ERP. It is essential there be proper balance between additional self-help and mutual aid on one hand and priority for economic recovery on other.

It is possible U.S. financial assistance may be available for dollar costs of increased production of military items in Western Union countries and possibly including dollar compensation for impact on recovery. However, this concept should not yet be discussed with Western Union govts. Such assistance wld only be available for projects which wld not seriously interfere with recovery programs.

In view above considerations it is view of U.S. Govt that it should be represented by an observer on Finance and Economic Committee when military assistance matters are under discussion. If Western Union representation at highest level, for your infor and appropriate use, contemplate Harriman as US observer.

It is requested you undertake such informal discussions as seem to you appropriate to secure invitation for US participation in work of

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<sup>1</sup> Telegram No. 495 from London, not printed.

Financial Comite and its subordinate bodies on this subject.<sup>2</sup> Interim instructions to US member Finance and Economic Comite now in process clearance appropriate agencies and will be transmitted shortly.

ACHESON

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<sup>2</sup> Telegram No. 574 from London, February 15, reviewed the action taken by the Embassy on this matter (840.00/2-1549). In telegram No. 605 from London, February 17, the Ambassador reported receipt of a letter from the Chairman of the Permanent Commission dated February 16 conveying an invitation to the U.S. Government to delegate a representative at earliest convenience to participate in work of the Finance and Economic Committee on the same basis as U.S. Representatives on the Chiefs of Staff Committee and the Military Committee (840.00/2-1749).

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840.20/2-1449

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 14, 1949.

Participants: The French Ambassador  
The Secretary of State  
T. C. Achilles, WE

The Ambassador called at his request to discuss various matters. On the subject of the North Atlantic Pact, he said that his Government was seriously embarrassed by the continuing seal of secrecy on the substance of the negotiations while Reston<sup>1</sup> and other American writers were discussing specific language. He said that his Government considered it essential both to discuss the negotiations with the Foreign Affairs Committees of the Assembly and Council of the Republic and to give guidance to the French press which might involve discussing actual language of the draft.

I said that wise guidance would be useful. The American press had so far done most of the damage but the more that was printed at this stage about the language of the key Article, the more difficult it would be to obtain a really satisfactory text of that Article. I reminded him of the importance of this Treaty in linking the United States to Europe in security matters and suggested the wisdom of not rendering more difficult the task with the Senate, which must make the final decision as to whether the Treaty could be concluded or not. Unwise public discussion at this time might well make it impossible to conclude any treaty.

He discussed Article 5 only in general terms and I made no comment.

He reiterated the importance which his Government attached to including Algeria, but I did not comment.

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<sup>1</sup> James B. Reston, newspaper reporter in the Washington bureau of the *New York Times*.



In discussing Article 8, he indicated that the real French purpose was to set up a tripartite Chiefs of Staff body in Washington. He said he knew that the Combined Chiefs of Staff continued to exist. Mr. Achilles reminded him that General Marshall had previously assured him<sup>2</sup> that the Combined Chiefs had not met for more than two years and that it existed on paper only in connection with cleaning up various residual matters left by the war. The Ambassador said he nevertheless knew that there were close relations between the US Joint Chiefs of Staff and the important British military mission here and that France considered itself of sufficient military importance to be included in such discussions. He referred to a previous statement of General Marshall's that it would not have been possible to conduct the war through a "military parliament", which France did not desire. It desired only to be in on a tripartite top level group. Mr. Achilles suggested that the French proposal to make Article 8 more specific concerning the Defense Committee would tend to establish a "military parliament".

The Ambassador expressed the belief that it would be helpful if a ranking French General could discuss these matters with us. He suggested that General Juin<sup>3</sup> come under cover of conferring a decoration on West Point. He was advised that the US military authorities were studying this whole subject and attached importance to making further progress in their own minds before discussing it with anyone. He was also advised that the timing of any such visit would be important since it might be embarrassing in connection with Senatorial consideration of the Pact if a French General were to come here in the near future.

D[EAN] A[CHESON]

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<sup>2</sup> This assurance was given on August 17 and 20, 1948, by George C. Marshall, then Secretary of State; for documentation, see *Foreign Relations*, 1948, vol. III, pp. 643 ff.

<sup>3</sup> Gen. Alphonse Juin, French Resident-General in Morocco, 1947-1951.

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840.20/2-1449

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 14, 1949.

Participants: Secretary of State Acheson  
 Charles E. Bohlen  
 Senator Tom Connally  
 Senator Arthur H. Vandenberg

Almost the entire conversation centered around the text of Article 5 and the various redrafts that had been suggested.

Both SENATORS CONNALLY and VANDENBERG referred to the unscheduled debate which had arisen in the Senate this afternoon on the subject of the extent of U.S. obligation under the pact. Both Senators were even more strongly than heretofore of the opinion that it must be made clear in Article 5 that there was no obligation, moral or otherwise, to go to war.

SENATOR CONNALLY even questioned the advisability of a statement in Article 5 that an attack on one would be considered as an attack on all. He preferred that this should read "an attack on one would be regarded as a threat to the peace of all."

SENATOR VANDENBERG did not go as far as Senator Connally on this point and felt that since the statement that an attack on one was an attack on all was in the Rio treaty it should be left in. He was most insistent, however, that it should be made plain that the determination of the type of action should be a matter for individual determination and also that the word "military" be omitted.

SENATOR CONNALLY agreed and suggested that the words "as it may deem necessary" be inserted in the draft to make this point plain.

I reviewed our attitude towards this pact again to the Senators, pointing out its value as a deterrent to any future aggressor and its importance in relation to the problem of Germany since it was doubtful that, without some such pact, the French would ever be reconciled to the inevitable diminution of direct allied control over Germany and the progressive reduction of occupation troops; that a pact of this nature would give France a greater sense of security against Germany as well as the Soviet Union and should materially help in the realistic consideration of the problem of Germany.

I also outlined for the Senators my conversations with the Norwegian Foreign Minister and explained to them the connection between the attitude of Norway and Denmark and the problem of Greenland and Iceland.

SENATOR CONNALLY said he had understood that one of the chief values to the United States of this pact was the assurances that it would provide of the use of base facilities in Greenland and Iceland and that if we did not get those we would not be getting very much while we would be giving a great deal.

In reply to MR. BOHLEN's question as to whether it would be preferable to delay presentation of the pact to the Senate until the so-called stepping-stone countries were in or to present it as soon as an agreed text had been reached with the present participating countries, SENATOR VANDENBERG said he would have to think that over but certainly without the stepping-stone countries it might be more difficult, but of course there was the factor of delay.

I asked the Senators whether they thought it would be advisable for me to appear before the full Foreign Relations Committee in executive session before I talked to the Ambassadors again and they both agreed it would be desirable and a date was tentatively set for Friday. It was, however, agreed that before that time I would meet again with the two Senators to look at some further revisions of Article 5 which we would consider in the light of their observations.

— DEAN ACHESON

840.00/2-1649 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, February 16, 1949—7 p. m.

554. Eyes only Douglas. Foreign Assistance Correlation Committee considering draft interim instructions to USRep to Western Union Military Supply Board. Your comments urgently requested.<sup>1</sup>

*"I. Background and General Instructions:*

U.S. participation in the deliberations of the military agencies established pursuant to the Brussels Treaty is on a non-membership basis. It involves participation at all stages in drawing up a coordinated military supply program in which with respect to the West Union nations:

(1) they must first plan their coordinated defense with the means presently available; (2) they must then determine how their collective military potential can be increased by coordinated production and supply, including standardization of equipment; (3) we would then be prepared to consider and screen their estimates of what supplementary assistance from us was necessary; (4) we would expect reciprocal assistance from them to the greatest extent practicable; and (5) legislation would be necessary to provide significant amounts of military equipment but the President would not be prepared to recommend it unless the foregoing conditions had been met.

The instructions to the USRep on the Permanent Military Committee (JCS-1868/11 and NSC 9/4<sup>2</sup>) from which the foregoing quotation is taken should be followed insofar as applicable by the U.S. participant in the work of the Mil Supply Board. The work of the Board is expected to be concerned primarily with (2) above. In matters relating to standardization, the Supply Board will handle matters

<sup>1</sup> Douglas commented on this telegram and on the more detailed instructions of the Department's telegrams 550 and 555, also of February 16, in his telegram No. 647, February 22, 1949. Telegrams 550, 555, and 647 are in Department of State file 840.00.

<sup>2</sup> Neither printed. For a text similar to NSC 9/4, see *Foreign Relations*, 1948, vol. III, p. 189.

relating to production. Its terms of reference are understood to be: (a) to advise the Defense Ministers on all questions affecting military supplies; (b) to arrange for assembly and collation of requirements estimates in weapons and equipment of the forces which the Five Powers decide should be raised and maintained for common defense; (c) to ascertain and report to the Defense Ministers what can be done to meet these requirements; and (d) to seek advice for these purposes from the Chiefs of Staff Comm and to give the latter in brief any advice it needs on supply questions.

The legislation mentioned in (5) above has top priority on the legislative programs of both the Dept of State and the NME for the 81st Sess of Congress. However, both the likelihood of such legislation being passed and the size of appropriations for its implementation will be materially influenced by the reaction in Congress to such information as may be available concerning the willingness and ability of the recipient nations to help not only themselves but also each other in order to reduce to a minimum the supplemental assistance they may find it necessary to request from us. It has constantly been made clear to them, and must constantly be reiterated, that U.S. assistance can only supplement and can in no sense replace the maximum efforts of the recipients to help themselves and each other in a manner consistent with the achievement of a sound Eur economy.

We are not thinking in terms of 'lend-lease' but of 'mutual aid'. By the latter we mean a coordinated program under which each participant contributes what it most effectively can in manpower, resources, productive capacity or facilities to strengthen the defense capacity of the entire group. This naturally covers (4) above.

In the West Union countries generally, rearmament will require some increase in domestic expenditures for military purposes. It may call for some diversion of resources from recovery programs. However, a successful program of common defense with U.S. participation and assistance may bring a degree of security which could not be attained in any other way and which should facilitate recovery through increased confidence.

On the other hand it is our policy that economic recovery must not be sacrificed to rearmament and must continue to be given a clear priority. Exceptional circumstances may justify, in the light of overall U.S. interests, departures in particular cases from the rigid application of the foregoing policy, but in principle rearmament expenditures and manpower diversion should not be permitted to bring about any serious reduction in the allotment of Eur resources to the recovery effort. Financing of such expenditures should not be permitted to delay successful completion of financial stabilization

measures in participating countries or to upset the operations of the Intra-Eur Payments Scheme.<sup>3</sup>

It is equally important that in the development of a rearmament program for Western Eur, due consideration be given to the limits of U.S. financial and material aid available. Thus, a balance should be struck between the needs of our domestic economy, our own rearmament, our contribution to Eur Recovery and our contribution to Eur rearmament. The West Eur countries should not formulate a program of rearmament of substantially larger dimensions than the Eur or U.S. economies could support under the principles outlined above. The adverse psychological effect on the West Eur if a program agreed by their military leaders could not be met would in itself be a serious deterrent to economic recovery and political stability and would be a boon to the USSR.

It is, therefore, considered important that U.S. reps participate fully in the development of a West Eur rearmament program to ensure that the end product is realistic, having in mind Eur and U.S. resources, as well as the maintenance of a proper relationship to economic recovery programs. Further guidance on the limits within which the program must be fitted will be sent you from time to time.

The President has directed that the Secy of State coordinate the development and presentation to the Congress of the overall foreign military assistance programs, of which the strengthening of the Western Eur nations forms a part. This coordination will be carried out in Washington in the closest cooperation among the Dept of State, the NME and the ECA. You are responsible to and will receive instructions from the Secretary of Defense, operating within this coordinating framework.<sup>4</sup> In Eur coordination will be achieved through a correlation committee<sup>5</sup> under the chairmanship of the Amb to the UK as the representative of the Secy of State in his capacity as Chairman of the Foreign Assistance Steering Comm, and with the USRep on the West Union Chiefs of Staff Comm, the USRep to the Fin & Econ Comm, the US Special Representative in Europe and yourself as members. To facilitate such coordination, copies of all recommendations made by you in accordance with the instructions in (II) should be supplied to Amb Douglas.

## II *Specific Instructions:*

In appropriate collaboration with the Correlation Comm you will:

(a) Furnish appropriate advice to the West Union Military Supply

<sup>3</sup> For documentation on this subject, see pp. 367 ff.

<sup>4</sup> Reference here is to the Foreign Assistance Steering Committee. See January 9, Repsec 8, footnote 2, p. 14.

<sup>5</sup> The European Correlation Committee (ECC).

Board with the object of assisting West Union countries in meeting requirements.

(b) Keep the Secretary of Defense informed on Supply Board activities, including aid which may be required from the U.S.

(c) Advise the USRep on the West Union Chiefs of Staff Comm as to the practicability of meeting such requirements from U.S. production based on information to be supplied by the Munitions Board.

(d) Make recommendations to the Secy of Defense, attention the Munitions Board, as to the capability of and adequacy of measures taken by the West Union countries to meet requirements, including production techniques, etc.

(e) Recommend to the Secy Defense, alternate possibilities by which supplementary requirements might be met, such as augmentation of West Union munitions producing facilities, third country sources of the supply, etc.

(f) Make recommendations to the Secy of Defense as to exchange of information on production techniques, designs, etc., and assignment of research and development projects.

(g) Recommend to the Secy of Defense specific measures of reciprocal assistance, other than military, which might be sought from Western Union countries.

(h) Ensure, insofar as practicable, that equipment requested of and to be supplied by the U.S. should be in accordance with U.S. standards."

Douglas pass to DelWU. Repeat to Paris 498 (Harriman) for information and urgent comments.

ACHESON

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840.20/2-1645

*Memorandum by the Counselor of the Department of State (Bohlen)  
to the Secretary of State and the Under Secretary of State (Webb)*

TOP SECRET

[WASHINGTON,] February 16, 1949.

Following a meeting with Mr. Rusk, Mr. Hickerson and Mr. Achilles, we came to the unanimous conclusion that the attached draft of Article 5 represents in substance the minimum commitment which could be embodied in this Article and achieve from the point of view of foreign policy the purposes of the North Atlantic Pact. While this does not mean that individual words might not be altered or rearranged, it does mean that any substantial reduction in the extent of commitment involved in the present draft would, in our opinion, materially and adversely affect the purposes of the regional arrangement and would run counter to the intent of the Senate as expressed in resolution S. 239<sup>1</sup> and the unanimous report of the Committee on Foreign Affairs of the House of Representatives on H.R. 6802 of the 80th Congress.

<sup>1</sup> Senate Resolution 239, June 11, 1948, *Foreign Relations*, 1948, vol. III, p. 135.

We anticipate that this will cause some difficulties, particularly with the French, but believe that in the last analysis it will be sufficiently acceptable to the other countries involved so as not to impair the chief purposes of the pact.

In order to proceed in an orderly fashion to deal with the difficulties with which we are faced in regard to the Senate on the one hand and the European countries on the other, we recommend the following course of action to you and the Secretary:

1. That the attached draft of Article 5 be regarded, in so far as the State Department is concerned, as the minimum commitment to achieve the objectives we have been pursuing.

2. That I be authorized, in a private and informal manner, to discuss it with Sir Oliver Franks in order to ascertain his personal opinion as to the probable effect of this new draft on the other countries involved in the discussions. I would, of course, explain to the British Ambassador that I was seeking his judgment before the question was discussed by the Secretary with the Senate Foreign Relations Committee.

3. That if Sir Oliver believes that this draft would not seriously impair the objectives of the pact and would therefore be generally acceptable to the other countries, the President and the Secretary should see Senator Connally alone in an endeavor to enlist his support for the draft. We feel it advisable to attempt to obtain his cooperation before involving other Democratic leaders.

4. That Senator Connally should be consulted as to whether the President should meet with the Democratic leaders to make clear that this is administration policy before or after the Secretary appears before the Senate Foreign Relations Committee on Friday afternoon.

5. That after the interview with Connally, Vandenberg be informed of the text of the new draft.

A clean text of the entire treaty is being prepared and will be ready this afternoon. Article 5 is the only sticking point in the text with the exception of the problem of the inclusion of Algeria as a part of Metropolitan France for the purposes of the treaty.

[Enclosure]

D

#### ARTICLE 5 (MUTUAL ASSISTANCE)

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will take, forthwith, individually and in concert with the other Parties,

the measures it deems necessary to restore and maintain the security of the North Atlantic area.

Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

840.20/2-1649

*Memorandum by the Counselor of the Department of State (Bohlen)  
to the Secretary of State and the Under Secretary of State (Webb)*

TOP SECRET

[WASHINGTON,] February 16, 1949.

In view of the Secretary's brief conversation with Sir Oliver Franks this afternoon, since the drafting of my memorandum of February 16, it is recommended that while draft "D" of Article 5 remains the minimum commitment in so far as the State Department is concerned which we believe would render possible the achievement of the purposes we have in mind in the North Atlantic Pact, this minimum draft should be held in reserve and not presented in the first instance for consideration by the Senators.

There are attached versions "A", "B" and "C" which in order of priority represent more preferable drafts in the light of the British Ambassador's observations.

It is therefore recommended that in the suggested conversation between the President and the Secretary and Senator Connally that an endeavor be made to enlist his support for variant "A" or "B" before proceeding to "C" or "D".

[Enclosure 1]

"A"

#### ARTICLE 5 (MUTUAL ASSISTANCE)

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking, individually and in concert with the other Parties, such military or other action as it deems necessary to restore and maintain the security of the North Atlantic area.

Such measures shall be terminated when the Security Council has



taken the measures necessary to restore and maintain international peace and security. (*United States*)

[Enclosure 2]

“B”

ARTICLE 5 (MUTUAL ASSISTANCE)

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will take, individually and in concert with the other Parties, such military or other action as it deems necessary to restore and maintain the security of the North Atlantic area.

Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security. (*United States*)

[Enclosure 3]

“C”

ARTICLE 5 (MUTUAL ASSISTANCE)

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking, individually and in concert with the other Parties, the action it deems necessary to restore and maintain the security of the North Atlantic area.

Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security. (*United States*)

840.20/2-1749

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 17, 1949.

VERY LIMITED DISTRIBUTION

## MEMORANDUM OF CONVERSATION WITH THE PRESIDENT

## ITEM 1. NORTH ATLANTIC PACT

I went over with the President the alternative drafts of Article 5. He believed that we should propose to the Committee Draft 1-A, that is the one referring to "including the use of armed force". If it was absolutely necessary after a stout fight he thought Draft D might be possible. The President will talk to Senator Connally over the telephone and, if possible, ask him to come to the Blair House this evening. The purpose of this talk will be to impress upon Senator Connally that I am speaking for the President with his full knowledge and support.

D[EAN] ACHESON

840.20/2-1749

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] February 17, 1949.

Participants: The Secretary  
The Turkish Ambassador  
John D. Jernegan, Chief, GTI

Mr. Erkin recalled previous conversations which he had had with Secretary Marshall and other officers of the Department regarding Turkey's interest in the proposed North Atlantic security arrangements and other possible regional groupings in which Turkey might participate. He said that he and his Government had come to the conclusion that Turkey could not appropriately participate in the North Atlantic arrangement but continued to be interested in the possibility of a Mediterranean pact in which Turkey could and should play a leading role.

Recently, the Ambassador continued, his Government had heard from various sources that the powers concerned with the Atlantic Pact were contemplating the inclusion in the Pact of a declaration with regard to Turkey identical with or similar to "President Truman's Statement". (It appeared that he was referring to the so-called "Truman Doctrine", as specifically applied to Turkey, enunciated in the President's speech of March 12, 1947.<sup>1</sup>) In a previous conversation

<sup>1</sup> Message before a joint session of the Congress on March 12, 1947, requesting aid to Greece and Turkey. For text, see Department of State *Bulletin*, March 23, 1947, p. 534. For documentation on this subject, see *Foreign Relations*, 1947, vol. v, pp. 1 ff.

with Mr. Satterthwaite, the Ambassador had expressed the personal opinion that such a declaration by the members of the Atlantic Pact would add nothing to the assurances already received by Turkey as a result of the Anglo-Turkish Alliance and the Truman statements. He personally would not be inclined to welcome such a declaration. He had reported this to Ankara and had now received instructions approving his views. The Turkish Government considered that it might weaken the Turkish position to be placed in the position of receiving a unilateral assurance of support from such countries as Luxembourg and Holland.

The Turkish Government hoped, furthermore, that any declaration which might be issued would be regarded merely as an interim step preparing the way for an additional regional arrangement in which Turkey could participate directly. Turkey would prefer that the declaration be issued solely by the United States and would like to have an opportunity to discuss it with us before it was issued.

I remarked that I had never seen a draft of a declaration and asked whether one had ever been prepared. Mr. Jernegan replied that one draft had in fact been prepared, though not by the United States, but there had been no serious discussion of any text. He added that it was not expected that the declaration would be identical with the Truman Statement; it might go farther in certain respects. He also said that it had never been decided that the declaration should be issued by all of the members of the Atlantic Pact.

In the course of his remarks, the Ambassador emphasized the exposed position of Turkey and the concern of the Turkish people and the Grand National Assembly lest this exposed position and the security needs of Turkey should be overlooked. He stated that Soviet agents were already telling the Turkish people that Turkey's exclusion from the Atlantic Pact proved that the United States was not really interested in Turkey. The Turkish Government desired, therefore, to clarify and strengthen its already close relations with the United States. In this connection, Admiral Radford had told President Inonu that Admiral Conolly would be prepared to undertake high level military conversations with the Turkish authorities during his visit to Ankara.<sup>2</sup> However, when President Inonu raised this subject with

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<sup>2</sup> On December 21, 1948, during a brief visit to Ankara, Vice Adm. Arthur W. Radford, Vice Chief of Naval Operations, called on Turkish President Ismet İnönü. Adm. Richard L. Conolly, Commander in Chief of U.S. Naval Forces in the Eastern Atlantic and Mediterranean, visited Ankara from January 31 to February 2, 1949. Accompanied by members of his staff and Ambassador George Wadsworth, Admiral Conolly conferred with President İnönü and high-ranking Turkish Government officials on January 31, 1949. Documentation on the Radford and Conolly meetings with İnönü is included in the materials on the problems and policies of relations with Turkey, scheduled for publication in volume vi.

Admiral Conolly recently, the latter had replied that he had no instructions in this regard and that any such talks would have to be preceded by an understanding on a high political level. The Ambassador remarked that this was quite right.

I said that I had been reading the minutes of the meetings of the group which had been negotiating the Atlantic Pact and that it seemed clear to me from these minutes that the countries concerned had had clearly in mind from the beginning the need for some declaration or statement which would clearly show that the conclusion of a North Atlantic agreement would not mean the lessening of interest in the security of nations, such as Turkey, which were not to be members of that agreement. However, it did not appear that there had been any real discussion of the exact form which this statement might take. I was very glad to have the observations of the Turkish Government, which had helped to clarify my own thinking, and the Ambassador could be sure that we would talk further with him about the matter.

With respect to the possible eventual development of additional regional arrangements, I did not feel that I could say anything at this time. In undertaking the creation of regional security arrangements, we had to start somewhere. We had been confronted in the beginning with two main alternatives: to attempt an all-embracing security arrangement which would include all the countries in the world except the Soviet bloc, or to begin with a smaller group such as the North Atlantic area. The all-embracing idea simply presented too many difficulties. Among other things, it would have aroused opposition from people who would have seen it as a rival to the UN. We had decided on the second alternative, and believed that we must make the first step the conclusion of the North Atlantic arrangement before we even thought about any other arrangement. To attempt at this time consideration of a Mediterranean pact would complicate things to an impossible extent, especially with relation to Congress. I felt that I had to be free to assure the Congress in presenting the North Atlantic arrangement that I did not have in mind at this moment any further regional groupings. This did not mean that such regional groupings were necessarily excluded, but only that we could not give them consideration as yet.

The Ambassador said that he would be satisfied if he could report to his Government that we considered the proposed declaration regarding Turkey as only a partial step and that we would be disposed at a later date to study the question of a regional pact including Turkey. I replied that I would not wish him to go that far on the basis of what I had said today. I was simply not able at this time to say that we would consider or would not consider the creation of a

Mediterranean pact. I wished to confine our thoughts at this moment purely to the question of the proposed declaration. I went on to say that after all a treaty between Turkey and the United States was not necessary to make it clear to the Soviet Union that the United States would inevitably become involved as a result of any Russian aggression against the part of the world in which Turkey was located. The Russians must know this quite well.

At the end of the conversation, Mr. Jernegan asked the Ambassador whether his Government would have misgivings about a declaration which might be signed by Great Britain, or Great Britain and France in addition to the United States. In other words, did the Turkish Government wish a declaration issued solely by the United States or would it be willing to accept one signed by the other great powers in the Atlantic Pact but not including the small states? The Ambassador replied that he believed his Government would be willing to agree to a declaration signed by the United Kingdom as well as the United States. He implied that the adherence of France would also be acceptable.

(After leaving my office, the Ambassador was asked by newspapermen whether he had discussed with me the question of a Mediterranean pact. He replied that any such discussion at this time would be "premature", that it was a subject for speculation but not for discussion. He also said that his call had been for the purpose of making my acquaintance and that we had discussed American-Turkish relations and had found them highly satisfactory.)

D[EAN] A[CHESON]

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840.20/2-1749

*Memorandum by the Director of the Office of European Affairs  
(Hickerson) to the Secretary of State*

TOP SECRET

[WASHINGTON,] February 17, 1949.

In response to your question as to whether enough attention is being given to the points in the last two paragraphs of the memorandum of your conversation with Bonnet,<sup>1</sup> the Joint Chiefs have long given much thought to the general problem and have for some time had a group of officers in the Joint Staff working on the question of organization under Article 8. I understand the Joint Chiefs are strongly opposed to (1) anything resembling a "Tri-partite Chiefs-of-Staff"; (2) having the multi-national Defense Committee contemplated under Article 8 (as distinct from the smaller Brussels Treaty machinery)

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<sup>1</sup> See memorandum of conversation, February 14, 1949, p. 107.

primarily responsible for formulating coordinated plans for the defense of Western Europe, and; (3) having any French Generals come here to talk about it in the near future. In talking to Bonnet, Achilles was expressing the views as given him by General Gruenther<sup>2</sup> the day before and repeated to me by Gruenther today.

As we understand it, the basic position of the Joint Chiefs is that they are prepared to integrate US security plans with respect to Western Europe with those of Western Union, and in the event of war to place US forces in Western Europe under Western Union command, but to reserve sole decision as to the extent of US forces to be committed to operations in Western Europe as distinct from operations in other theaters and to retain exclusive control over operations of the US Strategic Air Force. Apart from strategy concerning Western Europe and North Atlantic communications, they feel that we have worldwide responsibilities which we must have freedom to discharge in our own way, that the British have similar worldwide responsibilities and that accordingly close coordination with them is desirable, but that the French have basically only European and North African responsibilities and inadequate strength to play any role in other theaters and therefore are not entitled to participate in consideration of global strategy.

Mr. Hall of the Office of Budget and Planning, in conjunction with Mr. Rosenman of the Bureau of the Budget, is making preliminary studies of the non-military aspects of Article 8, but it is difficult to go very far until we have received some informal guidance from the Joint Chiefs as to what they want, as distinct from what they do not want. Achilles is in close touch with General Gruenther on this.

The Minister Counselor of the French Embassy had previously raised with me the possibility of General Juin coming to discuss these matters in connection with a visit to West Point and I have endeavored further to discourage this idea.

J. D. H[ICKERSON]

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<sup>2</sup> Maj. Gen. Alfred M. Gruenther, Director, Joint Staff, Joint Chiefs of Staff.

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840.20/2-2449 : Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*

TOP SECRET

OSLO, February 24, 1949—5 p. m.

147. In conversation with my counselor at Foreign Office today Secretary General Skylstad raised question of Atlantic pact invitation saying Foreign Minister Lange expected Norway would shortly be prepared receive invitation as result his presentation to Storting

today and foreign affairs debate next week. Skylstad expressed concern that pact might be signed by seven original powers before Norway had opportunity join discussion in Washington. Norwegian Government, he said, attached great importance from political standpoint to participation in negotiations and hoped Department could arrange timetable accordingly.

Foreign Office informed by Norwegian Ambassador London British Government had mentioned later date possibility that in order expedite action pact might be signed by seven governments in immediate future with other including Norway adhering at later date. British reasoning based on thought that if invitation to join were extended Norway invitations might have to be issued to Denmark, Portugal, Eire and Iceland at same time. Skylstad remarked Denmark obviously not yet ready, Portugal believed procrastinating, Eire extremely doubtful, only Iceland now likely accept. If formation Atlantic pact must await acceptance invitation by all five countries its coming into force might be long delayed. This naturally would be unsatisfactory from Norwegian standpoint.

Replying to question Skylstad indicated Norway will probably politely decline Soviet nonaggression pact proposal following Storting debate next week. For this additional reason Norwegians desire be included in final states [*stages?*] Atlantic pact negotiations. Norway will have few comments or suggestions to make or draft terms, according Skylstad but wishes to be in position take part in Washington discussions simultaneously with rejection Soviet proposal. Grounds for rejection will be that under UN Charter no need exists for nonaggression agreement and although Norway has stated UN offered insufficient security it nevertheless believes in adherence to UN established principles.

Skylstad said Norwegian Government had no information to show Finland would be subject undue Soviet pressure or occupation if Norway joins western powers. Believes Finns "deep in their hearts" actually believe Norway's projected move would ultimately strengthen their own position.

Sent Department 147, pouched Stockholm, Copenhagen, London.

BAY

840.20/2-2549 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET      NIACT

WASHINGTON, February 25, 1949—8 p. m.

597. For the Ambassador. See Dec 24 paper on Atlantic Pact,<sup>1</sup> Annex C concerning Italy and Annex D concerning other govts. Pur-

<sup>1</sup> *Foreign Relations*, 1948, vol. III, p. 333.

suant to Annex D US on Dec 31 advised Nor Amb of its substance and broad outlines of treaty. He was told we would be glad to receive any views his govt might wish to express concerning form and timing of official approach. Brussels Treaty Ambs here advised exactly what Norwegians had been told.

You are aware of developments in Norway, including two Sov notes, Lange's Wash trip and his statement in Storting yesterday. Nor govt believed it should participate in discussions here in time to influence final draft.

Feb 11 I told Lange that decision as to whether or when Norway might wish to participate was entirely up to Norway but that "If it should seem to Nor govt in its interest to join at any time, either during discussions or end of discussions, after treaty had been signed or after it had been ratified welcome of US would be very warm indeed." I added that although I had no right to speak for other countries, it would not be taking much risk to say they would share that view.

Feb 23 Nor Amb inquired under instructions whether Nor Govt could be certain of being allowed to take part in discussions at once if it should decide to ask an invitation.<sup>2</sup> My earlier statement to Lange was repeated to him with statement question would be taken up at next Atlantic Pact meeting. He anticipated Storting decision next week.

At Pact meeting today<sup>3</sup> I urged importance of giving affirmative reply preferably on Mon since Storting debate starts Tues. All except Bonnet expressed readiness ask their govts approval immediately. Bonnet in extraordinary exhibition insisted that all govts under consideration as prospective members particularly Italy be invited simultaneously. He was reminded by various persons present of Lange's problem with Storting and Moscow, that Nor and Ital participation had never previously been linked, that present Nor situation represented crisis which must be met and that rebuff would be catastrophic. Most Bonnet would yield was to suggest that "a nice answer" be given Norwegians and Italians given same answer. I stated that Bonnet appeared ready, in order to get Italy in, to run extreme risks over Norway, risks to which he was not entitled to subject all of us and that if French govt insisted on this position I would not take responsibility for consequences.

Pls see Schuman or Chauvel at once and impress upon them essentiality of giving Norwegians prompt affirmative reply. Good faith of all seven participating govts is involved. French govt aware US has

<sup>2</sup> A memorandum of this conversation between Morgenstjerne and Acheson, dated February 23, 1949, is in Department of State file No. 840.20/2-2349.

<sup>3</sup> Minutes of the thirteenth meeting of the Washington Exploratory Talks on Security (not printed) are in Department of State file No. 840.20/2-2549.



consistently sought to bring about satisfactory solution for Italy but latter is not under fire while Norway is. As I advised Bonnet unsatisfactory reply to Nor request would entail risks which I am emphatically not prepared to take.<sup>4</sup>

ACHESON

<sup>4</sup> Caffery replied in telegram 815, February 26, 9 p. m., that he had complied with the instructions in a meeting that morning with Schuman and that he had just received from Schuman, that evening, a paper that he was led to believe formed the basis for new instructions to Bonnet. This paper, which he quoted in his telegram, indicated that France would not object to immediate admission of Norway to the Washington discussions, but would be forced to reconsider this action if the question of similar participation by Italy were not made, with least possible delay, the subject of a definite decision by the participating countries. (840.20/2-2649)

840.20/2-2849: Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

TOP SECRET      NIACT

BRUSSELS, February 28, 1949—1 p. m.

URGENT

284. Spaak urges most strongly that Norway be asked join Atlantic Pact as charter member as otherwise he feels Lange may be in gravest trouble. (My telegram 271, February 24.<sup>1</sup>) He says Norway having withstood Swedish pressure to form Scandinavian regional bloc based upon neutral policy vis-à-vis Russia and wishing decline suavely invitation to sign non-aggression pact is now entitled to have full support of Atlantic Pact powers as original signatory such a regional agreement. Spaak is instructing his Ambassador Washington this sense and asks me to reinforce Belgian's position with you as matter of extreme importance and urgency. He says Norway should be asked join before tomorrow's meeting Norwegian Parliament as otherwise events in that country may take unforeseeable turn.

Spaak says he understands all parties agree Norway should be asked to join but that French are holding out for similar charter membership for Italy. This he thinks unfortunate and unnecessary as he says situations are not comparable since Italy not under immediate and heavy Russian pressure. He believes Italy can afford to wait and he fears she will in any case try to bargain and quibble. He is seeing French Ambassador here today to give these views. Italian Ambassador has attempted persuade Spaak support Italy but Spaak has replied he felt it was not urgent at present moment and needed more consideration.

Sent Department 284, repeated London 24, Paris 42.

KIRK

<sup>1</sup> Not printed.

840.20/2-2849

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] February 28, 1949.

## MEETING WITH THE PRESIDENT

## ITEM NO. 1

*Italy and the Atlantic Pact*

I informed the President of the situation which arose at our meeting with the Ambassadors on Friday,<sup>1</sup> of the inquiry from Norway as to the possibility of their joining at once, and the attempt by the the French Ambassador to link the admission of Italy with that of Norway.

After some discussion of the matter, the President said that he had no final views on the matter, that he wished me to talk with the Senators, but that he was inclined to believe at present that it would be wiser not to have Italy one of the original signers and possibly not in the Pact at all. He would like to consider at some time the possibility of a Mediterranean arrangement.

For the present he thought it advisable for me to take a firm position on Norway and to continue to hold the Italian matter open.

[DEAN ACHESON]

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<sup>1</sup> Minutes of the thirteenth meeting, February 25, not printed.

840.20/3-149

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*The Italian Ambassador in the United States (Tarchiani) to the Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] March 1st, 1949.

N. 1914

MY DEAR MR. SECRETARY OF STATE: Under instruction of my Government, I have the honor to bring to your kind attention the following:

The Italian Government desires to adhere to treaty at present under discussion between the Governments of the United States, Belgium, Canada, France, Great Britain, Luxembourg and the Netherlands, and known as the Atlantic Pact.

In view of the special situation of Italy, which lends to the problems of peace and of national security an overwhelming urgency and importance for the Italian people, the Italian Government feels that,

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<sup>1</sup> Rough translation supplied by the Italian Embassy.

in the general interest and in the interest of Italy in particular, the inclusion of Italy in the discussions regarding the Pact should take place as soon as the seven countries have reached agreement on the draft text, or—should this be found impracticable—at the earliest possible moment and in any case simultaneously with the first of the other countries successively invited.

In consideration of its decision to participate in the Pact, the Italian Government would be grateful to the Government of the United States if a copy of the draft text could be furnished for its confidential information as soon as it is formulated.

I shall appreciate it if you will kindly take into consideration the requests above mentioned with the urgency which the case requires and I thank [you] for your kind interest.

Yours sincerely,

ALBERTO TARCHIANI

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840.20/3-149

*Minutes of the Fourteenth Meeting of the Washington Exploratory Talks on Security, March 1, 1949, 10 a. m.*

TOP SECRET

MR. ACHESON asked if there were comments on the text which had been considered on Friday.

MR. WRONG said he had some minor drafting comments suitable for the working group. He would put them forward when the other representatives had received instructions.

MR. ACHESON suggested that the next point for discussion should be the question of Norway, discussed briefly at a previous meeting.

MR. VAN KLEFFENS thought that there was no tendency in his Government to link the questions of Norway and Italy.

On the question of Norway his instructions were explicit. In the view of the Netherlands Government, Norway should receive, if possible, admission to the discussions at once.

With regard to Italy, the position of the Netherlands Government was that action could not well be delayed. If there was a unanimous feeling around the table for admission of Italy, he would not be found in opposition.

There was, of course, a difference between the contributions that Norway and Italy were able to make. Italy should, however, not be treated too much as a separate case; this might perhaps have repercussions in countries like Portugal, which was considering joining the Pact.

He wondered whether there would be any merit in setting up, perhaps after Norway had been admitted, a commission on admissions which might deal in the first place with Italy. Perhaps this suggestion

could be helpful in solving the dilemma. There was not only disadvantage but also danger in delay.

MR. BONNET reserved his comments until his colleagues had spoken.

SIR OLIVER FRANKS said that on the subject of Norway, his Government assented completely with the view put forward by Mr. Acheson at the last meeting. The UK would be glad to see Norway asked to join the discussions at a very early date and would wish that information transmitted to Norway just as soon as it was needed for Mr. Lange's purposes. The question was a separate one which should be dealt with on its merits because of the particular position in which Norway had found itself in the last month.

On the question of Italy, the UK had always thought that on the whole it was better not to have Italy a member of the Pact. However, it would be fair to say that the strength of that preference had diminished during the progress of negotiations. The UK would not stand in the way of a general opinion and would not press its initial preference. On the other hand, his Government was not happy at the suggestion of linking the question of Italy with that of Norway. Such a link had not grown out of the discussions and did not belong to the actual situation in which the two countries found themselves. One was under threat; the other was not under threat.

SIR OLIVER felt that it was the right of his French colleague, who had consistently favored the admission of Italy, and, if he felt it so, his duty, to press for a decision on Italy in principle at an early date. Sir Oliver would agree to arriving at an early decision but would not agree to arriving at a decision linking the questions of Italy and Norway.

MR. WRONG had instructions to do everything he could in favor of the immediate extension of an invitation, i.e., the type of notification for which Mr. Lange had asked. He had already stated the reasons for the Canadian Government's position and had nothing to add to what Sir Oliver and Mr. Van Kleffens had said on that question.

The Canadian Government was prepared to agree to accept the admission of Italy, but it was strongly of the view that the questions of an invitation to Norway and an invitation to Italy were separate and should not be linked. He thought a similar question in relation to Denmark might soon arise.

MR. LE GALLAIS said that the Belgian Ambassador had received instructions which were more elaborate than his own and that he would concur with the Ambassador and with his other Benelux colleague on the two questions before the group.

BARON SILVERCRUYTS said that his Government felt very strongly that Norway was in a special position. He thought it unnecessary to

give the quite obvious reasons for this view. Norway had been in consultation with the negotiating governments, Mr. Lange had journeyed to Washington, and the Pact had been discussed very freely with him. Moreover, Norway had had to take a stand on the arrangement suggested by Sweden. Norway, at the moment, was confronted with the problem of answering a Russian note and her action in answering this note would undoubtedly be courageous. All in all, the matter was one of extreme urgency because of political reasons of the highest order. The Belgian Government felt that, under the circumstances, it would be grievous mistake not to accede immediately to Norway's request for information indicating that it would be welcome should it decide to ask for inclusion in the negotiations.

At the same time, the Belgian Government considered that the position of Italy should not be ignored. He explained that, in the minds of his Government, there was no connection between the questions of Italy and Norway, but that for political and psychological reasons Italy should not be ignored and its request for admission made some six or seven weeks previously should receive a reply soon.

MR. ACHESON said that after the last meeting he had reported the discussions which had taken place to the President who had asked him to confer with leaders of the Senate.<sup>1</sup> After conferring with the Senators, he had reported again<sup>2</sup> to the President who thought the matter over and gave his views and instructions for the time being at least. Both the President and the Senators believed that an immediate answer must be given to Norway. Also, they thought that the answer must be a favorable one. The President thought that the same considerations applied to Denmark because of the connection of Greenland. Mr. Acheson thought that the question of Norway and Denmark should not be linked with Italy and that it was a matter of great urgency that Norway should receive at once a reply to the effect that the negotiating governments would be happy to have Norway join the negotiations.

He had also discussed with the President and the Senators the question of Italy. On that they were entirely open-minded and prepared to discuss and decide the question on its merits and as to whether it was for the best interests of the Pact. It was fair to say that at the present time they did not favor Italy being an original signatory, but were thinking in terms of its accession later.

Also, the President and the Senators thought that it would be dangerous to delay further the drafting of the terms of the Treaty

<sup>1</sup> A brief memorandum of this conversation of February 28 with Senators Tom Connally, Walter F. George, and Arthur H. Vandenberg, prepared by Acheson on that date, is in Department of State file No. 840.20/2-2849.

<sup>2</sup> Memorandum of conversation not found in Department of State files.

and the publication of the Treaty once agreed. This aspect of the work should receive priority and there should be as little friction as possible on the question of other nations which would be invited to join the Pact. Mr. Acheson stressed very strongly the necessity for answering Norway that day.

MR. BONNET had not received written instructions but had had exchanges of views with his Government in Paris. The view was taken there that the situation was serious. He noted the views expressed to the effect that the questions of Italy and Norway were not the same and thought that such was obvious. As to the insistence that there should be no linking of the two cases, that was a matter of definition, but it was possible that there was no link.

The French Government wanted to make its position clear in advance. If that government had to present to the public and the Parliament a pact including Norway and to which Italy would not be a party, not mentioning the question of the Algerian Departments in addition, then the French Government would have to reconsider its position as far as its own participation was concerned. He had received the clearest possible indications on this question and felt that it would be difficult for his Government to secure ratification of a pact signed under such conditions. He agreed with the necessity for speed and hoped that very soon he could report to his Government the decisions on the structure of the Pact and on the decision taken concerning Italy. But he hoped that conclusions would not be reached which, by including Norway, would exclude France. If it were decided to send an invitation to Norway immediately, he hoped that he could report to his Government that the question of Italy would be discussed soon and that every effort would be made to meet the French position. Mr. Bonnet added that if Norway should join the discussions, his Government could not accept the thesis that Norway should have a voice in the decision on the admission of Italy. The question of Italy's participation should be decided by the seven governments now conducting the negotiations.

BARON SILVERCRUYS suggested that the questions be taken separately, one after the other. The question of greatest urgency, Norway, could be solved and then the other questions could be considered.

MR. ACHESON agreed with Baron Silvercruys' suggestion but said that he was not clear as to the meaning of Mr. Bonnet's last remarks. Did he mean that Norway should have no voice on the question of Italy or that Norway should have no veto on the admission of Italy?

MR. BONNET thought that the question of Italy's admission should be decided by the seven governments represented around the table. As a result of statements by the Norwegian Foreign Minister, it could

be concluded that Norway would oppose the participation of Italy. The question should be decided without the participation of any of the other nations which might be invited to join the discussions.

MR. ACHESON thought it would be difficult to say "without participation". If it were meant that other nations should not have a veto on the participation of Italy, that was a different matter, but any member joining the discussions would have obvious standing to express any views he might have and presumably the present members would wish to hear those views.

MR. BONNET thought that if the Norwegians were ready to participate in the next meeting, it would be an easy matter to separate the discussion of Italy from the discussion on the text and to have the Norwegians present only for the discussion of the text.

SIR OLIVER FRANKS observed that during the many discussions he had had in the past with his French colleague there had been some disagreements. Perhaps the manner in which the French put their views and the manner in which the English put their views, rather than the substance of the question, sometimes had something to do with apparent disagreements. When Mr. Bonnet spoke of conditions, Sir Oliver was not happy because it was not the way in which the negotiations had been conducted. He did not think that the importation of that kind of consideration helped in getting the united result that the Pact required. He would appreciate it if the French position could be put, not in the language of conditions, but in the language of views strongly held by the French Government. He did not think that it was really a question of conditions but of a joint effort to achieve a right result under difficult circumstances.

It was obvious, Sir Oliver thought, that the natural view of Great Britain, about the question of Italy would tend to be different from the point of view of France which was on the continent of Europe and had a strategic frontier with Italy. But during the many months of discussions there had been no talk about laying down conditions, one to the other. Views had been advanced frankly. Although it might be a defect of national temperament on his part, it made it more difficult for Sir Oliver to reach an agreed solution if, using the natural metaphor, a pistol was put at his head. His natural instinct was to react against it and he did not wish to be put in that position.

MR. BONNET said that his natural reaction was the same, when he was engaged in a negotiation and had the impression of talking to a wall. He said, however, that after the long delays which had been experienced in the negotiations, his Government could not have the greatest confidence in the issue of the negotiations.

He was sorry if his views were interpreted as conditions because they

certainly had not been intended as such. He had merely asked that thought be given to the consequences which could result if the French position were rejected. If the structure of the Pact was such that there would be a strong reaction on the part of French public opinion, his Government could be obliged not to join the Pact. It had been his intention to draw attention to this consideration. Referring to Sir Oliver's comment on the future of the Pact, Mr. Bonnet agreed that it was necessary in order to produce proper results that it should be well-balanced from the start. It would be useless to reach agreement on treaties if difficulties would mushroom at every step afterward. There had been many examples of that in the past, so he was in fact thinking of the interests of the Pact in the future when he stated the position of his Government.

MR. ACHESON said that he had shared the worry of Sir Oliver and that he was delighted to learn that Mr. Bonnet's views had not been put forward as a condition. Referring to Mr. Bonnet's observation on delays, Mr. Acheson made a few observations which showed some of the difficulties under which he had been laboring. On the question of the inclusion of Algeria, Mr. Bonnet had seemed to regard the delay in settlement of the issue as a bargaining effort on the part of the U.S. Nothing could be further from the truth.

MR. BONNET said this was not his impression.

MR. ACHESON observed that he had come into the discussions at a relatively late date. He had been disturbed to find that the discussions with the Senators had not progressed as far as he had been led to believe. In particular, the Senators did not know that the problem of Algeria entered into the Treaty and was a part of the French position; he had had a difficult time with them on the matter and it had been a problem of explaining to them the political problems of the French Government, the structure of the French State, and the relation of Algeria to France. They had gradually come to see the matter in a different light, and he was happy to report that it was now agreeable to include in the Treaty the Algerian Departments of France. Mr. Acheson mentioned this in order to illustrate the efforts in which he had been engaged in getting the Senators to understand the problems of other governments as well as their own.

MR. BONNET thanked Mr. Acheson for this information so important for the Government of France. He said that he had injected the question of Algeria in the discussion, not as a condition, but as an illustration of the fears that existed in his Government after the protracted discussions which had taken place. He had been unable to report the inclusion of the Algerian Departments to his Government prior to that day and it was a question which might have caused very



strong parliamentary and public reaction in France, just as the question of the inclusion of Italy. He thanked Mr. Acheson for the effort he was making to have the French position understood in the Senate.

MR. ACHESON understood that the outstanding question of Norway was now settled and that a message should be sent to the Norwegian Government to the effect that if, at the conclusion of the Storting debate, it should ask for an invitation to join the negotiations, such an invitation would be forthcoming.

MR. VAN KLEFFENS did not feel that the imputation that anyone around the table had indulged in tactics of delay was well-founded. He felt that the discussions had consistently proceeded along lines of reasonable despatch and orderly progress.

He referred to Norway's interest in the Italian situation. If he read the omens well, none of the countries represented in the conversations being adamant against the inclusion of Italy, that country had every chance of being admitted soon. Perhaps to the message to Norway just agreed upon some purely informal and unofficial information should be added about the present feelings with regard to the inclusion of Italy, which were now in a more advanced stage than the Norwegian Government might otherwise have been led to believe.

MR. BONNET referred to the last meeting of the Foreign Ministers<sup>3</sup> in London and said that as a result of those discussions, certain opinions could be formed as to the delays which had been injected into the discussions.

He referred to the other points he had raised previously and hoped that these could be settled soon. Should the discussion proceed on Italy or would it be better to discuss Italy at the next meeting? Referring to the suggestion that Norway should be given some information as to the status of the discussions on Italy, he thought it would be necessary to explain the situation on Italy in such a way that the Norwegians would not be left with the impression that they could make a condition of the question of Italy's inclusion.

SIR OLIVER FRANKS said that there were one or two different considerations involved in the question of Italy and he had suggested that Italy be discussed at a later meeting because he was not prepared to express a view on at least one of the considerations in the present meeting. There was the question of principle as to whether or not Italy should be included in the Pact. The UK had expressed the preference that Italy should not be included. However, this was not a breaking point and he would be guided by the other views expressed. The other question was, if it was decided that Italy should be included in the

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<sup>3</sup> Meeting of the Consultative Council of the Brussels treaty powers, January 27-28, 1949.

Pact, should Italy be an original signatory? He had an open mind on this point and he had no instructions whatever. This aspect went beyond the question of principle and he did not see that it was bound up with those public and political considerations which Mr. Bonnet had urged in relation to the question of principle.

MR. WRONG was in somewhat the same position as Sir Oliver except that there was a slight difference on the question of principle. The Canadian Government, on the whole, considered that the arguments were slightly in favor of the admission of Italy. In the paper of September last <sup>4</sup> it had been recognized that Italy presented a problem. In discussing the other five countries which had been considered for participation, it had been agreed that if they were willing, it would be desirable to have them as full members of the Pact and that if they so desired, they should participate in the negotiations and become original signatories.

He thought that at one stage in the earlier discussions the French position had been far from clear. He understood in the earlier meetings that it was the purpose of the French to have the project encompass the five Brussels powers, the United States and Canada. He mentioned this because some of the discussion might leave the impression that positions were fixed long before they actually had been fixed.

He had no instructions whether his Government would favor having Italy as an original signatory or would prefer to have it accede. His assumption, based on these discussions was that the most desirable course would be to provide for Italy's accession. The military limitations of the Peace Treaty and the fact that Italy was not geographically on the North Atlantic would continue to present difficulties in explaining to public opinion in other countries the inclusion of Italy as an original signatory.

BARON SILVERCRUYS thought the Norwegian Government might well be reminded that the question of participation of other countries was under active consideration. On this general question of other countries, he thought there were reasons making it opportune that early consideration be given the question. The question of Italy was of high priority and should be discussed as soon as possible. Such discussion probably would clear up the manner of Italy's participation.

MR. ACHESON understood that the question of Italy would be taken up at an early occasion. However, the immediate point was whether some communication along the lines of Mr. Van Kleffens' suggestion should be made. He thought that the idea had merit in that it would let Norway know exactly where it stood.

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<sup>4</sup> See memorandum by the participants in the Washington Security Talks, September 9, 1948, *Foreign Relations*, 1948, vol. III, p. 237.

Mr. BONNET emphasized that the communication given to Norway would have to be worded carefully so as to make clear to the Norwegian Government that the information was being transmitted because the countries conducting the discussions thought Norway should know the stage of the discussions on Italy. He would oppose the idea if the communication were worded in a manner which could be interpreted by the Norwegian Foreign Minister as a request that Norway's views on the participation of Italy should be made known.

Referring to a remark of Mr. Wrong, Mr. Bonnet thought that the original position of the other Brussels Pact countries as well as France was that the proposed North Atlantic Pact should include the Brussels powers, the US, and Canada. Only after hearing the views of the US and Canada was it decided that other countries should be included in the arrangement.

As for Italy not being located on the North Atlantic, he observed that much of the territory covered by the Pact was not North Atlantic but Arctic territory. Italy and France had a common frontier and from the point of view of strategy as well as politics, his Government thought it better to include Italy if countries in the North of Europe were to be included.

Mr. ACHESON asked if he was correct in understanding that the decisions reached on Norway would follow as to Denmark. As far as the US was concerned, Denmark was one of the most critical countries.

Mr. BONNET personally thought that the questions of Norway and Denmark were very similar; however, he would have to ask for instructions before giving a final answer.

Mr. HICKERSON said that the Danish Ambassador had informed the Department of State that the question of Denmark's participation in the Pact or in the negotiations would be discussed in a very few days in the foreign relations committee of the Danish Parliament. In a few days, the Danish Ambassador expected to make an approach similar to the one made by the Norwegian Ambassador. In the light of this information, the situation naturally had assumed a sense of urgency.

Mr. VAN KLEFFENS had no instructions but thought that Denmark undoubtedly would receive treatment similar to Norway.

BARON SILVERCRUYS could not oppose the participation of Denmark after agreeing to the participation of Norway.

Mr. WRONG thought only one answer could be given to Denmark in view of the decision already taken. He thought his instructions would cover his agreeing on this question.

Mr. ACHESON, referring to the question of Italy, said that he could not be sure that he would be better off at the next meeting, but that he hoped to have a more definite position.

Mr. VAN KLEFFENS thought the question whether Italy should sign the Pact as an original member or adhere to it subsequently, was chiefly a matter of form, which at the present stage was of minor importance.

Mr. ACHESON said that the question had some importance in the minds of the Senators. They thought that explaining the North Atlantic Pact would be more difficult if a large Mediterranean factor was involved. They were still considering the matter and he would have nothing further to say on the subject until he had talked with them again.

Mr. BONNET said that if Italy were not an original signatory, there might be difficulty in the debates on ratification in the Senate if it were known that Italy was to accede. Would, for instance, the U.S. Senate attach a reservation that the Pact should not be extended.

Mr. ACHESON preferred not to think of such a contingency.

Mr. BONNET had mentioned it only as a possibility. He thought that in view of such indeterminate factors and in the interest of the happy life of the Pact, Italy's admission as an original signatory would be better.

It was agreed that the next meeting should be concerned with the participation of other countries as well as the participation of Italy.

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840.20/3-149

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 1, 1949.

Participants: The Secretary

Mr. Morgenstierne, Norwegian Ambassador

Mr. John Hickerson, Director for European Affairs

The Norwegian Ambassador came in to see me at 4:45 this afternoon at my request and I gave him the following oral message:

I refer to your oral inquiry on February 23<sup>1</sup> concerning possible Norwegian participation in the Washington conversations regarding a proposed North Atlantic Pact.

If, after the completion of the debate in the Storting, the Norwegian Government expresses a desire to participate in the Washington discussions, the seven participating governments will be glad to have the Norwegian Ambassador join the discussions at any time.

While he was in Washington, Mr. Lange stated that the inclusion of Italy might make his presentation of the Pact to the Storting and the Norwegian public more difficult. It will be recalled that the oral

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<sup>1</sup> A memorandum of conversation dated February 23, 1949, by Hickerson, of the meeting referred to here between Morgenstierne, Hickerson, Achilles, and Hulley, is in Department of State file No. 840.20/2-2349.

message given the Norwegian Ambassador on December 31 last<sup>2</sup> pointed out that similar oral messages were being given to governments of Denmark, Iceland, Ireland and Portugal, in addition to the Norwegian Government, and that the relationship of Italy to the proposed pact was still under consideration. It will, of course, be understood that questions regarding participation of the above-mentioned countries in the proposed North Atlantic Pact must be determined by the seven governments which originated the conversations. Should any question be raised of the participation in the Pact of any countries additional to those mentioned above, the Norwegian Government will, of course, if it participates in the discussions, have an equal voice with the other participating countries.

It should be added that the question of Italy's relationship to the proposed pact is under very active consideration at this moment and that there is a strong possibility that Italy will be invited either to be an original signatory or to accede to the Pact.

The Ambassador expressed his very great appreciation, adding that this was the reply which he had hoped for and that he was certain that his government would be grateful for this message. He said that he hoped to receive Thursday or Friday instructions from his government to say that they would be glad to have an invitation to participate at once. I replied that in such an event he could consider the oral message which I had just given him as itself an invitation.

The Ambassador said that he fully understood what I had stated in regard to the participation of Italy and that he was confident that this would really create no problem for his government.

D[EAN] A[CHESON]

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<sup>2</sup> See *Foreign Relations*, 1948, vol. III, p. 348.

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840.20/3-249 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

US URGENT

LONDON, March 2, 1949—4 p. m.

750. Eyes only for the Secretary from Harriman and Douglas. Reference Deptel 627, February 24.<sup>1</sup>

Harriman, Bonsal<sup>2</sup> and Bonesteel came over March first and together we prepared informal memorandum<sup>3</sup> briefing major points Deptel 627. We met with Bevin afternoon of March first.

We initiated informal discussion by explaining character US con-

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<sup>1</sup> Not printed.

<sup>2</sup> Philip W. Bonsal, Political Adviser to the U.S. Special Representative in Europe under the Foreign Assistance Act of 1948.

<sup>3</sup> Not printed; for the text of a revised memorandum submitted to Schuman on March 3, see p. 148.

cept and explained we were talking to Bevin in order to get UK general reactions before discussions with other WU countries. We asked that matter not be discussed by UK with others until we had benefit UK reaction. After discussing in broad outlines US concept of military assistance we gave Bevin our memorandum and then proceeded to cover in some further detail points in Deptel 627. As explanation went on Bevin indicated complete agreement with principle that ERP must not be jeopardized. He asked about relationships MAP to non-WU countries such as Norway and Italy. We answered our present discussions with him concerned WU countries only but that MAP in Europe contemplated some assistance to certain non-WU countries.

During explanation US dollar assistance for increased European production we gave Bevin figures on present US estimates, stressing their very tentative character.

We said confidentially we were thinking in terms of dollars 115-165 million assistance to WU countries if total additional WU program were about dollars 325 million including therein above US assistance. Also indicated we were thinking of transferring US equipment to extent somewhere between dollars 850 million to dollars 1.0 billion. (We asked that these figures be not circulated.) Bevin pointed out HMG going before Parliament at this moment with military budget of 760 million pounds, an increase over earlier contemplated military budget of nearly 100 million pounds. Consequently would be difficult UK to expand production much further without risk to recovery. Bevin pointed out difficulties in WU inherent in separate military budgets. It was far easier to pool military forces than to work out military budgets which reflected relatively equal contribution by each country. He had hazy hope that sometime in future some sort of super-budget covering consolidated country military needs could be worked out. Bevin also asked if figures we gave him included money to cover strategic stockpiling in UK of wheat, oil and sugar. We told him we understood figures did not include allowance for such stock-piling although matter is being considered in Washington.

While discussion point in paragraph 3 (d) (1) Bevin indicated agreement but made comment that he strongly believed unified basis could be achieved only by appointment of American as top commander. He expanded on this, saying that history of France and Britain made it well-nigh impossible for either to genuinely accept command by other.

We discussed question public presentation of MAP at some length, expressing our hope that it could be presented in Europe as coming from WU initiative and stressing importance, particularly in France, of program not appearing to be pushed upon Europeans by US. Bevin

agreed importance this subject but offhand reaction was that presentation must include idea of US mutuality. Europeans consider themselves in "front line" and Bevin felt he had to be careful about seeming to go too far in the question of Europeans pushing rearmament.

Several times during conversation, Bevin stressed importance talking to French soon and cautioned on extreme delicacy of situation. French are supersensitive and we should make clear in talking to them that we had not concerted any substantive points with UK before talking to French.

In closing conversation, which lasted nearly two hours, Bevin undertook to arrange meeting next day with Prime Minister and other Ministers concerned with matter.

We met this morning with Messrs Attlee, Bevin, Cripps, Morrison, Alexander and Makins.<sup>4</sup> They had studied our informal memorandum and had met last night to discuss it. We asked whether after consideration they felt US conception of principles was good, whether suggested approach met with their general approval, and whether they wanted to proceed on that basis. Bevin and Cripps replied that their reaction was favorable in general but that they could not make any commitments in advance of discussions and agreement within WU. To do so might, they felt, permit the continental countries to assume that Britain would carry the whole load of additional programs. They were entirely agreeable to going ahead on the basis of our memorandum and would move as rapidly as possible to obtain such agreement. They had some worries on (a) matter of working out arrangements to permit transfer equipment among European members, and (b) on receiving due recognition of their increased military budget while other countries had not taken increased action. These matters would have to be worked out within WU.

Cripps raised question as to Canada's position in MAP and felt this meant MAP must be considered within framework Atlantic Pact. Bevin asked if Canada were informed of US concept MAP and said HMG will want to apprise Canada of our informal memorandum at once. (We presume Canada being kept informed by Washington or, if not, that you will perhaps wish to let Canadians know status before they are informed by UK.<sup>5</sup>)

We made clear that US would expect reciprocal aid in return for

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<sup>4</sup> Clement R. Attlee, British Prime Minister; Herbert S. Morrison, Leader of the House of Commons; Albert V. Alexander, Minister of Defense; and Roger Makins, Under-Secretary of State, Foreign Office.

<sup>5</sup> Pursuant to this suggestion, the Canadian Minister in the United States was advised on March 3 of the substance of paragraphs 3-8 of telegram No. 627, February 24 to London. (840.00/3-249)

MAP including such things as transit rights, services, some labor, etc. Question of base rights was raised and we said that US would expect arrangements to be worked out at some time, probably deriving from Atlantic Pact. Alexander hoped any discussion on bases would be kept most secret at the present because of Norwegian-Russian difficulties.

Regarding public presentation Bevin expressed idea that it could come out as sort of logical development from Dunkirk treaty, Brussels Pact, letter from Bevin to Marshall regarding US position regarding Brussels Pact, Truman's speech on day of signing of Brussels Pact, Marshall's letter replying to Bevin and Atlantic Pact.<sup>6</sup> We stressed necessity working out presentation jointly between US and WU so as to avoid any uncoordinated statements.

Bevin suggested we proceed rapidly as possible to discuss our concept with French, then Belgians and Dutch. He said as soon as he was informed we had completed our talks he would raise the matter officially within WU attempting to get agreement on basic principles by March 17 and as nearly as possible full responses to paragraph 7 of Deftel 627 by end of March. If we could clear the ground fast enough he would move up date of next meeting WU consultative council to March 14 so as to have agreement in principle few days thereafter.

We are pouching copy our informal memorandum handed Bevin<sup>7</sup> and British minutes of joint meetings.<sup>8</sup> We were asked several times to keep the matter of our meetings and substantive discussion in highest possible security classification. Political implications any leak would be very bad. We got general impression that British were in general accord with our concept of MAP and were reasonably well pleased.

See Embtel 748, March 2,<sup>8</sup> for next steps. [Harriman and Douglas.]

DOUGLAS

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<sup>6</sup> For the March 1948 correspondence referred to here, the related documentation on the signing of the Brussels Pact, and President Truman's speech concerning it, see the compilation on U.S. encouragement of a Western European Union, *Foreign Relations*, 1948, vol. III, pp. 1 ff.

<sup>7</sup> Not printed, but see footnote 3, p. 136.

<sup>8</sup> Not printed.

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840.20/3-249 : Telegram

*The Ambassador in Denmark (Marvel) to the Secretary of State*

TOP SECRET

COPENHAGEN, March 2, 1949—5 p. m.

164. I have just talked with Prime Minister Hedtoft who informed me of proposal he will present to Foreign Affairs Committee which meets late this afternoon. He stated he had exhausted all efforts to create Scandinavian Pact and secondly Swedish Danish Pact. Den-



mark now will join North Atlantic Pact. He proposes to send by plane to Washington on March 7 the Foreign Minister to acquaint Secretary State with Denmark's position, I asked him whether answers Lange had received were not same ones Rasmussen would seek. Hedtoft stated that answers given Lange were in general satisfactory but there were two reasons to send Rasmussen (1) to explain more exposed position Denmark is in as compared with Norway and (2) to be in position to state to Danish Parliament Denmark has received these answers directly through conversations between Foreign Minister and Secretary State. Rasmussen may also request appointment with President. It is contemplated he will reach Washington eight or nine days.

Hedtoft went on to say that it was important Denmark and Norway from now on be associated together and consequently would request Kauffmann sit in on North Atlantic Pact discussions which he understood would be joined by Norwegians March 8. He was not clear whether request for Kauffmann to do so would be as observer or participant.

If Hedtoft's proposal adopted by committee I see it has certain advantages (1) Rasmussen's trip to Washington would publicize remarks simultaneous association with Norway in joining pact and (2) it would permit Rasmussen to state in Parliament he had himself received satisfactory answers from US without which opposition in Danish Parliament might increase.

I understand from my British colleague that Washington and London have agreed that Norway alone together with the seven original countries should be founding participants. If this policy is adhered to I think Danish situation can be solved by permitting Kauffmann to sit in on conferences merely as observer. Am certain Danes will agree to this as I have just talked with Foreign Minister and he sees no objection to handling matter this way. Hedtoft told me Kauffmann as yet unaware of this program but undoubtedly he will be informed if it is adopted by committee.<sup>1</sup>

MARVEL

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<sup>1</sup> In telegram No. 86, March 3 to Denmark, Acheson expressed gratification over the Prime Minister's statement, said that he would be pleased to see the Foreign Minister in Washington, and stated that he knew of no agreement that Norway alone together with the seven participating countries would be the original signatories. He added that he would not favor such a restriction. (840.20/3-349)

840.20/3-249

*Memorandum by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 2, 1949.

## MEMORANDUM OF DISCUSSION WITH THE PRESIDENT

I told the President that it was necessary to raise with him again the question we had discussed on Monday <sup>1</sup> of the relationship of Italy to the North Atlantic Pact. I brought the President up to date on the Tuesday meeting with the Ambassadors <sup>2</sup> and on the two meetings, one on Monday <sup>3</sup> the other on Tuesday evening with Senators Connally, George and Vandenberg. <sup>4</sup>

I then went over with the President the reasons for and against the inclusion of Italy in the Atlantic Pact as contained in the attached memorandum. The President had and wished to keep the ribbon copy of this memorandum.

I then said that it seemed to me that the real issue was not at the present time on the merits of the arguments outlined in the memorandum. The real issue grew out of the position into which we now found ourselves. There had never been a well thought out United States position on the inclusion or exclusion of Italy from the Atlantic Pact which had received the approval of General Marshall or Mr. Lovett and the matter had never been presented for Presidential decision. Nevertheless, in the course of the negotiations, the United States negotiators had drifted into the position that the European nations must take a position upon Italy. This position had now crystallized. France was so emphatically in favor of Italian participation that she had stated, and we believed she meant it, that she would have to reconsider her whole relation to the Pact if Italy was not to be included. Canada now took an affirmative attitude in favor of Italian inclusion. The Netherlands, Belgium and Luxembourg, although not as positive as Canada, were now positive rather than merely non-objecting. The British had stated that they would withdraw their objections if the other nations around the table were in favor of Italian inclusion and we thought that at the next meeting the British objection would be withdrawn. Therefore, the United States would find itself in the position of either accepting the European judgment or rejecting it. I believe that if we reject it we would have serious difficulty with France, considerable delay in the conclusion of the treaty and a

<sup>1</sup> See memorandum of conversation, February 28, p. 125.

<sup>2</sup> See minutes of the Fourteenth Meeting, March 1, p. 126.

<sup>3</sup> See footnote 1, p. 128.

<sup>4</sup> Memorandum of meeting with the Senators on Tuesday, March 1, not found in Department of State files.

good deal of publicity about a split among the Western powers. It seemed to me that in the end we would probably accept Italian inclusion. If we did not accept it we might still have a treaty but we would get it in a rather damaged condition.

I explained to the President the attitude of the Senators and the attitude of Senator Lodge. I thought that while the three Senators first mentioned were not in favor of Italian participation Senator Connally did not hold this position very strongly and that the other two might in the light of Senator Lodge's view alter their position. We thought their fundamental view was that the responsibility for a decision rested with the Executive and that they would not undertake to oppose a decision once made. Under these circumstances, I recommended to the President that he authorize me to agree to the inclusion of Italy in the Pact, and that he leave to us the best method of working out that inclusion.

After going over the various factors involved, the President accepted the recommendation and told me to proceed on that basis. He would have preferred, certainly at this time, a pact without Italy, but he felt that under present circumstances we should agree to it.

D[EAN] A[CHESON]

[Annex]

ARGUMENTS AGAINST INCLUSION OF ITALY IN THE NORTH ATLANTIC  
PACT

1. Italy is not physically on the North Atlantic Ocean.
2. Inclusion of Italy extends the commitments of the Parties beyond the North Atlantic area into the Mediterranean. Mediterranean security problems might better be dealt with in a separate Mediterranean security arrangement.
3. Inclusion of Italy would raise legitimate questions as to why Greece and Turkey were not also included.
4. The arms limitation clauses of the Peace Treaty strictly limit the size of Italy's military establishment and hence the contribution it can make through self-help and mutual aid to the collective security of the North Atlantic area.
5. As a member of the Pact Italy would expect her territory to be defended, which would be difficult and which would impose a drain on the limited military forces and resources available to the other Parties.
6. In two world wars Italy has shown herself to be an ineffectual and undependable ally, having switched sides in both wars.

7. In 1940 Italy stabbed France and the UK in the back.

8. Inclusion of a former enemy state would be an unnecessary affront to the Soviet Union and give rise to further Russian charges of US intentions to encircle the Soviet Union.

#### ARGUMENTS FOR INCLUSION OF ITALY IN THE NORTH ATLANTIC PACT

1. The essential criterion for membership is not what a specific country can contribute to the common defense nor what forces are available for its defense, but rather whether a given country is sufficiently vital to the security of the other Parties that an armed attack upon that country would necessitate the other Parties' taking military action to safeguard their own security.

2. The President on February 10 [*March 15*], 1948, approved a conclusion of the National Security Council that, "The US should make full use of its political, economic and, if necessary, military power in such manner as may be found most effective to assist in preventing Italy from falling under the domination of the USSR either through external armed attack or through Soviet-dominated Communist movements within Italy, so long as the legally elected government of Italy evidences a determination to oppose such Communist aggression."<sup>5</sup>

3. The purpose of the Pact is to prevent an armed attack on certain countries (which, in view of the NSC decision, should include Italy) by making clear in advance to the Soviet Union that an armed attack on those countries would involve it in military action with all the other Parties, including the US.

4. Even under the limitations of the Peace Treaty, Italy has the third largest navy in Western Europe, an authorized army of 12 combat divisions (which already exist on a cadre basis), an air force of 350 planes including 200 fighter planes, and one of the largest merchant navies in Europe, with a surplus of trained seamen. This compares favorably with the military forces and resources of not only such other countries as Norway but with France, which although it is counted upon for the bulk of available ground forces, contemplates maintaining only 9 divisions.

5. Northern Italy has a highly developed industrial complex and the country has a surplus of skilled manpower, which could be utilized, if arms were available, after the outbreak of war which would logically release Italy from Treaty limitations.

6. The US military authorities have estimated that "in terms of

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<sup>5</sup> For text of the document referred to here, NSC 1/2 of February 10, 1948, the conclusions of which were actually approved by the President on March 15, see *Foreign Relations*, 1948, vol. III, pp. 765 ff.

land warfare in Western Europe, Italy is strategically important. In terms of sea warfare, there is no question as to her critical strategic potentiality with respect to control of the Mediterranean". It is of great importance to deny an enemy the use of Italy as a base for sea and air domination of the central Mediterranean, as well as to deny to the enemy the use of Italy's industrial complex and manpower.

7. The French consider Italy vital to the defense of France and the military authorities of the two countries are currently engaged in staff talks.

8. Italy is by race, tradition, and civilization a natural member of the Western European community, is committed to an economic union with France, has taken an active part in the movement for integration of Western Europe, and is being included from the start in the Council of Europe. It would be illogical to exclude Italy from the Pact while encouraging efforts to integrate her more fully, economically and politically, with the other European Parties.

9. The French Government has strongly intimated that it would not be able to sign or obtain ratification of the Pact if Italy were not included.

10. Italy can logically be invited to become a party on grounds of geographic continuity, an argument not applicable to Greece and Turkey.

11. The provision in the Pact for accession provides for the admission, by agreement, of any European country "in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area". Although no countries other than the Scandinavian states, Iceland, Portugal, Ireland, and Italy are now being considered for membership, it is desirable from the point of view of public opinion in both the US and Europe to make clear that *any* European country willing to subscribe to the principles of the Treaty and to undertake its responsibilities can become a member.

12. The US has, since the end of the war, notably before the Italian elections of 1948 and through interim aid and ERP, devoted a great deal of effort to strengthening Italy's western orientation and weakening the Communist threat in Italy. The Italian Government has made similar efforts toward both ends and has made great progress in the past year. In the process it has endeavored, against strong Communist opposition, to prepare Italian public opinion for closer cooperation with Western Europe and membership in the Atlantic Pact. It has twice asked to be included in the Pact, and the second time to be included at once in the discussions. Ambassador Dunn feels very strongly that a rebuff to Italy in this connection, coupled with our inability to satisfy Italian aspirations for all its former colonies, would

substantially nullify all that has been gained in Italy during the past year and lead the Italian Government to adopt a position of neutrality through which it would attempt to play West off against East. A rebuff would increase Communist influence in Italy and discredit the present government and its pro-Western policies.

13. Since the Brussels Treaty countries and Canada are becoming increasingly disposed to include Italy and since the French (and Reston <sup>6</sup>) are keeping the Italians closely informed, the Italian Government and people would conclude that a refusal to include Italy was primarily the responsibility of the US and that it indicated a definite cooling of our attitude toward that country.

14. If Italy is not invited to be an original signatory, the reaction of public opinion in Italy to its exclusion may make it impossible for the government to accede later.

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<sup>6</sup>James Reston, correspondent of the *New York Times*.

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757.6111/3-349: Telegram

*The Ambassador in Norway (Bay) to the Secretary of State*

SECRET

OSLO, March 3, 1949—5 p. m.

174. Following is text Norwegian reply to Soviet note of February 5<sup>1</sup> delivered Soviet Ambassador today. Text is strictly confidential until 10 a. m. Norwegian time March 4 when Foreign Minister Lange will read it to open meeting Storting:

"Norwegian Government has carefully considered Soviet statement of 5 February.

Statement Soviet Government 29 January<sup>2</sup> gave Norwegian Government opportunity give views on Norway's security problem. It said among other things it had decided, considering Norway's situation on Atlantic and position as seafaring nation, initiate inquiry to ascertain forms and conditions under which Norway might possibly participate in regional security system comprising countries on Atlantic.

Inquiry has led to intention Norwegian Government, with Storting's agreement, participate in preliminary discussions closer details framing of Atlantic Pact. Purpose these discussions is find mutually binding agreement built on principle solidarity and collective security within regional area constituting natural unit. Norwegian Government convinced this pact won't serve aggressive aims and will be formed according UN Charter. Norway wouldn't join pact under other circumstances. Final decision whether Norway enters contemplated pact made by Norwegian Government and Norwegian Storting when pact available in final form.

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<sup>1</sup> *Ante*, p. 91.

<sup>2</sup> See references to this statement in enclosure to despatch No. 51, p. 91.

Norwegian Government has studied Soviets last statement with sincere will to understand and meet wish there be clarity in neighborly relations of the two countries. It therefore desires reiterate most categorically it neither will participate in policy with aggressive aims nor will it grant bases for foreign military forces on Norwegian territory long as Norway not attacked or subjected threats of attack. It desires moreover state that appraisal factors pertaining possible threat of attack against our country will in no instance be built on loose and provocatory rumors. Facts alone will form basis decision which steps shall be taken in defense our country and it's self evident such appraisal rests solely with Norwegian Government.

Soviet Union alludes in statement 5 February possibility of making nonaggression pact with Norway if Norwegian Government doubts Soviet Union's good neighbor policy.

Good neighbor relations between Norway and Soviet Union to which Soviet so correctly refers in statement 5 February have deep historical roots and Norway desires warmly preserve and strengthen them. Norwegian Government convinced possible Norwegian adherence to Atlantic Pact won't shake this desire which supported by entire Norwegian nation. By joining UN Charter which lays upon member states duty refrain from 'threat or use of force against territorial integrity or political independence any state' the two countries have moreover pledged themselves not attack one another. In these circumstances Norwegian Government fails see need reiterate pledge by special non-aggression pacts. Storting has sided with government's views this matter.

Soviet Union has in statement 5 February reaffirmed its friendly attitude towards Norway. Norwegian Government wishes take this opportunity express its own and Norwegian people's friendly feelings towards Government Soviet Union and its people".

BAY

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S40.00/3-349 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

US URGENT

PARIS, March 3, 1949—9 p. m.

889. Eyes only for Douglas. Harriman and I called on Schuman this afternoon and presented to him informal memorandum<sup>1</sup> based upon Deptel 573 of February 24<sup>2</sup> regarding military assistance program. Memorandum is similar to that handed British March 1, but was somewhat more detailed. Copy being airpouched.

Schuman read the memorandum carefully in our presence and after raising certain points, expressed general agreement with program and

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<sup>1</sup> *Infra.*

<sup>2</sup> Not printed.

concepts. We informed him of the talks with British. He plans discussion our memorandum with Prime Minister and Ministers of Defense and Finance and may then request meeting similar to second meeting held in London. Schuman believes that, as tentatively proposed by Bevin, a meeting of the Council of Western Europe on about March 14 could formalize Western Union request for aid on which MAP is to be based.

Our meeting lasted over an hour and permitted clarification and underlining of all principal points in reference telegram. Schuman believes that London committees have prepared sufficient data for Western Union military program to serve as basis for request to US.

We made clear that MAP represents combined thinking of Department of State, ECA and military authorities, and that priority of economic recovery is basis.

We made clear to Schuman that MAP would, according to our present thinking, be presented to Congress following presentation of Atlantic Pact, but prior to completion of action on pact. He said that public knowledge of existence of MAP would be most useful to him in presentation of pact to French Assembly.

Schuman envisages public education in France as coming in connection with presentation to Assembly of Atlantic Pact and of possibility of implementation of mutual assistance clause thereof.

With reference to reciprocal aid to US concept, we said that though certain reciprocal commitments would be expected, we did not have any specific proposals as yet on this important phase of the program but that in course of detailed discussions, we reserved right to make suggestions and would make suggestions on this point which Schuman appeared to regard as entirely acceptable and in accordance with his interpretation of Vandenberg resolution.

It is interesting to note that Schuman in general treated MAP as something which he had long been awaiting and which he believed would be of assistance to French Government in fighting Communist attacks. We agreed that this program must be presented as a part of our whole effort for peace and security. We also said that the presentation of the program at this time was an indication of our great confidence in France. Schuman seemed highly pleased and said that he would confer at once with Queuille, Ramadier and Petsche,<sup>3</sup> on what he termed "this most important subject." He agreed fully that matter should be kept top secret until Western Union countries have formalized requests along lines contemplated.

<sup>3</sup> Henri Queuille, President of the Council of Ministers of the French Republic; Paul Ramadier, Minister of National Defense; and Maurice Petsche, Minister of Finance and Economic Affairs.



We informed Schuman of our plans for approaching Belgians, Dutch, and Luxembourgers.

Sent Department 889, repeated London 177.

CAFFERY

840.00/3-449

*Memorandum by Ambassadors Caffery and Harriman to the French Minister of Foreign Affairs (Schuman)*<sup>1</sup>

TOP SECRET

[PARIS, March 3, 1949.]

#### MEMORANDUM

Although no commitment can at present be made it is not unlikely that a program of military assistance prepared by Western Union countries and presented to the U.S. Government would be acquiesced in by the latter if it conformed generally to the concept and principles which are set forth later in this informal memorandum. The subject matter of this memorandum is being presented to the other countries concerned and the French Government will be advised when this presentation is completed. The matter is, of course, of Top Secret character.

A Military Assistance Program in which the United States is a participant would be based on the principles of self-help and mutual aid and a common interest in defense against totalitarian aggression. Accordingly such a program should be considered as a measure in partial implementation of the general obligations of the North Atlantic Security Pact, particularly of the principles expressed in Article III of the Pact.

The general principles governing an extended Military Assistance Program for Western Europe should, in the present tentative thinking of the United States, include the following:

a) Military strength should be developed, without endangering the achievement of permanent economic recovery and continuing economic viability, on the basis of collective defense arrangements which include the United States, to the point eventually where free Europe can feel confident of an effective ability to resist aggression and will be making its proper contribution to the common effort.

b) It is accepted that a continuing sound economic structure is a necessary basis for military strength in free Europe. Economic recovery and the maintenance of viability must have a clear priority. Thus the United States anticipates that for a period of time it may furnish some substantial portion of the finished armament required.

<sup>1</sup> Copy dated March 3, 1949, left with Schuman by the Ambassadors on that date. A copy was enclosed in despatch No. 229, March 4, from Paris, not printed (840.00/3-449).

c) Self-help and mutual aid are also fundamental to the concept of U.S. assistance. A request for military assistance by the European countries would be construed as an acceptance of the validity of these principles and the obligations they entail, including that of reciprocal assistance to the United States.

Acceptance by the Western Union countries and by the United States of these principles of common interest and mutual aid involves, insofar as the development of Western European military strength is concerned, the following:

a) European armed forces should be developed so that in case of aggression they can operate on a unified basis in accordance with a common strategic concept.

b) Over a long period, the arms and equipment requirements of the European Nations should be increasingly produced and financed by the European economies.

c) Any expanded military effort, including arms production, should be consistent with economic objectives and the maintenance of economic viability.

d) Arrangements concerning the transfer of military equipment and supplies for such production among the European participating countries should permit transfer, insofar as possible, without regard to foreign exchange problems and without disrupting the intra-European payments scheme.

Essential to this concept of military assistance, including its mutual aid aspect, is a contribution by the European countries in the form of a steady, if moderate, expansion of their production of arms and equipment. This would be an evidence of mutual aid and self-help. In order not to jeopardize the objectives of the European Recovery Program or the target date by which recovery should be achieved, some additional burden on the European participants in the military assistance program might be involved and any net additional local currency costs must be met from non-inflationary sources. It is recognized that although sacrifices by the Western Union countries are necessary, some additional dollar costs may have to be met by the United States. The United States is contemplating the possibility of furnishing some funds to aid in covering additional dollar costs involved in projects for additional European production if assured that local currency costs will be met through processes of non-inflationary financing.

The United States Administration is prepared to consider, if it is requested to provide assistance and if mutual agreement is reached with the Western Union countries, presenting to the Congress a program of military assistance for the year ending June 30, 1950 based on the above principles. This program would include requests for authorizations and appropriations to permit a) the transfer of certain

finished military arms and equipment from United States stocks or production to the Western Union countries and *b*) a sum of dollars to be available to cover necessary dollar costs of agreed specific proposals involving additional military programs, including production, in the Western Union countries.

The present U.S. timetable envisages presenting an overall military assistance program to our Bureau of the Budget about the middle of March and to the Congress by the end of the month.

For the Budget Bureau it would be hoped to have received from the Western Union countries a general acceptance of the principles upon which the program would be based and before presentation to Congress to have received a more specific request for military assistance. This more specific request should, in present thinking, include a statement of agreement on the objectives and principles as indicated above; a description of present plans for increasing military strength; a statement of the deficits in requirements for the year ending June 30, 1950, and a statement in general terms of additional armament productive capacity which might be employed without adverse effect on ERP if some assistance to cover dollar costs were forthcoming. It is assumed the specific request would be based essentially on the report approved by the Defense Ministers of the Western Union on January 14 and it should make clear that the plans involved leave minimum deficits in requirements for (*a*) forces in being for the twelve months ending June 30, 1950, and (*b*) forces which could be mobilized within 90 days after the declaration of an emergency. The request should specify that the requirements for category (*a*) are most urgently needed.

It seems most important that European leaders explain at least the general principles and broad outline of the Military Assistance Program to the Western Union public prior to or at the same time as the presentation for use before the Bureau of the Budget. This explanation should make it clear that the project has been developed by the European countries and is within the framework of the Atlantic Pact.

In the light of the above, a similar informal, tentative expression of the views of the French Government would be appreciated both as to the principles and procedures, as well as on the question of public presentation.

840.20/3-449

*Minutes of the Fifteenth Meeting of the Washington Exploratory  
Talks on Security, March 4, 1949*

## TOP SECRET

MR. ACHESON said that after the last Ambassadors' meeting he had received the expected communication from the Norwegian Ambassador and had given him the reply which had been agreed upon at the meeting. The Norwegian Ambassador would be joining in the discussions later on in the morning.

A discussion took place on the subject of Italy.

MR. VAN KLEFFENS repeated his previous statements, that the Netherlands Government would welcome Italy's admission if the majority thought it advisable to invite her. The inclusion of Algeria in the Pact, which already covered Corsica, had strengthened Italy's case.

MR. BONNET said that it was hardly necessary for him to repeat the views of his Government on this subject. He had received instructions from his Government the previous evening which confirmed everything he had said at the previous meeting.

SIR OLIVER FRANKS said that the British point of view on Italy was also known to the other representatives at the meeting. The British Government were, however, prepared to modify their view if there was a strong sentiment of opinion on behalf of the other representatives against it. It now seemed that there was a balance of opinion in favour of the inclusion of Italy in the Pact; the balance was made up of opinions varying from a strong to a faint desire; and the British Government were prepared to associate themselves with that general feeling and abandon the position which they had held for so long.

MR. WRONG said that the Canadian Government were prepared to agree to the participation of Italy as a full member at whatever time might prove most appropriate.

MR. LE GALLAIS said that the Luxembourg Government had given its agreement that Italy should be included in the Pact.

BARON SILVERCRUYS spoke in the same sense.

MR. ACHESON said that he had been discussing this subject with the President and with the Senators. So far as the executive branch of the United States Government was concerned, he had the President's authority to agree to the inclusion of Italy in the Treaty at the appropriate time. For purely technical reasons, however, he did not wish to give this formal agreement at the present meeting.

The United States Government, Mr. Acheson explained, operated two ways in making treaties. The President negotiates them and the Senate advises and consents to their ratification. He had had a certain amount of trouble with the Senators on the subject of Italy. He

thought it would be possible to surmount this but it would take a little time and he wished so far as possible to be protected against premature press leaks and discussion.

MR. BONNET said that he hoped Mr. Acheson would succeed in convincing the Senators.

MR. ACHESON then raised the question of the moment at which Italy might join the Treaty. As the Treaty was now drafted, other countries could accede to it by the unanimous agreement of the parties. During the debates on ratification the Senate might try to provide that the President of the United States could agree to accessions only with the advice and consent of the Senate. It was necessary therefore to consider carefully whether it might not be best to let Italy come in at the start; there was a risk involved in having countries come in one by one if that would mean having to obtain the advice and consent of the Senate in each case. Mr. Acheson said that he had no final opinion about this but thought that it might be better to admit Italy in one act at the time of signature. He would like to talk with the Senators about this and report again to the Committee.

MR. BONNET said that he wished to support strongly Mr. Acheson's view that it would save difficulty to decide courageously to admit Italy, as well as the other countries, in one blow. He thought that it would be best to be frank and friendly with Italy over such a matter and to put them on exactly the same footing as other nations outside the seven represented at the table which would become original signatories.

He asked Mr. Acheson to inform President Truman of his gratitude at the decision of the United States Government on Italy.

MR. VAN KLEFFENS said that, leaving out of account for the moment the questions of Portugal and Italy about which a decision would probably require more time, he saw three possible solutions for the procedure of admitting Norway, Italy and Denmark. The first possibility was to invite the three countries as original signatories. This solution would prevent communist activities in these countries (especially in Italy) from endangering their participation. The second possibility, which was advocated by the Permanent Commission in London, was accession after the signature of the Treaty by the representatives of the seven countries, now involved in the conversations. It was not quite clear to him whether this accession should, in the view of the Permanent Commission, take place immediately after signature by the original signatories or only after ratification by their parliaments. If Norway, Italy and Denmark were to accede immediately after the signature of the Treaty, he, personally, thought they might as well be invited to become original signatories. If, on the

other hand, these countries had to wait until after the Treaty had entered into force, the delay which this would entail would give the Soviets the opportunity to try to prevent, at the last moment, these countries from acceding. The third possibility was to invite Norway and Denmark as original signatories and to extend an invitation to Italy to accede at a later date. He was not sure whether this was a procedure commending itself. In view of the need for the Secretary of State to consult the Senate Foreign Relations Committee on Italy it might deserve consideration.

SIR OLIVER FRANKS said that at the moment there was a slightly different approach to this question as between the representatives discussing it in London and those discussing it in Washington. He did not think that it was a difference of principle; it flowed from the concern of the representatives in London lest the discussions over the Treaty be prolonged by the participation in them of additional countries which might raise difficult points. These fears might be exaggerated but what these representatives wanted was that all the other countries, apart from those represented round the table, should, if they wished to join the Pact, be invited to accede immediately after signature. That was the interpretation he put upon the telegrams he had received from London.

Looked at from the standpoint of the time table of the negotiations, he thought that it was more a matter of convenience in arrangement rather than an issue of principle. Now that a decision had been taken on the principle of Italy, the most important business was to get an agreed draft text as quickly as possible. As soon as this was obtained, it could be sent to governments for their views. He hoped that it would be possible to send such a draft to governments by March 7. It might therefore be considered to some extent academic at what moment different countries came into subsequent discussions, provided the text had been agreed and sent to governments. Speaking purely personally, he thought that it might be difficult to ask Norway to join the discussions and at the same time request her not to sign with the seven governments in the ordinary way.

Sir Oliver Franks said that he would concur in any decision which the other representatives thought desirable concerning the moment at which Italy was brought in. But the British Government did not want Italy brought in while active discussion was still going on. They did not think this necessary and they would be glad for it not to happen. But, subject to that, they were prepared to go along with the general sense of things. Everything would be eased enormously on the day when the Committee sent a draft text back to governments.

MR. WRONG said that the Canadian Government had no strong view

on whether Italy should be an original signatory or accede later. He thought that the Canadian Government would probably prefer that Italy should not take part in the drafting discussions; there was a certain apprehension that, if Italy joined the negotiations at this stage, other matters in which Italy had a vital interest might be raised during the final stages of negotiation. He had particularly in mind the questions of the Italian colonies and Trieste. Therefore the view which Mr. Pearson<sup>1</sup> had expressed to him was that if, after agreement, Italy was asked to join in the negotiations in the same way as Norway, there should first be a clear understanding reached that none of these issues would be raised which might be used for bargaining purposes and would complicate the procedure of the negotiations. The Irish had made unacceptable conditions for participation in the talks and we should adopt the same attitude towards any other country which tried to set such conditions on their participation.

On the suggestions made by the Brussels Treaty Permanent Commission regarding accession immediately after signature, he asked whether a country could accede to a Treaty which was not in force. He thought that accession could only take place after the Treaty was in force, which would involve considerable delay.

MR. HICKERSON said that he thought the Permanent Commission had meant original signature immediately after the others had signed. He did not think that they could have meant accession owing to the impossibility of acceding to a Treaty not in force.

SIR OLIVER FRANKS said that there were two time periods which were now under consideration and which had been subject to discussion in the Permanent Commission: the first was the period between publication of the text (following agreement between governments) and the moment of signature; the second was the period between signature and the entry into force of the Treaty. The language used by the Permanent Commission had been "accession" and it had been suggested that this should take place immediately after signature. It did seem that the point raised by the Canadian Ambassador had perhaps not been fully considered in the Permanent Commission.

MR. WRONG said that the text which would be approved by governments at this stage would be a more or less final one but governments would not be committed to every word and comma of it. If there was going to be a gathering of Foreign Ministers for signature, they would probably wish to talk about it. There was another question of practical importance from the Canadian point of view. After the governments had approved the text, the Canadian Government intended to inform the leaders of the opposition in Parliament. It would be diffi-

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<sup>1</sup> Lester B. Pearson, Canadian Secretary of State for External Affairs.

cult for the Canadian Government to tell them that this text had been finally agreed to and at the same time say that they would like to have their views upon it. It would be necessary to be able to say that consideration could still be given to any views they might express.

MR. LE GALLAIS said that his Government was in favour of the inclusion of Italy as a signatory power. He added that if anything happened all would be in the same boat and he thought it would be preferable if all were united from the beginning. In regard to the timetable he agreed with the views expressed by Sir Oliver and hoped that a definite text of the Treaty could be set up today.

BARON SILVERCRUYS pointed out that the question at issue at the moment was the form which Italian participation would take. What had to be decided was whether Italy should be invited to sign the Pact or whether arrangements should be made which would give her the opportunity of acceding later. It was, of course, possible to have the signature in two acts: first the signature of the original members, and then the signature of the others, say half an hour later. But the difference was merely technical and he did not think it worth consideration. Whether Italy signed the Pact or whether she acceded later, it was clear that she would enter the North Atlantic community. Her status through accession would be identical to that as a signatory. The moment Italy acceded she would be in exactly the same position as if she had signed as an original signatory with the other participants. If Italy was only asked to accede, he thought that the position of the Italian Government might thereby be made more difficult. The charge would be made that Italy had been put in an inferior position while assuming the same responsibilities as the other members of the North Atlantic community.

He had been impressed, Baron Silvercruys continued, by a recent remark of the Secretary of State in connection with one of the Articles of the Treaty. Mr. Acheson had said "If we mean it, why not say it. The Senators will ask us anyway and we will have to make clear what is in our minds". He thought that the same wisdom might be a guide over this present subject. If it was decided to let Italy in, would it not be as well to make clear what that decision really amounted to? Why not let Italy join at this time as a partner because she was going to be a partner anyway! He thought that the signature of Italy would help to remove a lot of doubts which might be created by accession. The Belgian view therefore was that Italy should be told that she would be given the opportunity to sign as an original signatory with the other participants.

MR. BONNET said that he would try to dissipate some of the fears which had been expressed around the table. The first one concerned



the possibility that Italy might raise embarrassing questions if she was admitted to the present discussions. From a practical point of view, however, there was little chance that the Italian representative could join the negotiations before the conclusion of the present stage by which time the text would have been agreed. Moreover, he had been informed that the Italian Government had made it clear that its representative would not raise the question of the Italian colonies or of the disarmament clauses of the Peace Treaty or any other clauses of that kind if she was admitted to the discussions. He did not therefore think that this fear was justified.

As regards the proposals of the Permanent Commission concerning the time at which these other countries should be invited to join the Pact, he thought that there were some obscurities. Nevertheless, he thought that the proposals amounted to this. The seven representatives should agree upon the text as soon as possible and, after securing the agreement of their governments, should initial it. As the next step, the seven powers would undertake to sign the Treaty, it being understood that the five other countries would in the meantime have received the text as well as an invitation to accede the same day during the same ceremony. It could be argued that there was some obscurity arising from the fact that the Permanent Commission had used the word "accede". He agreed that if the word "accede" was used in its full legal sense, that would mean that the Treaty would have to come into force before the five powers could accede. The representatives at the Permanent Commission had meant, in his judgment, that the five powers should be invited to sign. These would be signatures of accession. He was sure that the French Government intended that all members of the future Treaty should be put on the same footing. That was the origin of the proposal of the Permanent Commission. Thus Norway should be put on exactly the same footing as Italy. The French Government were concerned that the Treaty should cover the Southern flank of the North Atlantic community in the same way as the area in the North of Europe. That was the meaning of the Permanent Commission's proposal as he saw it, and that was why it had been accepted by the other representatives in London.

MR. BONNET added that he had received instructions from his Government to support this proposal.

MR. ACHESON said he understood that the Permanent Commission had been most anxious that nothing should happen which might drag out the discussions. He did not think that there was any chance of that happening. He confirmed the views of the Italian Government reported by the French Ambassador that the Italians would not raise any difficult points if they were admitted to the discussions.

The State Department, Mr. Acheson went on, had had indications from the Danish Ambassador that Denmark did not intend to ask to join the discussions in the next day or two. The Foreign Minister wished to come to the United States and discuss the subject. He wanted to go through the same procedure as that followed by the Norwegian Foreign Minister. Mr. Acheson felt that the Norwegian Ambassador would not wish to make any difficulties over the Treaty. He thought therefore that, if the text could be completed early in the following week, the whole matter would become unimportant.

As regards the point that the Norwegians should not be treated differently from anyone else, that would also become an academic question if it was agreed that all countries should sign at the same time. He did not see what difference it would make whether all signed at once or some at different times from the others. If the text could be agreed soon, Mr. Acheson thought that it could be given to the other governments.

SIR OLIVER FRANKS said that he was not sure whether the analysis given by the French Ambassador was shared by the British representative. He therefore would like to report to his Government on the discussions which had just taken place and find out whether they would agree to the general course proposed by the present meeting.

MR. ACHESON asked whether there was any significance in the proposal of the Permanent Commission that the draft should be initialled. Unless there was some special reason for it, it would be an added complication from the American point of view. The French Ambassador suggested that the proposal had been made in order to show that at the moment of initialling the text was final between the seven negotiating governments. It had not been suggested, for instance, that it should be initialled by the Norwegian representative.

MR. HICKERSON thought that the same purpose could be served by other means. There could be agreement around the table that the seven governments were generally agreed to the text and no changes proposed by other countries could be agreed to except by the unanimous consent of the seven governments who would have to be certain that the proposed changes were good and that their consideration would not delay final signature. He said that considerable public discussion would take place after publication of the text. From this discussion there might arise some suggestions which the seven governments might wish to consider and there might be disadvantages if the document had been completely finalised as a result of initialling.

MR. WRONG said that it would be a complication from the Canadian point of view if the draft was initialled at this stage. He did not think

that there need necessarily be much difference in the degree of authenticity to be attached to the text whether or not it was initialled.

MR. ACHESON said that he would much prefer to drop the idea of initialling which he would have great difficulty in explaining to the Senate.

MR. VAN KLEFFENS thought that his Government would agree to the trend of the conversation. On instructions he had received, he expressed the hope that it would be possible to come to a conclusion and to finish a text very quickly. There was some danger in delay. The working group could perhaps prepare a text for discussion. He had had information that the Norwegian Ambassador would join the discussions today. He wondered how that fitted into the agreement just reached.

MR. HICKERSON said that he thought it fitted in very well. The Norwegian Ambassador would be present when the text was discussed later during the meeting. He went on to say that it would be helpful if about twenty-four hours before publication the text could be communicated, as a matter of courtesy, to the governments of the other American Republics, signatories of the Rio Treaty. He hoped there would be no objection to that.

SIR OLIVER FRANKS said that he thought it would be the wish of the British and Canadian Governments to be able to extend this same courtesy to the other Commonwealth Governments.

No objections were raised to these proposals.

MR. HICKERSON asked what the views of the representatives were on the question of the place of signature for the Treaty.

SIR OLIVER FRANKS recalled that the Permanent Commission had suggested Bermuda.

MR. WRONG said that the Canadian Government had no strong views on the subject but would also welcome Bermuda.

MR. LE GALLAIS thought the Luxembourg Government would be agreeable to the signing to take place in Bermuda in view of the contents of the cable from the Permanent Commission.

BARON SILVERCRUYS asked whether the place of signature would have any influence on the headquarters of the council or the defense committee.

MR. ACHESON said that he thought not, certainly not if it was Bermuda. He wondered whether it might not seem somewhat frivolous to go to Bermuda.

MR. VAN KLEFFENS concurred in this. If it was envisaged that the ceremony of signature would only be a very short one, he himself did not see why the signature could not take place in Washington.

BARON SILVERCRUYS spoke in the same sense pointing out that

Washington might be the most appropriate place in view of the very important part which the United States Government had played in the negotiation of the Treaty.

MR. WRONG said that he had assumed, and so had his Foreign Minister, that there would be a really respectable launching ceremony which would involve the attendance of several Foreign Ministers. He did not think that it would be enough if the Ministers were merely to sign their names to a document and then leave. A Treaty making so striking a departure in foreign policy should be launched with rather more ceremony than that, for the purposes of publicity. He also thought that it would be possible to agree finally on the text only at the time of signature. Furthermore, the Canadian Government had made a proposal about the form of a joint declaration which might be made at the time of signature. The purpose of a Declaration of this kind was to explain more fully than could be done in the preamble or the text the reasons why the treaty was necessary at this particular time. The signature of Foreign Ministers to such a Declaration would, of course, give it greater authority. For all these reasons he hoped that, while it might well be short, the conference would be a formal diplomatic gathering. It would only be fair for the countries which had not participated in the negotiations to have the opportunity to state their views publicly at a conference. It did not matter whether signature took place in Bermuda or Washington.

MR. ACHESON said that if matters were to be raised at the last moment it would certainly be easier for him if the signature was in Washington, rather than a long way away from Capitol Hill.

MR. BONETT said that the Foreign Ministers would in any case wish to visit Washington.

SIR OLIVER FRANKS said that he thought Mr. Bevin would wish to come, wherever the Treaty was signed and would feel that the signature would mark a great event in the history of the North Atlantic area.

MR. ACHESON agreed and said that the more he thought about it, the more Washington seemed the best place. Perhaps President Truman, rather than himself, would sign the Treaty. This would help a great deal in the presentation of the Treaty to the Senate. If the President could address the conference it would bring the whole matter to public attention in the United States in a way that could not happen if the ceremony was in Bermuda.

MR. LE GALLAIS expressed the view that should President Truman be willing to sign the Treaty himself, this would be a very convincing argument for the ceremony to be held at Washington. He expressed

the hope that a double signature would be considered, as all would wish the Secretary of State to sign it.

At this point there was a short recess after which Mr. Morgenstierne, the Norwegian Ambassador, joined the meeting and Mr. Acheson welcomed him on behalf of the other representatives.

MR. MORGENSTIERNE thanked Mr. Acheson for his words of welcome. He said that he had been asked by his Government to convey its appreciation and thanks to him, Mr. Acheson, and to the countries represented at the table, for giving him this opportunity to take part in the deliberations. His first task would be to gather information about the present state of the negotiations and about the text itself. When the Norwegian Government had had an opportunity to study these matters, he hoped he would be able to make some contribution to the discussions.

MR. ACHESON explained the tentative time table for the negotiation and a discussion then took place on the draft Articles of the Treaty.

As regards Article 2, MR. VAN KLEFFENS said that his Government regretted that this Article did not go so far as the Canadian proposal. He would welcome a stronger Article.

MR. BONNET asked that there be some mention in the Article of intellectual or cultural cooperation. Economic collaboration was the only form of collaboration now mentioned in the Article.

MR. WRONG said that he had secured the agreement of the Secretary of State for External Affairs to the Article as it now stood, subject to the substitution in the fifth line of the words "these institutions" for the word "they". He recognised that it would cause great difficulty to the United States Government if they had to try and secure the acceptance of an Article more in accordance with the original Canadian proposal, and did not wish to press for any further changes.

MR. LE GALLAIS said he had no comments, as the Canadian Government was in agreement to Article 2 as it stood now.

On Article 3, MR. VAN KLEFFENS said that he wondered whether the word "endeavor", which was rather weak, could not for the sake of a uniform terminology be replaced by the expression "will contribute". This last expression was also used in the preceding Article. He thought that uniformity of terminology was necessary if wrong and undesirable interpretations were to be avoided.

MR. ACHESON said that he was a little worried by the expression "will contribute" which reminded him of some sort of new lend lease operation. He suggested that the subject should be referred to the Working Party.

The other representatives said that the present phrase was not al-

together satisfactory and agreed that the wording should be considered again by the Working Party.

On the subject of Article 4, Mr. MORGENSTIERNE asked whether consultation between members had to be limited to instances where one of the parties felt threatened. Could it not also take place in connection with political matters? He thought that under certain circumstances it might be useful to consult on other matters than those especially mentioned in Article 4.

Mr. ACHESON referred to Article 8 and suggested that any matter could be brought up under the council which would be established under Article 8.

Mr. MORGENSTIERNE said he wanted to be sure that Article 4 would not be interpreted as to exclude consultation on other matters than those specifically mentioned.

Mr. ACHESON suggested that other matters might be dealt with through the council.

Mr. WRONG said that he had always understood that the parties could consult under Article 8 on any matter which they felt had a bearing on the execution of the Treaty. He did not want to see the area of mandatory consultation expanded.

Mr. VAN KLEFFENS wondered whether the Norwegian Ambassador should be informed that this Article, through the word "security", covered also aggression by subversive action.

As regards Article 5, Mr. MORGENSTIERNE said that his government hoped that this Article could be made as strong and comprehensive as possible so as to provide that military aid should be given to a country which was attacked with maximum speed and effectiveness.

Mr. BONNET said with reference to Article 7 that he wished to make it quite clear that it was not the equivalent of an expulsion clause. He did not wish to insist upon having an expulsion clause but wished to emphasize that this Article could not be regarded as one.

On the subject of Article 8, Mr. Bonnet said that the Permanent Commission had proposed the insertion of the words "prepare plans". The insertion of these words would make acceptance of the Treaty easier in the French Parliament. The French Government thought that they would add strength and substance to Article 8.

The other Brussels Treaty representatives said that they were prepared to support this proposal if it met with unanimous approval.

Mr. WRONG said that he was prepared to accept the Article as it stood.

Mr. ACHESON said that the French proposal had been discussed again with the U.S. military authorities and the Secretary of Defense. He regretted to say that the US could not support the inclusion of

these words. They thought it much better to leave the text permissive in the sense that the defense committee could recommend measures which might include the preparation of plans. But the US did not think that it should be bound by Treaty obligations to agree that this committee was the only place in which plans were prepared.

On the subject of the special Article defining Article 5, Mr. VAN KLEFFENS referred to the preference of the Permanent Commission for the formula "armed forces". He pointed out that this wording would include U.S. and U.K. forces in Greece. As he understood it, this was not what was meant and he had no authority to commit his Government to what would amount to a guarantee extended to Greece. He had that morning received instructions by telephone from his Government to accept the wording "occupation".

SIR OLIVER FRANKS pointed out that the phrase "occupation forces" might not be regarded as including U.S. and U.K. forces in Trieste.

It was agreed to refer that and certain other matters of definition to the Working Party.

MR. WRONG suggested that the Working Party should consider the question of which islands should be covered by the Treaty.

MR. MORGENSTIERNE asked whether aircraft taking part in the Berlin airlift would be covered by the expression "occupation forces" and Mr. Acheson said that they probably would.

As regards Article 9, it was agreed to insert "the United States Government" in the blank space.

A discussion took place on Article 10 and Mr. Acheson referred to a suggestion that had been made by Senator George. It was agreed to refer this to the Working Party.

MR. WRONG also proposed that the last Article should be broken up and made into several Articles, and that provision should be made for equally French and English texts of the Treaty.

MR. MORGENSTIERNE asked whether it would be reasonable to include Norway at this time among the countries mentioned in connection with ratification of the Pact.

MR. ACHESON said that he did not think so. The original text had said that the Treaty would come into effect when a majority of the signatories had ratified it. The change now made had been put in as a result of proposals by the Senate. If Norway was added to the list of states, it would mean that the Treaty could not come into effect unless Norway ratified it. That was not what was meant. They wanted Norway to ratify it but they also wanted the treaty to come into effect among the other countries even though, for some reason or another, Norway decided not to ratify it.

MR. MORGENSTIERNE said it seemed that it would be more natural

to distinguish between countries which had taken part in the discussions and signed the Treaty on the one hand and, on the other hand, countries which acceded to the Treaty afterwards.

MR. ACHESON did not think that the Norwegian proposal would be acceptable.

MR. MORGENSTIERNE added that the Norwegian Government would consider it a great honour to be a charter member of the Treaty.

MR. VAN KLEFFENS said he thought that Norway would be a charter member.

MR. ACHESON said that there was no question about that.

MR. MORGENSTIERNE said that there would, however, be a certain distinction between the original and the later charter members.

MR. ACHESON explained that it would only be a distinction arising from the number of ratifications necessary before the Treaty came into effect.

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840.00/3-249 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

US URGENT

WASHINGTON, March 4, 1949—8 p. m.

NIACT

736. For Douglas and Harriman. Embtel 748, Mar 2.<sup>1</sup> In connection possible MAP discussions with Dutch it must be made clear to Dutch that US, in view of its obligations under the UN Charter, may find it necessary to refuse to furnish military equipment assistance to Neth prior to Indo settlement consistent with position of SC.<sup>2</sup> Furthermore, at time of presentation of MAP legislation to Congress, Congress would itself probably require such a settlement as condition precedent to granting of assistance to Neth.

Baruch and Harriman should proceed with preliminary discussions of MAP subject to above. In view of fact this question was not raised in Douglas-Harriman discussion with Bevin, Douglas may wish to speak with Bevin on this point before discussion with Stikker. You are authorized to inform other Western Union countries of our attitude on this point.

ACHESON

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<sup>1</sup> Not printed.

<sup>2</sup> For documentation on Security Council action regarding Dutch relations with Indonesia, see vol. VII, pp. 119 ff.



840.20/3-449 : Telegram

*The Secretary of State to the Embassy in Denmark*TOP SECRET      NIACT  
US URGENT

WASHINGTON, March 5, 1949—5 p. m.

90. Believe Rasmussen should have following information urgently:

We fully understand Danish (Embtels 173, 174, 175 Mar 4<sup>1</sup>) internal political problem and wish to be as helpful as possible. Norwegian Govt has since yesterday been participating fully in discussions. Agreement on text has been substantially reached here and tentative agreement of eight participating govts hoped for by mid-week. As soon as such tentative approval given we would expect to communicate text officially to Danish, Icelandic, Portuguese, and probably Italian Govts and then make it public forty-eight hours later. We hope text can be made public next Fri, or Sat. Accordingly there is little likelihood of substantial changes in text being made in future. We welcome Rasmussen's suggestion on Preamble which accords with our own thoughts and which we hope can be given effect.

We contemplate conference here during last days of March with participation such Fon Mins as wish to attend for final consideration and signature. Present thinking of participants in discussions here differs from London proposal that only original seven govts sign as original signatories, others adhering later, and favors signature not only by original seven but also by Danish, Icelandic, Portuguese, and probably Italian Govts as original signatories if they wish to do so. In view of requirement in the Treaty for unanimous consent of parties for invitation to other govts to accede later and of danger of particularly heavy Soviet pressure on nations which may be considering adherence, it would seem preferable for Denmark, should its Parliament decide that Denmark should become a Party, to be an original signatory.<sup>2</sup>

ACHESON

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<sup>1</sup> None printed.<sup>2</sup> In answer to this instruction, the Chargé in Denmark, Edward J. Sparks, in telegram No. 176 of March 6, advised that he had conveyed the information to Rasmussen that afternoon. He reported that Rasmussen was disturbed over the possibility of delay if Denmark were not an original signatory, and he was speeding his government's action on the Pact to make possible his arrival in Washington on March 10 (840.20/3-649).

840.20/3-549 : Telegram

*The United States Special Representative in Europe (Harriman) to  
the Secretary of State*

TOP SECRET

PARIS, March 5, 1949—9 p. m.

Repsec 17. London eyes only for Douglas, Brussels eyes only for Kirk,<sup>1</sup> Hague eyes only for Baruch. I saw Dutch FonMin Stikker this afternoon, presented to him and discussed MAP memorandum. Bonsal was also present.

I brought up the effect of the Indonesian situation on the furnishing of military equipment, and explained the Department's instructions in accordance with Deptel 736 to London (repeated The Hague 190, Paris 705).

I expressed the personal hope that progress towards a solution would be such that it would not become involved in MAP, and that the Dutch Government would be able to make the necessary moves. Stikker rejoined that his information today was not optimistic. He said specifically that any Dutch Government which agreed to the restoration of the Republic at Djockja would fall. He said that he unfortunately did not anticipate any early solution of this difficult problem and that he feared the result would be a serious weakness in Western Union defense. He recalled the Netherlands pledge to Marshal Montgomery that Dutch soldiers who will be drafted in April will be devoted to Western Europe and defense, and said that arms and supplies would be urgently needed if these troops were to play any useful part.

Cripps, Schuman, Spaak and Stikker are meeting later this afternoon for discussions of MAP procedure.

Sent Department, repeated London unnumbered, Brussels unnumbered, Hague unnumbered.

HARRIMAN

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<sup>1</sup> Adm. Alan G. Kirk, Ambassador to Belgium and Minister to Luxembourg.

840.00/3-749 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET      US URGENT  
NIACT

LONDON, March 7, 1949—5 p. m.

821. After meeting with Bevin this morning as reported in mytel 818,<sup>1</sup> repeated Paris 145, The Hague 25, Brussels 36, Bevin received

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<sup>1</sup> Not printed.

additional information concerning attitude of Netherlands which causes him great concern. He had a report from British Chargé in Paris of meeting Saturday night British Embassy there among Cripps, Schuman, Spaak and Stikker, in which latter expressed grave doubts that in the light of communication made to him by Harriman Dutch could participate in MAP meeting planned for London March 14. According to Bevin's information Stikker construed Harriman's warning contained in Deptel 736 to London, 109 Hague, 705 Paris, as pressure from US for Dutch to comply with SC resolution Indonesia. Bevin so concerned that he has held up sending invitations to WU countries for meeting fourteenth. He feels that meeting without Dutch would be disastrous for WU. He is seeing Dutch Ambassador this afternoon and intends pointing out that in his opinion US warning constitutes factual statement of situation and not intended as pressure to force compliance with SC resolution. Any reassurance that US may be able to give Dutch that our representation not intended as pressure but that we were duty bound to make it clear that our obligation in UN might make it impossible to furnish military equipment assistance in advance of Indonesian settlement would help situation.

Bevin then took up Indonesian situation stating that recent information he had received indicates that Republicans willing to attend a conference but refused to "go from captivity to The Hague." He felt that the Republican leaders were really anxious to go and only needed face-saving device. Bevin added that he thought rigid US attitude re SC resolution made it more difficult for Republicans to agree. He felt that there was very good chance of a satisfactory settlement coming out of Hague conference which he considered to be of vast importance to western position southeast Asia. Bevin expressed hope that we would find it possible to be less insistent on carrying out letter of SC resolution as he felt such would enhance likelihood satisfactory settlement.

Sent Department 821, repeated Paris 148 (eyes only Harriman), Hague 26 (eyes only Baruch), Brussels 37 (eyes only Kirk).

DOUGLAS

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840.20/3-749

*Minutes of the Sixteenth Meeting of the Washington Exploratory Talks on Security, March 7, 1949, 3 p. m.*

TOP SECRET

Mr. ACHESON suggested for discussion three topics: first, Italian participation; secondly, the Preamble and the text; thirdly, pro-

cedures and timing. He thought the United States could now agree to join in an understanding that Italy should be invited to participate.

MR. HICKERSON, in reply to a question by Mr. Van Kleffens, said that he had been assured that the recent opposition of part of the Italian Socialist Party to participation was not significant.

MR. BONNET said he had the same information.

MR. ACHESON introduced two drafts of a preamble. One was on traditional lines and the other was more in the nature of a statement.

MR. VAN KLEFFENS had, on the whole, a personal preference for a preamble along the lines of the first draft. The second draft sounded more like a statement to the press and could perhaps be used for that purpose.

MR. BONNET was inclined toward the first draft. It said all the essential things and kept the traditional form of a preamble. Moreover, the second draft could be interpreted as a reply made in advance to certain criticisms that would probably be directed against the Pact.

SIR OLIVER FRANKS expressed a slight personal preference for the second form.

MR. WRONG also had a preference for the second form. One of his reasons was that it was very difficult to quote sensibly from a preamble drawn up in the traditional manner. If the first form was used he thought it should be shorter; it would then be possible to supplement the preamble by having a formal declaration issued at the time of signature. The Preamble had to be applicable throughout the life of the Treaty, whereas the special reasons bringing the Treaty into being could best be stated in a declaration.

MR. MORGENSTIERNE had no firm instructions from his Government but preferred the second form.

MR. TAYMANS<sup>1</sup> expressed a slight preference for the first form.

MR. ACHESON noted that the committee was evenly divided and suggested that the objections to the first form might be overcome if it were turned into a series of sentences instead of being left as one long sentence full of participles. The substance of the first form was better and less ambiguous than the second form. He asked if the other representatives would be willing to modernize the traditional form of preamble by substituting sentences for participles, and the committee seemed to be generally in favor of this change.

The committee then proceeded to revise the draft in the first form and agreed on the following wording:

"The states parties to this Treaty reaffirm their faith in the purposes and principles of the United Nations Charter.

"They are determined to safeguard the freedom and the common

<sup>1</sup> Roger Taymans, Counselor, Belgian Embassy.

heritage and civilization of their peoples, founded on democratic principles, on the rule of law between nations, and on fundamental freedoms for all within nations.

"They desire to promote stability and well-being in the North Atlantic area.

"They are resolved to unite their efforts to preserve peace and security.

"They, therefore, agree to the following articles:"

MR. ACHESON said that before turning to the articles of the Treaty he would like to raise the question whether this Treaty fell within the provisions of Chapter VIII of the Charter, or, to put it another way, whether the provisions of Chapter VIII applies to the Treaty. He thought it was clear that Chapter VIII did apply to the Treaty, and that any attempt to say that it did not would lead to endless hair-splitting and utter confusion. As he understood the Charter, Article 51 said that nothing in the Charter should be construed to prohibit the exercise of the right of individual or collective self-defense. That was a negative provision which did not prevent the conclusion of the Pact. Chapter VIII went on to mention regional arrangements. In Article 52 it was again made plain that nothing in the Charter should prohibit regional arrangements for purposes which were proper for regional arrangements. Obviously, one proper purpose was collective self-defense. Article 52, therefore, was a negative article. Article 53 went on to say that if states did enter into regional arrangements two rules applied: first, they would be required to use their regional arrangements as far as possible to settle any disputes they might have, before taking those disputes to the United Nations; secondly, if any regional arrangement was to be used for enforcement action, the approval of the Security Council must be obtained. It ended up by saying that any action so taken should be reported to the Security Council.

MR. ACHESON thought that no purpose would be served by trying to say that those provisions would not apply to the North Atlantic Treaty, whether it was called a regional arrangement or not. He thought that if there were any disputes among the parties to the Treaty they would do their best to solve them before taking them to the Security Council. Furthermore, the North Atlantic Treaty would not lead to enforcement action, which would be economic sanctions or some other type of action against a state, without going to the Security Council; that was not the purpose of the Treaty. The states parties to the Treaty would report an armed attack to the Security Council, would report what they were doing about it, and would ask the Security Council to take action. He, therefore, did not see that any drawback occurred from saying that the present articles of the Charter

applied if, as, and when the situations outlined in the various paragraphs of the articles arose. If it was stated that the North Atlantic Treaty was not a regional arrangement there would be endless confusion. The Treaty referred throughout to the North Atlantic area and was, he thought, obviously a regional arrangement. Chapter VIII talked about arrangements which were less than universal; when a group of states smaller than the total membership of the United Nations undertook to do anything, that was called a regional arrangement. He thought the British Commonwealth and the Inter-American system were both regional arrangements. He thought that if anybody asked whether Chapter VIII applied, the reply should be that the whole Charter applied and that if anything occurred which would bring Chapter VIII into force, it applied to the North Atlantic Treaty automatically. If an attempt was made to say that the North Atlantic Treaty was not a regional arrangement, people would begin to search for hidden motives. He thought it very important that an agreed interpretation be reached on this point.

MR. VAN KLEFFENS was of the opinion that if the Treaty was considered to be a regional arrangement under Chapter VIII of the Charter, Article 33 was applicable, too. Perhaps this was a reinforcement of Mr. Acheson's argument.

MR. WRONG did not feel comfortable about the words in Article 53: "But no enforcement action shall be taken under regional arrangements or by regional agencies without the authorization of the Security Council, with the exception of measures against any enemy state. . . .".

MR. ACHESON thought that this would not create any difficulty. He thought there would not be any enforcement action taken without the authority of the Security Council; if such action were so taken it would violate the Charter.

MR. BONNET thought that the sentence in Article 53 quoted by Mr. Wrong should be read in conjunction with the preceding sentence: "The Security Council shall, where appropriate, utilize such regional arrangements or agencies for enforcement action under its authority". He thought the second sentence referred to cases where the Security Council had asked for action to be taken. If this were not the correct interpretation then there would be a conflict between Articles 51 and 53, the former of which said that nothing in the Charter was to impair the inherent right of individual or collective self-defense. The North Atlantic Treaty recognized that if participating states took some such action they would immediately refer it to the Security Council and, in consequence, was in conformity with Article 51.

MR. ACHESON thought there were two concepts which would have to be mutually exclusive, although it would be difficult to draw the line between them. One was collective self-defense—something that could be engaged in at any time without anybody's approval in the event of an armed attack. The other concept was enforcement action, which was something done to somebody else not in self-defense. Perhaps there was some confusion inherent in the Charter but he did not think that confusion was encountered by saying that all the articles apply. He thought trouble might be encountered by trying to prove that the Pact was not a regional organization.

MR. VAN KLEFFENS stressed the difference between "enforcement action" and "resistance against an armed attack", the latter (and not the former) being the purpose of the Treaty.

MR. WRONG said that in earlier meetings there had been a discussion about indirect aggression of a type which would not call Article 5 into force. It was contemplated that under Article 4 there should be consultation if the security of any Party was threatened. He was afraid that it could be alleged that if Article 53 applied to the Treaty such consultation, if it resulted in any decision to do anything, would be subject to a veto by the Security Council. He had assumed that the negotiations had been conducted under Article 51 hitherto and that "regional arrangement" was being used in the broad sense of the word rather than in the technical sense of Chapter VIII of the Charter. He would have to consult the Canadian legal advisers on the point.

SIR OLIVER FRANKS read parts of two telegrams received from London. The first read as follows: "We realize that there has been thinking in the past by the Americans which might seek to bring in some allusion to Article 54 and other articles of Chapter VIII. The more we look into the possibility of mentioning any articles under Chapter VIII, the less we like it. Our answer to it and the general line we have been taking has been to make a distinction between regional organizations designed to fulfill regional functions of their own, i.e., to cope with disputes among members of the group, and associations based on Article 51, which are not really regional at all within the meaning of Chapter VIII since they are primarily designed to protect the members against external aggression in the event of the Security Council not being able to take suitable measures of protection in time. We realize that this thesis, although fairly watertight, might be attacked by supporters of the generalized Article 51 convention idea on the lines: if your Treaty is not regional then ought it not to be universal? The only valid reply seems to us to be if we try to get a universal Article 51 convention at present, we shall be hopelessly bogged down in negotiations and even if we succeed in getting such an instrument,

the security provided in a practical way will be far less effective than that provided by a convention such as the Atlantic Pact."

SIR OLIVER said that the British Government saw serious objections to any reference in the Treaty or Preamble to Chap. VIII of the United Nations Charter or any of its articles. Even though there was no wish on the part of the Americans to make any such reference in the Treaty or Preamble, it was desirable, Sir Oliver thought, that all governments should say the same thing if asked about the relationship of the Pact to Chap. VIII. He explained the distinction which the British Government had been drawing between regional organizations under Chapter 8 designed to fulfill regional functions and settle regional disputes, and associations based on Article 51 designed primarily to protect members against external aggression in the absence of effective action by the Security Council. If it was said that Chap. VIII applied to the North Atlantic Pact, the argument might be used that action under the Pact would therefore have to be authorized by the Security Council.

MR. ACHESON suggested that governments be consulted. He wished to make it plain that he was not suggesting any reference to Chapter VIII in the Treaty. He also thought that if it were argued that Chapter VIII did not apply there arose the dilemma that an organization could be primarily for both purposes: for collective self-defense and for the peaceful settlement of disputes. He thought that trouble would result if it was stated that a group might get together for enforcement action if its sole purpose was defensive, but might not get together and conduct enforcement action if it had the other purpose of dealing with trouble internally. The purpose of the Charter was to prevent any state from taking offensive action except in accordance with the Charter. He agreed that much hinged on the interpretation given to the words "enforcement action" in Article 53.

MR. BONNET thought Article 53 applied only if the Security Council asked signatories of the Atlantic Treaty to take enforcement action.

MR. WRONG was not sure that the language of the second sentence of Article 53 was dependent on the first sentence. He was afraid that action taken to check the threat of aggression which had not yet reached the point of an armed attack could be construed as enforcement action and that the argument might be advanced that such action could not be undertaken without the approval of the Security Council. The Soviet member would then be in a position to veto any proposal to take any action.

SIR OLIVER FRANKS asked whether the effect of Mr. Acheson's views was that he felt the problem could be looked at in two different ways. The first approach involved saying under which Articles of the United



Nations Charter the North Atlantic Pact was established. An alternative approach was to look at the North Atlantic Pact and show that it was consistent with the Charter at all points at which the Charter could be brought to bear upon it. Was Mr. Acheson saying that the second approach was the way out of the present difficulty?

MR. ACHESON said yes. He thought it was important to be able to say that the Security Council would be kept as fully informed of what was done under the North Atlantic Treaty as it was under the Rio Treaty. If there was an armed attack it would be reported together with the action proposed to be taken. No classified information would be given to the Security Council, however. If the question was asked, "Do you believe that this group could undertake enforcement action without the authority of the Security Council?", it would be necessary to be able to reply in the negative. The action taken, if any, would be collective self-defense or collective defense. Such action must be possible at a moment's notice and nobody's consent would be necessary for that. The Treaty would be fully within the Charter and the provisions thereof limiting offensive action.

MR. BONNET proposed that the views of the United States be expressed in a statement which could be studied by the other governments.

MR. WRONG suggested that the punctuation in Article 1 could be improved, but the general feeling was that it was best to leave the language of the Charter unchanged in order that there might be no speculation about the reasons for the changes.

It was agreed that this question should be referred to governments. The United States representatives agreed to give the other representatives copies of their legal opinions on the applicability of Chapter VIII. The meeting then turned to the consideration of the articles in the draft text dated March 5, 1949.<sup>2</sup>

[Here follows detailed discussion of the wording of various articles.]

The meeting then turned to consideration of the question of future procedure.

MR. ACHESON observed that there was now an agreed text which should be sent to the various governments for comment and approval. When that approval was given, the text could be made public for the purpose of discussion. Also, it was proposed to send copies of the text to the American Republics and possibly to the non-participating

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<sup>2</sup> The draft text of March 5 and the revised text incorporating changes agreed to in this meeting of March 7 were not attached to the file copy of these minutes, and they have not been identified separately in Department of State files. Presumably the text of March 7 was the one that Secretary Acheson presented on March 8 to the Senate Committee on Foreign Relations, which approved it subject to minor changes in language, as noted in Mr. Acheson's letter to President Truman (*infra*).

members of the British Commonwealth thirty-six hours or so before publication.

An attempt was made to arrive at a date for publication.

SIR OLIVER FRANKS and MR. WRONG explained that their constitutional procedures required that the Treaty be tabled in their respective Houses of Commons before the text appeared in the public press. Several representatives pointed out the necessity for holding cabinet meetings to discuss the draft text. It was agreed to try to publish the Treaty on Tuesday, March 15.

MR. HICKERSON asked what was to be done about Italy, Denmark, Portugal, and Iceland.

It was agreed that the text should not be transmitted to these four governments until it had been approved by the eight participating states. It was hoped, however, that the text could be transmitted to them before it was made public. It might then be possible, if any of the four approved the Treaty and were ready to act, that they be invited to join the next meeting.

MR. HICKERSON asked whether the Italian Government could be told that it would be invited to sign the Treaty.

MR. BONNET said that he was in a position to agree to Italian signature.

SIR OLIVER FRANKS said that he was without instructions but he would report to his Government the general support which had been given at the meeting to the principle that the original seven, plus Norway, plus the other four, if they were ready to act in time, should sign the Treaty within the period during which it would remain open for signature. It might be possible to arrange for the signature to remain open for a short period by purely administrative means. He was agreeable to the publication of the Treaty on Tuesday, March 15, provided clearance was obtained at a meeting to be held on Friday, the 11th, or Saturday, the 12th. At that meeting it would be agreed to send copies of the text to Italy, Denmark, Iceland, and Portugal, to make arrangements about transmitting the text to the American Republics and the Commonwealth nations, and to arrange for a further meeting, possibly on Monday, at which the Danes and the Italians could be present if they wished.

MR. HICKERSON said he understood this to mean that nothing would be said to the Italians or the Danes until after the meeting on Friday or Saturday.

MR. WRONG raised the point of procedure at the time of signature. He thought that if several Foreign Ministers were to come to Washington they could not be faced with a fixed text; they must be allowed to discuss it.

MR. ACHESON hoped there would be nothing left to discuss.

MR. WRONG thought that it would not be wise to count on this. He also inquired about the establishment of an authentic French text, and was informed that this was now in hand.

MR. HICKERSON suggested that a message be given to Denmark, Iceland, Italy, and Portugal to bring them up to date on the present negotiations and to tell them that a text would be communicated to them as soon as it was ready. This appeared to be generally agreeable.

SIR OLIVER FRANKS asked if there was any suggestion as to a date on which the Treaty might be signed.

MR. ACHESON replied that he thought there should be a minimum of two weeks for discussion and suggested the possibility of Monday, April 4, for signature.

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840.20/3-849

*The Secretary of State to President Truman*

TOP SECRET

WASHINGTON, March 8, 1949.

[Extracts]

MY DEAR MR. PRESIDENT: At my meeting yesterday with the Ambassadors of the Atlantic Pact countries, we completed a draft of the treaty. The Norwegian Ambassador, who joined us at the preceding meeting, participated fully in our discussions. The draft now goes to the several Governments for their review, and we hope approval. I am sending the text to you for your consideration and instructions.

This afternoon I met with the Senate Committee on Foreign Relations to go over it with them. The meeting was most successful. They approved the draft making only three minor requests for language changes—although for a few minutes they hesitated on the verge of causing real trouble. They also raised no complaint about the inclusion of Italy and they saw no problem about the schedule outlined below.

The tentative program upon which the Ambassadors also agreed *ad referendum* is set out below, for your consideration and instructions.

Yesterday, Assistant Secretary Gross spent several hours before the House Committee on Foreign Affairs discussing the broad purposes of the treaty and the nations which might be invited to sign. You will be interested to know that this discussion was very favorably received by the Committee and there was strong support for the inclusion of Italy among the signatories.

Yours respectfully,

[File copy not signed]

840.20/3-849

*Memorandum by the Director of the Office of Near Eastern and African Affairs (Satterthwaite) to the Secretary of State*

[Extract]

TOP SECRET

[WASHINGTON,] March 8, 1949.

Subject: Declaration on Greece, Turkey and Iran.

*Problem:*

To concert with the British and the other governments concerned the form and scope of a declaration stating our interest in and support for the security of Greece, Turkey, and Iran, to be issued simultaneously with the conclusion of the North Atlantic Pact. To determine what powers should sign such a declaration.

*Background:*

It has long been recognized by both the British and ourselves that the conclusion of the North Atlantic Pact might have undesirable repercussions on certain nations which would not be included in its scope. Their omission might be taken, by the nation in question as well as the USSR, as an indication that aggression against those nations would not produce any serious reaction on the part of the major western powers. It has been agreed in principle that this danger should be avoided by the issuance of a special declaration. The British have indicated that they consider this virtually as important as the conclusion of the North Atlantic Pact itself.

The Greek and Turkish Governments have stated their interest in the issuance of a declaration of the sort proposed, and the Shah of Iran has likewise expressed a desire for some action of this type. The Turkish Government has asked to be consulted on the form and content of the statement before its issuance, and the British and ourselves have agreed to such consultation.

We and the British are in full agreement that the declaration should cover Greece and Turkey. Previously, the British have been reluctant to include Iran, but we were informed on March 8 that in the light of the consideration advanced in a conversation on February 18 (set forth in Tab A<sup>1</sup>), Mr. Bevin personally is now willing to accept the inclusion of Iran.

It was originally hoped that all seven members of the Pact would join in signing the proposed declaration, but preliminary talks have indicated that the smaller states would be unwilling to adhere to any statement covering Iran and might refuse even to sign anything covering the other three [sic] states unless it were watered down to a degree unacceptable to us. Furthermore, on February 17 the Turkish

<sup>1</sup> Not printed.

and Greek Ambassadors advised us<sup>2</sup> that their Governments would prefer to have the proposed declaration made only by the major powers, the United States, United Kingdom, and, possibly, France.

On March 8 the British Embassy representatives read to us a telegram from London saying that Mr. Bevin was anxious to have by Thursday, March 10, a definite statement of U.S. agreement to the issuance of a declaration of the kind proposed, so that he could present the proposal on that date to a special Cabinet meeting being held to discuss the Atlantic Pact. The London telegram further said that Mr. Bevin believed it necessary to announce by March 15, on the occasion of the publication of the text of the Atlantic Pact, that a declaration regarding U.K. and U.S. concern with the security of Greece, Turkey, and Iran would be issued shortly. If this were not done, he felt, those three countries would appear to be left out in the cold during the two-week period which would elapse between publication of the text of the Pact and its signature and the concurrent issuance of the proposed special declaration.

I informed the representatives of the British Embassy that the working level of the Department had not completed its study of all aspects of this question and I doubted very much whether we could give Mr. Bevin a specific answer by Thursday. I also doubted whether we could agree to announce that a declaration would be made until agreement had been reached within the American Government as to the terms of the declaration itself. However, I said, it had been proposed that you should insert in the speech you are to give next week following publication of the Atlantic Pact a reference to American interest in peace and security in all parts of the world and a specific mention of our policy of support for Greece, Turkey, and Iran as an example of this interest. You should add that we intended to continue that policy. It was believed by most of the officers concerned in the Department that such a statement in your speech would be sufficient to take care of the situation pending the final conclusion of the Atlantic Pact and the issuance of a declaration on Greece, Turkey, and Iran.

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<sup>2</sup> Memoranda of conversations not printed.

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#### *Editorial Note*

On March 8, the Ambassadors of Denmark, Iceland, Portugal, and Italy were invited to meet separately with John D. Hickerson, who in each case reviewed the history of the North Atlantic Pact nego-

tiations and extended an invitation to participate in final discussions and to join as an original signatory of the Pact. Memoranda of these conversations, not printed, are in Department of State file No. 840.20/3-849.

On the same day, the content of this presentation by Hickerson was transmitted to the field by the Secretary of State in his telegrams 97 to Copenhagen, 40 to Reykjavik, and 65 to Lisbon. These telegrams, not printed, are also in file No. 840.20/3-849.

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840.20/3-949

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 9, 1949.

Participants: Sir Oliver Franks, the British Ambassador  
The Secretary  
Mr. Hickerson, EUR

Sir Oliver Franks, the British Ambassador, called at his request at 2:00 p. m. today. He said that he had received a telegram from Mr. Bevin expressing the hope that when the draft of the North Atlantic Pact is made public next week, it can be stated as a fact between the US and UK Governments that at the time of signature of the Pact a special declaration will be made in regard to the interest of our two Governments in Greece, Turkey, and Iran.

I told the Ambassador that I could not agree that there was any special magic or significance attaching to the date of the publication of the draft North Atlantic Pact. I added that in various newspapers over recent weeks there have been articles containing practically all of the provisions of the Pact, and that all we would be doing next week would be to give out an official text for public examination and discussion.

I said that I could not, of course, agree to announcing next week that there would be a special statement on signature without discussing this with the President and obtaining his approval. I added that this would probably not present any particular problem, but that what concerned me much more was that I would have to go back to the Senate Foreign Relations Committee and discuss it with the Members, and that I frankly felt that this would not at this stage be a good idea.

I went on to say that I expect to make a radio address on the day the text is published, and that I plan to say in the course of this address that the conclusion of the North Atlantic Pact does not mean that we are forgetting that American interest in security and American obliga-

tions under the Charter are worldwide; that the US has repeatedly demonstrated its interest in the maintenance of international peace and security in all parts of the world, and that, among others, our policy of support for the sovereignty and independence of Greece, Turkey and Iran is a notable example. I would go on to say that the US will continue to follow these policies.

Sir Oliver asked whether I could give him the draft of that portion of my speech before the end of this week. I told him that I would endeavor to do so.

I explained to Sir Oliver that I had not myself seen the text of a proposed declaration about those three countries to be issued on the signature of the Pact, but that I had known that it had been discussed at various times between Officers of the State Department and the Embassy over a considerable period.

Sir Oliver said that he hoped that such a declaration could be signed at least between the US and the UK and perhaps by France. I immediately questioned the wisdom of "signing" any kind of parallel declaration in connection with the Treaty. I said that this might well raise constitutional problems that need not be raised, and that, in my opinion, a simple unsigned statement issued by the President would accomplish the same purpose.

The Ambassador inquired whether I felt that the statement should be identical, separate statements, parallel statements covering the same general ground, or a joint statement. I replied that I was inclined to favor parallel statements either identical or similar.

For the Secretary  
C. H. HUMELSINE<sup>1</sup>

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<sup>1</sup> Carlisle H. Humelsine, Director, Executive Secretariat, Office of the Secretary of State.

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840.00/3-949 : Telegram

*The Ambassador in the Netherlands (Baruch) to the  
Secretary of State*

TOP SECRET

THE HAGUE, March 9, 1949—6 p. m.

229. Saw Stikker with Bonsal and we removed as far as possible his apprehension concerning our UN obligations reference MAP prior to settlement of Indonesian problem in accordance with SC position and feel sure he no longer feels we were endeavoring to pressure him. He is, however, now keenly aware of existence of the facts in case, and stated he would attend London MAP meeting on fourteenth and proposed to discuss all this with Bevin *et al.* We explained that what was in mind was a long term view and agreement and the difficulties

he envisaged were immediate and not of our making and he declared himself in accord.

We would, however, like further clarification on certain points which may be brought up by Netherlands officials:

1. MAP calls for program of self-help and mutual aid. Participants MAP at outset will consist of six UN members of whom three are also SC members. Some or all of them may face problem of sending arms to Netherlands. It is [*Is it?*] intent of our government to interpret unilaterally its UN obligations with respect Indonesian question and to reach unilaterally decision on whether arms should move to Netherlands or does it intend consult with or concert with other participants who, in accordance basic principle MAP, will be confronted similar problem?

2. Does Department envisage possibility certain types military equipment could move Netherlands under MAP for purposes Western European security, and without in any way directly or indirectly strengthening Netherlands potentialities of action contrary to SC wishes Indonesia?

3. In view Stikker's declared intention to discuss all this with Douglas, Bevin, *et al* on fourteenth and for our own guidance for use discussion with Netherlands officials we would appreciate detailed explanation of just how our UN obligation, under present conditions, would prevent shipment arms to Netherlands under MAP. It would be useful if we could have chapter and verse on this.

Sent Department 229, repeated London 28, Paris 18, Brussels 19.

BARUCH

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840.20/3-949 : Telegram

*The Ambassador in Portugal (MacVeagh) to the Secretary of State*

TOP SECRET

LISBON, March 9, 1949—7 p. m.

85. Following is translation of memorandum handed to me and British Ambassador last night by FonMin (mytel 10 and despatch 10, January 11<sup>1</sup>).

"The Portuguese Government expresses its thanks for the information transmitted on the memoranda delivered on the 10 of January to the Minister for Foreign Affairs by the American Ambassador concerning the negotiation in connection with the North Atlantic Pact.<sup>2</sup> From the explanations so kindly given by the Hon. Lincoln MacVeagh the Portuguese Government has been happy to note that the American Government is in general agreement with the observations contained in the memorandum delivered on December 31 by Dr. Caeiro da Matta to the British Ambassador.<sup>3</sup> The Portuguese Government has taken

<sup>1</sup> Neither printed.

<sup>2</sup> *Ante*, p. 19.

<sup>3</sup> Text quoted by MacVeagh in his telegram 7, January 6, to the Department of State, not printed.



note of the statement contained in the memorandum of the British Ambassador<sup>4</sup> that the treaty does not contain provisions for the peace-time establishment of military or air bases in territories of special strategic significance for the defense of the Atlantic. They further take note of the view of the American Government expressed in the American Ambassador's memorandum that none of the parties to the proposed pact can be compelled to grant facilities in their territories without their full consent. Although the text of the treaty has not as yet been drafted, the Portuguese Government considers that these declarations have absolute value, that is, they cannot be invalidated or attenuated by subsequent regulations or stipulations or by any formula in regard to procedure which may hereafter be adopted. This observation is made as it has not been possible to form an exact estimate of the scope of the expressions used in the relevant passages of the British Ambassador's memorandum.

At his interview with the Minister of Foreign Affairs on January 10 the American Ambassador expressed the desire to be informed of the views of the Portuguese Government as to how and when an official invitation might be addressed to them to join as an original signatory in the preparation of the North Atlantic Pact and to participate in the final drafting of the proposed treaty.

In order that it may be able to express its views with entire knowledge of the facts and to be able to define at the opportune moment its position in relation to the over-all problem, the Portuguese Government would greatly appreciate being informed as precisely as possible on the following points:

1. *Duration of the treaty.*

There is no reference in any of the information transmitted to the Portuguese Government up to the present as to the contemplated duration of the proposed pact. A period of 20 years has been mentioned in the press but it is not known upon what this is based. This point, however, may be of fundamental importance and certainly is so for the Portuguese Government.

The purpose of the proposed pact is to re-enforce the defensive capacity of the parties the better to be able to guarantee the security of all against 'an aggression from any quarter'. This position which appears to be correct with respect to the nations which already form part of the UN, cannot be so regarded by powers which do not belong to that organization. Such powers are subject to limitations which are, directly or indirectly, inherent in the pact and one of these in the final analysis is the duration of the treaty.

Portugal cannot fail to be interested in the defense and tranquillity of the Atlantic and it is also profoundly concerned, like many other powers, for the defence of western civilization. It is equally concerned, however, in not becoming involved in European conflicts since experience has shown that she has never derived from these conflicts ad-

<sup>4</sup> *Aide-mémoire* dated January 10, 1949, left with the Portuguese Foreign Minister by Sir Nigel Ronald, British Ambassador in Portugal. A copy was enclosed in MacVeagh's despatch No. 10 from Lisbon, January 11, not printed. (840.20/1-1149)

vantages commensurate with the sacrifices they have cost her. From this springs the general line of an historical attitude which it is desired to maintain. It is understood that it would be difficult to draft the provisions of the treaty on the hypothesis of a Russian aggression against any of the countries involved. On the other hand, it is clear that within the next few years there is no probability of an attack from any other quarter in a manner such as would bring into operation the mechanism of the treaty. The logical connection between these considerations is apparent.

Over a longer period, however, the possibility cannot be entirely excluded of other conflicts in which one or more of the countries concerned in the pact may be directly involved. Thus if UN were to break down or be seriously weakened, a network of treaties might again spring up in Europe similar to that which existed before September 1939. In this event the mechanism of the North Atlantic Pact might be put into operation in consequence of an aggression not originating from Soviet Russia. In this case the Portuguese Government and perhaps other Government could not undertake to intervene. In addition to the reasons mentioned above, we fear that Spanish reaction will perhaps be different from what it would be in the case of aggression from that (i.e. Russia) quarter. For a country neighboring Spain, the attitude of the Spanish Government in such an eventuality cannot be a matter of indifference, quite apart from the obligations assumed by the Portuguese Government in the treaty of March 17, 1939 and the additional protocol of July 29, 1940, which were recently renewed.

It is therefore essential that the Portuguese Government should be more fully informed regarding the duration of the treaty before they can express an opinion on it.

## 2. *Spain.*

The Portuguese Government has noted with great pleasure that the various interested governments are agreed in principle regarding the necessity of including Spain in any plan for the defense of the west and of the North Atlantic. It is hoped that in the near future no objection will be seen to Spain's being directly associated with the policy of collective security represented by the North Atlantic Pact. Although Spain is not for the time being participating in the pact, the Portuguese Government must nevertheless point out that the Iberian Peninsula constitutes a geographic and strategic unit. The possibility of an invasion from the East was undoubtedly the impelling factor which suggested to the various interested states, first the Pact of Brussels and then the Washington conversations. It seems to the Portuguese Government, in the eventuality of such an aggression, that a military understanding with Spain for the defense of the frontier of the Pyrenees would constitute an additional guarantee to the security of her own frontier. It would not be easy for the Portuguese Government to form a definite opinion regarding the Atlantic Pact unless they can be assured that any negotiations with the Spanish Government for that purpose would not be considered incompatible with the defensive aims inherent in the pact.

As Portugal has common boundaries with Spain over entire extent

of her land frontiers, it has followed with particular attention the evolution of the Spanish problem in the field of international relations. Although happily the present position of the government of Madrid does not constitute a military or strategic problem for the governments represented in the Washington negotiations, the Portuguese Government cannot fail to draw the attention of the powers interested in the security of Western Europe to the fact that a major change in the present political situation in Spain would very soon mean the installation in that country of an extremist government with political and strategic consequences easy to foresee. In such an event these consequences would certainly have a bearing on the defense problems of the North Atlantic if Spain were not already bound by some international instrument to assume a line of conduct in harmony with the pact.

### 3. *Situation of the colonies vis-à-vis the Atlantic Pact.*

In the explanations orally given by the American Ambassador and contained in his memorandum of the 10 of January, it was stated that the proposed treaty would not be applicable to the colonial possessions of any of the parties except insofar as provision would be made for consultation in the event of a threat to such possessions.

This point is also of particular interest to the Portuguese Government the more so since the security of its overseas possessions outside of the Atlantic area might become affected as a consequence of its eventual adherence to the pact. The Portuguese Government would therefore be grateful to receive further information with respect to the state of the negotiations in Washington regarding consultations between the participating powers in the event of a threat of aggression against the colonial territories of one of the parties, and also in regard to the views of the American Government on this subject.

The memoranda of the British Embassy do not contain a os to [garble] consultation concerning questions of defense of colonial territories corresponding to that in the memorandum of the American Embassy. It is accordingly assumed that the British Government considers this question covered by the existing treaties of alliance between the two countries.

### 4. *Guarantees.*

The fact that the North Atlantic Pact provides for the adherence of states which are not part of the UN organization and consequently not protected by the security guarantees established in the charter, raises the further question whether there should not be included in the proposed pact, or in some manner connected with its signature, a guarantee of the territorial integrity of the adhering countries. Lisbon, March 8, 1949."

MACVEAGH

840.00/3-1149 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET URGENT

LONDON, March 11, 1949—10 a. m.

906. ReDeptel 714, March 3.<sup>1</sup> Meeting Foreign Ministers of WU scheduled for March 14 to deal with MAP. They plan initial presentation to US embracing acceptance of general principle prepared by seventeenth or earlier.

Suggest that close association with this meeting from our point of view might be advisable, particularly on certain matters.

Suggest, in accordance with paragraph 6, Deptel 714, that without now contemplating permanent US representation, overtures be made to end that I be free to meet with Foreign Ministers informally on specific questions if they consider it advisable and to their advantage to have certain phases US views clarified.

Above dictated before seeing Bevin, who on own initiative, brought up question US participation forthcoming meeting Foreign Ministers and Finance Ministry Committee. He suggested that Foreign Ministers might wish me meet privately on specific questions. This could be done without publicity since I am stationed in London.

After meeting Foreign Ministers, Permanent Commission will work out many details. Bevin suggests, since American Ambassador London could attend meetings without attracting notice, that he should do so on questions involving MAP.

Bevin believes formal US representation might be postponed until programme takes more definite shape, possibly until MAP becomes publicly known as at least partial implementation of Atlantic Pact, or until the latter has been signed.

Bevin somewhat concerned lest formal US representation on WU Foreign Ministers council or committees give too strong impression of US aggressive direction and control.

As to presentation of proposal to US and explanation to WU public opinion, Bevin will send Jebb to confer with me during next day or so.

DOUGLAS

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<sup>1</sup> Not printed.

840.00/3-1149 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

[Extracts]

TOP SECRET      US URGENT      LONDON, March 11, 1949—1 p. m.

910. Personal for Harriman from Bonesteel. WU Financial and Economic commission reconvened 11 hours 10 March.

... During meeting US observer was asked following questions which he discussed but could give no official answer. Commission suggested Ministers would no doubt appreciate clarification for next Monday's meeting. Questions are:

(a) Will US dollar assistance for European production be restricted for to purchase raw materials and tools in US only or can it be used to cover purchases from third countries outside WU or within WU? Will dollars be available to cover indirect costs such as case when use of available raw materials requires purchase other similar materials for civilian economy or means loss of potential dollar exports? (Question of aid for overall indirect impact hinted at.)

(b) Could US dollars for MAP be made available in lump sum to WU for allocation as agreed by them and be used as sort of little intra-European clearing scheme with drawing rights, etc?

(c) What will be method allocation of MAP aid? Will it be done by Washington or will WU make recommendations similar to OEEC-ECA action on ERP 48/49 program?

US observer gave general answers, stressing they were unofficial and non-committal, along lines general thinking in FACC as of end February, i.e.

(a) Aid could be somewhat flexible and was to cover "necessary" dollar projects.

(b) US dollars would be put up on specific projects after assurance local currency part could be found by noninflationary means.

(c) US would expect WU with close US cooperation to work out most effective use US dollars with US having final say.

FACC please furnish answers these questions for Ambassador Douglas for Monday meeting.

Sent Paris for Harriman, repeated SecState for FACC. Douglas concurs. [Bonesteel.]

DOUGLAS

840.20/3-1149

*Minutes of the Seventeenth Meeting of the Washington Exploratory  
Talks on Security, March 11, 1949*

TOP SECRET

MR. ACHESON suggested that the committee consider (1) the timetable, (2) the text,<sup>1</sup> (3) procedure in relation to other countries which might be asked to join the Pact, (4) agreed interpretations of various provisions, and (5) the possibility of discussions and statements in the Security Council.

MR. VAN KLEFFENS stated that the Netherlands Government broadly agreed to the timetable. It was in favor of the idea of having the signature of the Treaty in Washington.

MR. BONNET thought it would be difficult to conform with the timetable in every detail. He did not think there would be difficulties in connection with the text of the Preamble. His Government would be glad to have the signature of the Treaty in Washington. Referring to the timetable, he said that the French Foreign Minister had not been able to secure definite approval of the text at the last meeting of the Cabinet. It had not been a question of opposition to any particular provisions of the Pact, but the members of the Cabinet had asked for a little more time to study the text of this very important document. The text would probably be approved on the following Thursday or Friday, thus necessitating a change in the schedule for publication and certain other events.

MR. ACHESON observed that if the text were not approved until Friday and then communicated to other governments, the rest of the proposed schedule would be difficult to maintain.

MR. BONNET had no objections to communicating the text in its present form to other governments. The previous schedule would have left several days between approval by negotiating governments and publications to allow during that interval invitations to be sent to four other governments and communication of the text to the British Dominions and the Latin American republics. The text could be communicated in its present form to the four countries to be invited in order to allow them time to consider the text before publication.

SIR OLIVER FRANKS said that the text as agreed at the last meeting was to have been approved by his Government prior to the present meeting. But the recent changes in the text resulting from Mr. Ache-

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<sup>1</sup> The text referred to here is presumably the March 9 draft of the treaty which was quoted in an unnumbered circular telegram of March 10, 1 a. m., to the missions in Denmark, Portugal, Italy, Iceland, Norway, and the Brussels Pact countries, not printed (840.20/3-1049). The missions were advised not to take action on the text until instructed to do so.

son's talk with the Senate Foreign Relations Committee, the major alteration in the Preamble, and the proposed interpretative minutes had not yet been submitted to the British Cabinet. The Cabinet would, however, consider them as soon as possible.

He said that his Government had all along maintained the view that the text should not be communicated to other governments until it had been agreed by the negotiating governments. He thought this was the only way of making certain that the whole question was not opened again. He thought that the earliest day other governments could be informed would be the day when approval had been announced by all negotiating governments.

MR. WRONG said that the Canadian Cabinet had considered the text before the latest changes were made and were prepared to accept it. They still had certain changes (not of substance) to suggest in the interest of perfecting the text. He had no instructions on the question of communicating the text in its present form to other governments, but he was inclined to think that it would be difficult to communicate it to Italy, Denmark, Portugal, and Iceland until some more progress was made and it was certain that the negotiating governments were agreed.

MR. NYGAARD<sup>2</sup> said that so long as agreement was reached on the text, the Norwegian Government had no further remarks to make on publication or further timetable procedure. He had no instructions on communicating the text to other governments and could agree to any solution reached in the committee.

MR. LE GALLAIS said that the Luxembourg Government agreed to the text which had been sent to them. Also, it was in agreement with the timetable which had been suggested. As to the new question, he could not state any views because he had no instructions.

BARON SILVERCRUYS said that the Belgian Government approved the text which had been submitted and the procedure which had been outlined at the previous meeting. He felt there was an implied understanding that the text to be communicated to other governments should have received full and formal approval of the negotiating governments.

MR. ACHESON thought the situation might be serious because of the danger of the text finding its way into print during the coming week. Also, it would be necessary to continue the defense with the press, which might give rise to speculative reports that difficulties had been encountered.

MR. BONNET thought it would be difficult to contract the three steps envisaged in only one. Such would mean getting approval of all gov-

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<sup>2</sup> Eigil Nygaard, Counselor in the Norwegian Embassy.

ernments on the following Thursday or Friday and communicating the text to the other governments and publishing it on the same day. It would be desirable to give the text to the other governments before publication. In response to questions, he explained that he expected the French Government to approve the text without any changes on Thursday or Friday.

SIR FREDERICK HOYER-MILLAR understood that the French Cabinet was meeting on Wednesday morning and thought that if the agreement was obtained then, a meeting could be held on Thursday morning for formal approval by all governments.

MR. ACHESON observed that if approval of the text were obtained on Wednesday, the text and invitations could be communicated then so that the other governments would receive them on Thursday.

SIR OLIVER FRANKS said that he could agree to the text being communicated to other governments as soon as he was notified that all negotiating governments were agreed.

It was agreed that the text and invitations would be communicated to other governments as soon as all representatives had been notified telephonically of approval by negotiating governments. It was also agreed that publication of the text would be postponed until Friday, March 18, at an hour to be agreed later.

MR. WRONG suggested some minor changes in the text. After some discussion alterations were made in the Preamble, Articles 6, 7, 8, and Article 11 was broken up into Articles 11, 12, 13, and 14.

It was agreed, subject to approval by the Canadian Government, that the title of the Treaty as published would be "North Atlantic Treaty Proposed for Signature During First Week of April".

Subject to concurrence by the United Kingdom Government, it was agreed that the Treaty should be signed in Washington.

MR. NYGAARD said that the Norwegian Government agreed to the text with one major exception, concerning the Preamble and Article 1. He stated the Norwegian objection and said that if there was no agreement on the proposal, he would report the observations made to his Government. In its answer to the last note of the Soviet Government, the Norwegian Government declined to accept the non-aggression pact offered and pointed out that Norway considered it unnecessary to repeat obligations already undertaken under the Charter of the United Nations.

Norway would place itself in a difficult position in its relations with the Soviet Union by agreeing in the Atlantic Pact [to] what it had declined to accept from the Soviet Union. The text of Article 1 was in reality a repetition of paragraphs 3 and 4 of Article 2 of the Charter and had a content similar to that of a non-aggression pact. The Nor-



wegian Government proposed that Article 1 be deleted. If this could not be accepted, the Norwegian Government proposed that the contents of Article 1 be incorporated in the Preamble.

MR. VAN KLEFFENS clearly saw the necessity for the Norwegian Government to avoid any contradiction between the Treaty and the Norwegian note to the Soviet Government. However, in his opinion the Treaty was not a non-aggression pact. Only the word "undertake" which seemed to introduce a new commitment, could perhaps be construed as a justification for such a contention. But the immediately following words "as set forth in the Charter of the United Nations" made it clear that the expression "undertake" amounted to a restatement of what had already been agreed to by Norway, when it ratified the Charter of the United Nations. He had considerable sympathy for the difficulty in which the Norwegian Government obviously found itself and wondered whether for the expression "undertake" the term "reaffirm" could not be substituted.

MR. HICKERSON pointed out that originally the word "reaffirm" had been adopted. It had been changed to "undertake" because of the possible participation of Italy, which not being a member of the United Nations could not reaffirm its purposes and principles.

MR. VAN KLEFFENS doubted whether the expression "reaffirm" could not be subscribed by Italy. He drew attention to the difference in position with regard to the Treaty between Norway, which had been ally during the war, and Italy, which had been on the other side. He further thought that Article 1 was one of the operative clauses and could not be well transferred to the Preamble.

MR. BONNET said that if there was no difficulty regarding Italy and Portugal he was prepared to support the suggestion made by Mr. Van Kleffens. He thought that if the Norwegian Government had to answer some further Russian inquiry in the future, reference should be made to Article 52 of the Charter. It has been decided that not only a mutual defense arrangement but a regional arrangement was being concluded and the Charter authorized such regional arrangements provided they were consistent with the purposes and principles of the United Nations. It was stipulated in the Charter that members entering into such arrangements shall make every effort to achieve pacific settlement of local disputes, etc. He thought that Norway was free to enter into a regional arrangement which was foreseen by the Charter and that Norway could answer that Article 1 was in full conformity with the Charter and had nothing to do with a non-aggression pact. By concluding a regional agreement which referred to the purposes and principles of the Charter, Norway was abiding by its obligations according to the Charter.

SIR OLIVER FRANKS said that he did not wish to follow any suggestion for a major alteration unless it was shown to be really necessary. He said that it was a misfortune that all present negotiating governments had not been represented during the entire discussions, but it was now necessary to get to the point of publication and arrange for the signature, and a suggestion such as that made by Mr. Nygaard would mean major discussions in the Cabinet of each country and would be a real delaying factor.

He thought that the articles should be considered together rather than in isolation. They did not constitute a non-aggression pact and he thought that it should not really be embarrassing to the Norwegian Government, having declined one form of engagement with the Russians, to enter into a quite different form of engagement such as the North Atlantic Treaty.

He did not believe that Article 1 was just an idle reaffirmation of the principles of the Charter. Article 1 represented the link for moving into the articles of the Treaty in terms of the Vandenberg Resolution. He hoped that the Norwegian Government could be reassured that the entire Treaty was quite different from the engagement which had been offered by the Soviet Union and declined by Norway.

MR. ACHESON agreed with the foregoing comments, particularly those of Sir Oliver. Mr. Acheson had some sympathy with the Norwegian point of view because in a press conference concerning Mr. Stalin's interview with Mr. Kingsbury-Smith,<sup>3</sup> he, Mr. Acheson, had used almost the same phrase that the Norwegians had used in replying to the Soviet Union. If there was any embarrassment, he shared it almost as much as the Norwegian Government. The two points made by Sir Oliver were quite true, but what the Norwegian Government said to the Soviet Government was that in joining the United Nations they had undertaken to refrain from the threat or use of force and by so doing had pledged themselves not to attack each other. In these circumstances, the Norwegian Government had failed to see the need to reiterate this pledge by a special non-aggression pact between the two countries. Mr. Acheson's comments on the Kingsbury-Smith interview had been of the same substance. All that was proposed to the Norwegian Government and all that Mr. Stalin stated in the interview with Kingsbury-Smith was that a government should make an agreement not to attack another. The reply was that such an undertaking had been made once and nothing was served by making it again. If the first promise was no good, the second was no good. However,

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<sup>3</sup> Secretary of State Acheson made remarks about Stalin's answers to Kingsbury Smith at his press conference on February 2. For text of his comments, see Department of State *Bulletin*, February 13, 1949, pp. 192-194.

this concept was wholly different from entering into a collective defense arrangement under Article 51 of the Charter in which there was announced a determination to settle all disputes with which the Parties were concerned by peaceful means. This was of great importance because the first article in the Treaty negates any possible suggestion of aggressive designs. Later it is said that in the case of an armed attack on any one of the Parties, all will respond. This was entirely different from the non-aggression concept.

He thought that deleting Article 1 or putting it into the Preamble, and thereby watering it down, would be a most serious thing to do from the point of view of weakening the entire position that there was nothing aggressive about the Treaty. Such action would also weaken the statement that everything said in the Treaty falls squarely within the Charter of the United Nations. He thought his task of getting agreement on deletion of the article would be almost impossible in the Senate, where great importance was attached to Article 1 as bringing the Treaty wholly within the United Nations.

MR. WRONG sympathized with the Norwegian Ambassador, who had been confronted with a somewhat unfortunate situation by joining the talks at a late stage of negotiations. If the Norwegian representatives had been present during the entire talks, the present issue probably would not have arisen because they would have had the background which led to the inclusion of Article 1 in the Treaty. He said that it would be difficult in Canada to seek the deletion of Article 1 or its transference to the Preamble for reasons which had already been stated by Mr. Acheson, Sir Oliver Franks, and others present. Mr. Wrong was very sorry not to be able to do anything which would meet the Norwegian point, but he thought it impossible at the present stage to do anything without gravely delaying the conclusion of the negotiations.

MR. LE GALLAIS said that he had the greatest sympathy with his Norwegian colleague because of his difficult position, but thought that at the present stage it would be very difficult to make such a major modification. Mr. Le Gallais agreed with the views expressed by Sir Oliver Franks and Mr. Acheson and would be in full agreement if a compromise could be reached by adoption of Mr. Van Kleffens' suggestion.

BARON SILVERCRUYS said that he fully sympathized with the Norwegian Government on the present issue in view of that Government's recent reply to the Soviet Union, but the proposed North Atlantic Treaty was essentially a defense treaty and was within the framework of the Charter. There was reiteration of the non-aggressive purpose and the desire on the part of the Parties to settle their

international disputes in a peaceful manner, which was in itself a non-aggression pledge.

MR. ACHESON thought that in any discussions the Norwegian Government might have with the Soviet Government, Article 1 would not be a source of embarrassment to Norway, but on the contrary, it would be a distinct asset. He thought that if Article 1 had not been in the Treaty, Norway would have had a much more difficult time. But with the article in the Treaty, Norway could tell the Soviet Government that the action on the part of Norway was exactly as had been outlined, was completely non-aggressive, and that in fact, there was a pledge that any dispute Norway had with the Soviet Union or any other state would be settled peacefully. Norway could further say that the only thing added by the North Atlantic Treaty was that among the group of nations adhering thereto an attack on one would be considered an attack on all. Mr. Acheson thought it would be a mistake for the Norwegian Government to consider deleting Article 1 because the real difficulty with the Soviet Government concerned Article 5 and not Article 1.

MR. NYGAARD realized that considerable difficulty would ensue if the Norwegian proposal were accepted at the late stage of the discussions. He stated that he would not take further time in discussing the problem, but would report the position taken by the other governments to his Government.

The committee then proceeded to a discussion concerning interpretations of certain provisions in the proposed Treaty.

The discussions concerning the interpretations were not concluded, but were recessed until the working party had progressed further in its discussion of the interpretations.

MR. ACHESON asked for comments on the possibility of making statements in the Security Council not for publication. Was it considered that any of the nations represented in the negotiations should initiate discussions in the Security Council, or should it be left to the USSR to raise the question in the Security Council?

It was generally agreed that none of the countries represented in the negotiations should initiate discussions of the North Atlantic Treaty in the Security Council.

SIR OLIVER FRANKS asked for confirmation of his understanding that all representatives felt that it would be best that those of the four countries to be invited to sign the Treaty who were ready to sign on the agreed date should do so; in other words, the signature should be done all in one, rather than signatures at separate times or by later accession.

MR. VAN KLEFFENS referred to his previous suggestion to provide for an opportunity for signature on the part of invited countries which were on the verge of a decision, after the countries which now were ready to join had signed the Treaty. Thus, undesirable delay in their joining the Treaty, which accession would necessarily entail, would be avoided. Recent information from one of the invited countries had showed him that it might very well be useful to provide for such a contingency.

MR. BONNET thought that the four other countries should be invited as quickly as possible to join in the Pact and should be signatories of the Pact at the same time as the eight negotiating governments. He thought it would be acceptable if, as Mr. Van Kleffens had suggested, the Treaty were left open for signature for a short time in order that countries not ready to sign on the agreed date could sign as original signatories.

MR. ACHESON said that this was also the United States view.

MR. WRONG said that was his view, but suggested that the Treaty should not be left open for signature longer than ten days or a fortnight.

The other representatives agreed in general with the views expressed.

MR. ACHESON referred to a communication previously received from the Irish Government \* concerning participation in the North Atlantic Pact. He assumed that all agreed that the question should not be pursued further with Ireland.

MR. VAN KLEFFENS wondered whether it would not be advisable to take note of the memorandum of the Irish Government by conveying informally to that government that the governments represented in the negotiations had regretfully come to the conclusion that in view of the present point of view of the Irish Free State, Ireland's participation could not be successfully discussed. Thus the door might be left open for further developments. The United States authorities stated that they would undertake to make a communication of this nature.

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\* *Aide-mémoire* from the Irish Legation, February 9, 1949, not printed. See footnote 1, p. 90.

840.20/3-1149

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 11, 1949.

Participants: Mr. Rasmussen, Foreign Minister of Denmark  
Mr. Kauffmann, Ambassador of Denmark  
Mr. Hvass, Danish Foreign Office  
The Secretary  
Mr. Bohlen, Counselor  
Mr. Hickerson, Director, EUR  
Mr. Hulley, Chief, NOE

I welcomed the Foreign Minister to Washington, expressed my great pleasure at the opportunity which his visit affords us to exchange ideas about the North Atlantic Pact, and assured him that my time is entirely at his disposal. After this preliminary talk he could have a discussion with several of my associates tomorrow, and another meeting with me on Monday or Tuesday at his pleasure.

The Foreign Minister said he would like to outline briefly what was in his mind. The Danish Government had made a whole-hearted attempt to reach an agreement with Sweden and Norway for a Scandinavian defense pact. All political parties except the Communists gave full support to this plan which seemed to them the best solution for Denmark's defense problem. There was wide-spread disappointment that it had not been possible to reach such an agreement with the other two countries. Now Denmark has but two choices, either unprotected isolation or joining up with the West. Five-sixths of the Lower House and nine-tenths of the Upper House are in favor of joining the North Atlantic alliance. However, the Government wants a broader support from public opinion as well as from Parliament, where it wants as much support as can be gained from two small parties which do not yet favor the Pact. He was not taking into consideration the Communists, who hold only nine of the 150 seats in Parliament.

There were some questions he would have to answer when he got back to Denmark. In the first place, was the North Atlantic Pact in complete harmony with the United Nations Charter and was its purpose solely defensive and peaceful?

I said that the drafters had leaned over backwards to keep the treaty closely in line with the United Nations Charter. Besides using many phrases from the Charter and making references to it, provision is made for reports to the Security Council. He would see from the text that the purpose is purely defensive and peaceful and when we are able to publish it in a few days I thought this question would be clearly answered.

He asked whether all Danish territory would be covered, i.e., Born-

holm, the Faroes, and Greenland; and whether any bases on Danish home territory were contemplated. I replied that all the Danish territory he had named would be covered by the treaty, and that we do not contemplate that any bases will be required in Denmark proper.

He said he had a list of Danish requirements toward defense with him which he would like to go over with officers in the Department. He asked whether we could give any indication of the arms assistance which might be supplied to Denmark and whether if Denmark received a dollar allotment for its defense under the contemplated legislation, it would be possible to expend any of this allotment in countries other than the United States. He had in mind orders already placed by Denmark for aircraft from Britain and anti-aircraft from Sweden. I said it was not possible to be specific on arms questions until we had progressed further in our planning and in fact until we knew the outcome of congressional action on the arms legislation which is now being drafted. His latter question had simply not been considered as yet, but it might be put to Mr. Gross tomorrow for his comments.

He asked whether Denmark would be obliged to declare war or to send defense troops if outlying areas such as Alaska were attacked. I answered by citing Article 4 which provides for consultation of the parties and Article 5 which provides that in case of armed attack each party will assist the party so attacked by taking such action, including the use of armed force, as it deems necessary to restore and maintain the security of the area. I explained the thought underlying these articles and said that it was clear from the wording that the final decision on his question would rest with each member. It was my understanding that there might be circumstances in which it would be preferable for some parties not to declare war in the event of an armed attack but to take other appropriate measures to attain the purposes of the treaty.

DEAN ACHESON

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840.00/3-949 : Telegram

*The Secretary of State to the Embassy in the Netherlands*

TOP SECRET      US URGENT      WASHINGTON, March 12, 1949—4 p. m.  
 NIACT

211. Embtel 229, Mar 9. US obligations under UN Charter are identical with those of other members. US remains convinced fairness SC res,<sup>1</sup> Jan 28 and in absence free agreement between parties upon

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<sup>1</sup>United Nations Security Council resolution S/1234 concerning Indonesia, printed in Department of State *Bulletin*, February 27, 1949, p. 250. For documentation on Indonesia, see vol. VII, pp. 119 ff.

solution outside terms of res will fully discharge obligations imposed upon it by membership UN and its position SC in support res. As in other cases it will contribute what it can to wise decisions by Council as to its course action. US cannot regard itself as having sole responsibility nor will it assume unilateral and arbitrary role.

Irrespective of specific provisions of Charter, it is quite clear that [US?] may find it necessary to refuse to furnish mil assistance to any country engaged in mil activity contrary to a SC res in which US participated and which it supports. This is fact of which WU countries have been apprised. Our view is that WU meeting should proceed on assumption that Neth Govt will so act as to satisfy SC and thus remove difficulty cited, and should not be led by Neth into a discussion of this issue.

You should advise Stikker of Dept's position as set forth in Deptel 768 to London (rptd Hague as 198<sup>2</sup>) and make clear US in fairness to Neth Govt feels obliged to give notice of problem which may arise if present situation continues.

ACHESON

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<sup>2</sup> The position referred to here, as set forth in telegram No. 198 of March 8, 1949, not printed, is presumably a statement that the U.S. Government was not pressing for adherence to a Security Council formula but rather was searching for a mutually satisfactory solution. (840.00/3-749)

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840.00/3-1149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      NIACT

WASHINGTON, March 12, 1949—5 p. m.

834. To Douglas, Chairman Correlation Committee from FACC. Reurtel 910.

1. On question (a) difficult to be more precise at this time. Yesterday NAC after prolonged and difficult debate approved the following on this point: "The NAC is of the opinion that the proposed military assistance program for fiscal 1950 might appropriately include provision for some dollar financing of the costs of a limited program of incremental defense output in the recipient countries. The Council calls attention to the necessity of minimizing conflict with the objectives of ERP by limiting extent to which such output places demands upon resources in ERP countries which could otherwise be used for increasing output of essential goods for European consumption, capital development or exports." In discussing this with Europeans you should again emphasize our desire to see that military assistance program does not impair ERP objectives, especially in the financial field. NAC language permits compensation not only for raw materials, eqpt and supplies required from dollar areas but also for impact as



reflected in civilian production and hence availabilities for civilian consumption and export.

2. On your (b) your answer, which we assume you intend to be polite no, is correct.

3. On your (c) your answer correct. It should be made fully clear final decision is in US hands. Cannot formalize specific procedure for allocation at this time.

4. As of possible value in connection forthcoming meetings, our present thinking on arrangements for intra-European transfers and on equality of sacrifice problem (Deptel 627<sup>1</sup> to London, rptd Paris 573; urtel 838 from London and Repto 3012) is as follows:

Subpara 3, d, 2 of Deptel 627 is not intended to mean that European members should transfer all equipment and supplies at no cost to recipients. Agree we should be prepared to accept any arrangement for financing transfers not involving use of pool of US dollars, which is fully agreeable to all WU countries so long as such arrangement does not disrupt intra-European payment scheme or seriously affect long term European credit stability of countries involved, with the additional proviso that any arrangement adopted must provide for realistic implementation of concept of mutual aid. Arrangement should, however, be separate from intra-European payment scheme.

Equality of sacrifice is certainly desirable ultimate objective, although as stated by you, percentage of national income expended on defense would not seem to be a complete criteria to measure relative effort. Suggest, however, that this objective should be achieved gradually over extended period. Proposals for immediate substantial increase of military expenditures by any country to achieve equality of sacrifice would unquestionably have serious political repercussions, and even if approved could seriously disrupt economy of the country. Equality of sacrifice principle should be focused on the distribution of the financial burden of program among countries in such a way that financial considerations do not prevent fullest and most economical use of available physical resources.

Would appear that equality of sacrifice principles as defined by UK could substantially affect intra-European payments scheme. For example, payments to England by countries without Sterling balances above requirements for civilian imports and necessary reserves would create a deficit for essential civilian imports which UK would presumably cover only if equivalent dollar allocation was made.

Suggest that countries might well accept general principle of equality of sacrifice, but that there also should be taken into account availability of foreign exchange and extent to which feasible to move towards equality of sacrifice under existing conditions. A workable arrangement could perhaps be developed by creditor nations contributing funds to a common pool to finance transfers. The amount to be contributed by each nation would be determined by negotiation in accordance with the above factors, including equality of sacrifice,

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<sup>1</sup> Not printed.

with interim contributions so transfers can be initiated immediately.

Under such an arrangement, Belgium, for example, as a creditor nation with relatively small military budget might pay for equipment and supplies received from other WU countries, and transfer Belgium equipment and supplies to other member nations either without charge or by making local currency grants to finance such transfer. France, however, might not be required to make payment for equipment transferred from UK, even if degree of sacrifice not as great as that of UK. Belgium might well be required to contribute funds to finance some transfers of equipment and material from UK to France, but UK should not insist that Belgium finance all such transfers under concept of equality of sacrifice.

Items from surplus stock should perhaps be treated differently with provision for transfer without payment, or as in the case of previous disposals of property by the US, at a small percentage of original cost. Consideration might also be given to possibly providing for joint use of some equipment whereby use of equipment would be authorized without payment or transfer of title, with provision for retransfer to other countries in accordance with strategic plans to be developed.

US would provide dollar assistance to a country for additional military production undertaken for transfer to another country in the same manner as dollar assistance would be given for additional military production for the countries' own use. Cost to recipient would be reduced by the amount of dollar assistance except to extent such assistance intended to compensate for indirect impact. Additional dollars, however, would not be allocated in return for grants to other countries or to a common pool. Some flexibility possible in compensating producing countries for indirect impact where necessary to facilitate transfers otherwise impossible despite reasonable efforts to achieve mutual aid and equality of sacrifice principles.

5. Consideration being given here to extension these mutual aid principles to non-WU Atlantic Pact countries. Please discuss with WU countries and report urgent your and their comments.

ACHESON

840.20/3-1249

*Memorandum of Conversation, by the Counselor of the Department  
of State (Bohlen)*

TOP SECRET

[WASHINGTON,] March 12, 1949.

Participants: Mr. Gustav Rasmussen, Foreign Minister of Denmark  
Mr. Henrik de Kauffmann, Ambassador of Denmark  
Mr. Frants Hvass, Danish Foreign Office  
Mr. Povl Bang-Jensen, Counselor, Danish Embassy  
Mr. Charles E. Bohlen, Counselor  
Mr. Ernest A. Gross, Assistant Secretary  
Mr. John D. Hickerson, Director, EUR  
Mr. Theodore C. Achilles, Chief, WE  
Mr. Benjamin M. Hulley, Chief, NOE  
Mr. Gray Bream, NOE

Foreign Minister Rasmussen said he would first like to discuss the text of the Atlantic Pact, the March 5 edition <sup>1</sup> having been substantially reported to him by his Ambassador. He stressed the importance to Denmark of underlining in the Preamble the peaceful objectives of the Pact. He commented that Article II does not provide for improved relations with countries outside the Pact. I observed that we do not consider this Article as exclusive or that it implies other than good relations with nations not in the Pact. He feared that the phrase in Article IV relative to attack on vessels or aircraft might have the result of giving rise to a state of war when only an incident was involved. I explained that we did not think an incident would result in war and I cited the bombing of the *Panay* <sup>2</sup> as an illustration. The parties would consult in case of any kind of attack and would judge from the circumstances how serious it might be. As he has understood from our Senate debates, the Treaty does not provide for automatic entry into the war. He took up my reference to consultation and asked how quickly it could take place in case of a deliberate attack on Denmark. I pointed out that consultation is not required before parties take action under Article V and that if the facts of an aggressive attack were obvious, each nation would presumably take steps under Article V without waiting for consultation. Mr. Rasmussen said this point was of primary importance to Denmark which feels it is most vulnerable. I said that we regard the Treaty primarily as a restrictive force. We want a potential aggressor to know that it would have to engage the full strength of the United States and Britain if it attacked any of the parties and we believe that this will deter an aggress-

<sup>1</sup> Not identified in Department of State files.

<sup>2</sup> For documentation on this occurrence on the Yangtse River in China, December 13, 1937, see *Foreign Relations*, 1937, vol. III, pp. 798 ff.

sor from taking over small nations one at a time. He referred to the accession clause in Article X and asked when it would come into effect. I replied that it would be effective as soon as the Treaty goes into force through ratification by the required number of nations. He referred to Article XIII and asked if there were any possibility of any party giving notice before the 20 years were up. I said that this Article had been the idea of the European members and that no country could withdraw before the period of the Treaty had elapsed. Concluding his remarks on the text, he said he had no comments other than these questions as to the meaning.

The Foreign Minister referred to frequent press statements about our frontier being on the Rhine, Pyrenees or somewhere else and said it made a bad impression in Denmark where people concluded that Denmark was written off in advance. I said that these statements emanated from amateur strategists who enjoy this kind of speculation and we are also aware of the unfortunate political effects of such statements. Mr. Gross observed that the signatories are not committed to any strategic plan nor does the Treaty imply that any such plan exists. Mr. Hickerson commented that the Defense Committee under the Pact would discuss strategic possibilities but no attempt has yet been made to say how a war would be fought nor would the Treaty provide this. To his question as to whether any unified command were planned, I said this had not yet been discussed.

He said that he had with him a list of Denmark's military equipment needs which he would like to discuss when convenient. Mr. Gross said he would be glad to arrange a meeting on this for Monday morning. At that time his question about the use of United States funds to purchase supplies in other countries such as Britain and Sweden would be considered as well as we can at our present stage of development.

The Foreign Minister observed that the Danes feel their country is in a very dangerous spot with its border only 30 miles from the Soviet Zone of Germany. His people are not afraid, but there is a latent unrest. He said it would encourage the people if they had some arms, even a token supply, as a psychological booster. He expressed disappointment that his request of a year ago<sup>3</sup> brought no result. Mr. Hickerson said he shared this disappointment as he had used his utmost efforts but it turned out that there simply were no surplus Garrand rifles. He hoped that after the legislation was approved some would be found surplus which would be allocated promptly.

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<sup>3</sup> For documentation on Danish requests for military purchases in the United States during 1948, see *Foreign Relations*, 1948, vol. III, pp. 1 ff.

The Foreign Minister then said that the question of Greenland would be raised in the Danish Parliament and he would want to know what to answer. The general view of Denmark on the Treaty of 1941<sup>4</sup> is that it should have been canceled by now. It was based on the German threat which has disappeared. I said that this was a matter which I thought the Defense Council set up under the Treaty would consider and that the group as a whole rather than the United States would work out the question of defense of the area. Mr. Rasmussen said he thought the Danes had been patient. He even made an oral statement to Ambassador Marvel on the subject a year ago which continues the present status.<sup>5</sup> There is a latent feeling in Denmark that this was a war-time arrangement and should be abolished. Mr. Hickerson said that we are very grateful for the attitude the Danish Government has shown in this matter. We believe that if Denmark becomes a party to the Pact the group will be able to work out the details. I commented that I thought the Greenland question should be considered in the framework of the Pact as the proper setting in which to settle the question of facilities in Greenland. Ambassador Kauffmann commented that in his view one of the benefits which Denmark would derive from the Pact is that it would facilitate a solution of the Greenland question. The Foreign Minister said it would be valuable to the Danish Government for domestic reasons if he could make a statement in Parliament that Greenland would be used purely for defensive facilities and not as a bastion for attack. Mr. Hickerson observed that he had given such assurances to Ambassador Kauffmann sometime ago and that the Danes could inspect the facilities at any time to see that they are entirely defensive. He added that under Article III the whole outlook is defensive and that we think Article IX gives the means for working out the details. The Defense Committee when set up will probably find that defense facilities in Greenland are necessary to defend North America and to get troops over to Europe for defense there. The Committee may decide that the United States will build such facilities as are necessary in Greenland, and that Denmark as a member of the Committee would have the opportunity to pass on what facilities would be necessary. The Foreign Minister asked whether he could be authorized to say something on this in Parliament to the effect that the whole idea is a defensive one as regards Greenland. I said we would see if something could be worked

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<sup>4</sup> For the text of the Agreement between the United States and Denmark respecting the defense of Greenland, signed April 9, 1941, and exchange of notes, see Department of State Executive Agreement Series No. 204, or 55 Stat. (pt. 2) 1245, and for related documentation, see *Foreign Relations*, 1941, vol. II, pp. 35 ff.

<sup>5</sup> For a report of this conversation of March 11, 1948, see telegram 233, March 12 from Copenhagen, *ibid.*, 1948, vol. III, p. 587.

out on the line that the whole purpose of the Pact is defensive. The Foreign Minister explained that he would have to forestall the argument that Denmark has made Greenland available for attack on Russia. Ambassador Kauffmann thought a statement might take the form of citing an assurance given by the Secretary of State and that this would create a favorable impression. I said there might be danger in the United States presuming to speak for all the Pact members, but that we would study this to see if something could be worked out.

Ambassador Kauffmann raised the question as to timing the announcement of the list of countries which would sign, which he understood would be on March 15. Mr. Hickerson said that this had been changed and we now hoped when we publish the text on March 18, to publish also a list of the countries which have been invited and will sign the text. The invitation to Denmark would be forthcoming unless the Foreign Minister indicated that it should not be offered.

CHARLES E. BOHLEN

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840.20/3-949 : Telegram

*The Secretary of State to the Embassy in Portugal*

TOP SECRET      US URGENT      WASHINGTON, March 14, 1949—7 p. m.

68. Brit Emb has shown us Ronald's account of conversation with FonMin (Embtel 85 March 9) and instructions FonOff has sent him. We concur generally with those instructions. We are slightly worried by FonMin's comments on bases. If as Ronald suggests they want to insure that decisions of def organization are unanimous rather than by majority they can be fully reassured since as stated your *aide-mémoire* Jan 10<sup>1</sup> no party could be required to grant facilities of its territory without its full consent. No voting procedure whatever in def organization is contemplated. Its purpose will be merely to recommend measures and facilitate agreement between parties upon them. On other hand we do not believe Port should be under any illusions that facilities in Azores for def of area may not be necessary in peace time. It may accordingly be well for you to reiterate statements in your *aide-mémoire* Jan 10 that there would be "definite obligation to contribute toward collective def of area both before and after any armed attack had occurred by provision of assistance commensurate with resources and geographic location of each country" and that treaty "is designed to strengthen defensive capability of sovereign parties in order better to assure security of all."

On duration, provision for review after ten years should help reas-

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<sup>1</sup> *Ante*, p. 19.

sure Port. Twenty years seems very brief period compared to duration Anglo-Port Alliance. Every effort being made to insure that Germany cannot again become aggressor but if these efforts fail North Atlantic Pact would certainly be applicable.

We see no inconsistency between Pact and existing Span-Port agreements nor any impediment in Pact to future def arrangements between Spain and Portugal.

It is clearly understood that obligation to consult covers threat to any party in any part of world including its overseas possessions.

Also do not understand Port Point 4 and like Brit consider Pact offers all parties much more effective assurances for security than does Charter.

Foregoing discussed with Brit Emb here which concurs and you should continue to concert with Ronald.

ACHESON

840.20/3-1449

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 14, 1949.

Participants: Mr. Bjarni Benediktsson, Foreign Minister of Iceland  
 Mr. Eysteinn Jonsson, Leader, Progressive Party  
 Mr. Emil Jonsson, Leader, Social Democratic Party  
 Mr. Thor Thors, Minister of Iceland  
 Mr. Hans Anderson, Iceland Foreign Office  
 The Secretary  
 Mr. Charles E. Bohlen, Counselor  
 Mr. John D. Hickerson, Director, EUR  
 Mr. Benjamin M. Hulley, Chief, NOE

I welcomed the Foreign Minister and his colleagues and said I was happy that their visit gave us an opportunity to discuss frankly any questions that they wanted to raise in connection with the North Atlantic Pact.

Mr. Benediktsson said he and his colleagues, representing the three parties of the coalition government, had come to find out what would be the best relationship to the Pact for Iceland with its unbroken tradition of peace, its lack of defense forces, and its strong aversion to war and to having foreign troops on Icelandic soil in peacetime.

I said I wanted to make it quite clear at the outset that any decision reached in this matter would be entirely an Icelandic one without any suggestion of pressure or persuasion from us. I then outlined the general principles of several Articles of the Pact, pointing out that it is a Pact of cooperative association for defense, that its objectives are peaceful, and I explained the meaning of mutual aid and

self-defense in Article III and the undertaking in Article V. I pointed out that we were well aware of the special situation in Iceland which has no defense forces and does not desire foreign defense forces on its territory in peacetime. I said we had no desire to change this situation.

The Foreign Minister spoke of the domestic political problem occasioned by the Communist opposition to the Pact. They charged that participation would destroy Icelandic independence only recently gained from Denmark. I said that a reading of the Pact terms should make it clear that there was no impairment of the sovereignty of any member. The action which each nation would take to implement Article V would be its own decision and not that of one or more other members of the group.

Another communist argument which he will need to answer is that neutrality is a better protection than the Pact and that the latter in fact makes Iceland more vulnerable to attack. I suggested that the reply might be found by reviewing the experience of several small nations which in the last war found neutrality offered no protection against an aggressor.

I assured the Foreign Minister that my associates would be glad to discuss fully and frankly any questions he wishes to bring up concerning the Pact, and that I would be at his disposal for a further discussion this week.

DEAN ACHESON

840.20/3-1449

*Memorandum of Conversation, by the Counselor of the Department of State (Bohlen)*

TOP SECRET

[WASHINGTON,] March 14, 1949.

Participants: Mr. Bjarni Benediktsson, Foreign Minister of Iceland  
Mr. Eysteinn Jonsson, Leader, Progressive Party  
Mr. Emil Jonsson, Leader, Social Democratic Party  
Mr. Hans Anderson, Icelandic Foreign Office  
Mr. Thor Thors, Minister of Iceland  
Mr. Charles E. Bohlen, Counselor  
Mr. John D. Hickerson, Director, EUR  
Mr. Benjamin M. Hulley, Chief, NOE

The Foreign Minister referred to the phrase "mutual aid and self-help" in Article 3 of the North Atlantic Treaty. He wondered what obligations Iceland would assume under this. He understands that the decision would be for Iceland to make but asked what would happen if it said "no" to a suggestion from the other members.

I replied that the members would form a collective defense association in which each would honestly do what it was best equipped to



do for the common defense. Matters would be freely discussed in the Defense Committee which might make recommendations to individual governments which would have the final decision as far as their territory is concerned. The Foreign Minister said he wanted to know the juridical aspect of a negative answer by Iceland to suggestions or requests by other states. I said there would be no appeal to any Court of Justice and in that sense each member would have the right to say no.

The Foreign Minister referred to the Keflavik Air Agreement.<sup>1</sup> If Iceland wanted to let the Agreement expire and not renew United States rights to facilities there, would the Atlantic Pact make it obligatory on Iceland to renew the Air Agreement? Mr. Hickerson said that Article 9 was pertinent in this connection which envisages that the Defense Committee would recommend measures. When the Treaty comes into effect the Council will first consider what measures should be taken to insure the peace of the area. It is his personal opinion that the Defense Committee might say that there should be certain facilities in Iceland for the general defense, for example the airport. The question would arise as to who would pay for its maintenance and probably the US would have that role. What we have to find is a workable arrangement under which each country will make the contribution for which it is best fitted. It is quite possible that the Committee's recommendations may result in superseding the present Airport Agreement. I commented that the emphasis was on the fact that this is a collective arrangement and defense measures will not be on a bilateral basis. In an emergency all members of the group would have access to the facilities. The Defense Committee would not itself take over the facilities but Iceland would keep them in condition with appropriate assistance.

The Foreign Minister suggested that Iceland might decide to run the Airport itself with some financial help from the United States. He asked whether we have only Keflavik and Hvalfjordur in mind as defense facilities in Iceland. I said that the Defense Committee would have to answer that and possibly we could throw a little more light on it in our talk tomorrow with the military representatives. The Foreign Minister asked if our interest would be as great if Iceland decided not to be a party to the Treaty. Mr. Hickerson said we would be even more interested. I commented that the Treaty simply recognizes exist-

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<sup>1</sup> Exchanges between the United States and Iceland, in 1945, resumed in 1946, resulted in an agreement of October 7, 1946, for the interim use of Keflavik airport by United States forces. For text of this agreement, see Department of State, *Treaties and Other International Acts Series (TIAS) No. 1566* or 61 Stat. (p. 2) 2426. Documentation on the exchanges and negotiations eventuating in this agreement is in the files of the Department of State, particularly under file number 859A.20.

ing facts and provides a means for advance planning. Mr. Hickerson referred to the Secretary's comments on responsibilities of members in case of attack on Alaska and that there would be no automatic declaration of war.

Mr. Benediktsson said that in the last war Iceland lent land for bases and permitted the presence of armed forces on its territory. He asked whether Iceland might sign with a proviso that it did so under consideration of its special position as a nation without military forces. He asked if other signatories would understand Iceland's position. Mr. Hickerson commented that if any country started making provisos too many of them would and this should not be encouraged. He wanted it clear that we have no idea of asking Iceland to build up its armed forces. A possibility existed that some Icelandic trawlers might be wanted for naval service. However, he felt free to give assurance that the United States and British representatives on the Defense Committee would fully understand Icelandic views. The Foreign Minister pointed out that Iceland is and will remain unprotected. Mr. Hickerson commented that Iceland would be safer if there were careful advance planning. To the Foreign Minister's question as to the status of Greenland in the Pact, I said that through the collective mechanism in the Pact Greenland would be considered from a group viewpoint. Mr. Benediktsson said Iceland would have no objection to forces in Greenland.

Mr. Jonsson said the essence was to have the closest possible collaboration without foreign bases or foreign military forces in Iceland in peacetime.

The Foreign Minister said that many people in Iceland besides the communists were dissatisfied with the present situation under the Airport Agreement. The Progressive Party was asking for a change. If Iceland wanted to change the present situation it would be in trouble with the US, particularly if it tried to deny the US all foothold in Iceland. His people were sensitive about keeping Icelandic sovereignty intact. Mr. Jonsson spoke of "extra-territorial rights" held by the US at the Airport, but I pointed out that our understanding of the phrase implies a situation which does not exist there. If the Airport were made available to the Pact members its facilities would be Icelandic and under Article V Iceland would decide as to their use.

Mr. Jonsson said opponents will say that lengthening the runway increases the danger of attack. I commented that this is a question of weighing up the respective risks.

Mr. Benediktsson asked what advantage there was in the Pact since the US and Britain would help Iceland in any case. In reply I emphasized the advantage of advance planning.

Mr. Jonsson asked whether other members would be annoyed with Iceland for making no greater contribution to the common defense. He asked if there could just be a separate Pact between Iceland and the US. I said I was sure the other members would understand Iceland's special position and with regard to his second point a separate Pact would be too restricted. The Foreign Minister said he would tell people in Iceland that there would be no military forces in Iceland and the Government would not consent to have any there. I said that this would be correct. Mr. Jonsson said that if the Ministers were asked whether Iceland would have to supply armed trawlers for naval duties they would have to answer no. Mr. Jonsson said that many Icelanders argued it is better to wait for the emergency than to go out and meet it now. I pointed out again the value of advance planning as illustrated in cases in which absence of advance planning contributed to rapid submission to an aggressor.

CHARLES E. BOHLEN

840.20/3-1449

*Memorandum of Conversation, by the Assistant Secretary of State for Congressional Relations (Gross)*

[Extracts]

TOP SECRET

[WASHINGTON,] March 14, 1949—4:30 p. m.

Participants: Foreign Minister Gustav Rasmussen  
 Ambassador Henrik de Kauffmann  
 Mr. Frants Hvass, Danish Foreign Office  
 Mr. Povl Bang-Jensen, Danish Embassy  
 Major General C. C. J. Forslev, Military and Air  
 Attaché  
 Commodore Frits Aage Hammer Kjoelsen, Naval  
 Attaché  
 Mr. Ernest A. Gross, Assistant Secretary  
 Mr. Walter Surrey, U/CFA  
 Mr. Gray Bream, NOE  
 Major General L. L. Lemnitzer, NME

In continuation of this morning's discussion<sup>1</sup> with the Danish representatives, I reiterated the idea that it is our hope that military aid legislation may include not only authorization to transfer materiel but also provide funds for cushioning the economies of the participating countries against the impact of rearmament. Thus there would not only be assistance in providing for raw materials in addition to those provided under OEEC but there may also be authority for some dollar financing of a portion of the indirect impact arising from the

<sup>1</sup> The record of this meeting, which covered details of Danish armament, is in Department of State file 840.20/3-1449.

diversion of manpower from manufacture of export goods or the loss of resources which might otherwise be utilized to earn dollars. I explained that we are trying to stimulate self-help without overloading the economies of the participating countries. In accordance with this we are trying to obtain an estimate of the degree to which arms production could be expanded, utilizing existing facilities, and the costs which such expansion would involve. What we desire is an estimate of what could be produced over and above the OEEC program. . . .

Mr. Rasmussen observed that the problem of the economic effects of an expanded arms producing program is of far reaching importance for a number of countries but is of rather limited significance in the case of Denmark. Thus, Denmark could produce only small quantities for others. He stated that Denmark might be able to export automatic weapons, as it has done in the past, but that this is the only item which she might be able to provide. Therefore, the problem for Denmark is not of large proportions if consideration is limited to strictly war materials.

I then referred to the third category of procurement as mentioned this morning, i.e., procurement by an Atlantic Pact country in a non-Atlantic Pact country which is not in the OEEC, and explained that it was our thought that as in the case of ERP, military aid legislation would authorize off-shore purchases, as, for example, in Latin America.

Turning to another subject Mr. Rasmussen said that he had lists of their losses of military equipment during the German occupation which he had hesitated to hand over because they might be misleading. He explained that Denmark is not aiming at straight replacement, but he thought that a statement of what had been lost might help to complete the picture. What Denmark has in mind is actually a complete reorganization of its defense forces with modern equipment. At this point he handed over the lists covering the losses by the Army, the Navy and the Air Force.

Concerning the relationship between the Atlantic Pact and military assistance Mr. Rasmussen referred to the statement made this morning that the Atlantic Pact does not give an automatic right to arms whereas non-membership in the Pact does not automatically exclude countries from receiving arms. He then asked whether this meant that members of the Atlantic Pact would not be given some sort of preference. In reply, I explained that we have listed from a military strategic viewpoint countries which in the U.S. interests should be given weapons in varying amounts. I pointed out, for example, that we have certain commitments in Greece, Turkey, Iran,

Latin America, and the Philippines. The problem is not whether or not to supply arms, but how much and of what types. Thus, in the case of Latin America, it would be politically unwise to cut off supplies even though the amounts involved are limited. In the face of probable shortages there will be a need for priorities. Our interests are to ensure that the Atlantic Pact countries can fulfill the requirements of the situation. But in addition to individual needs there are collective needs and hence from a practical viewpoint it would be important to review the group strategy, which will imply priorities. Implementation of the program will require congressional action on the amount of military assistance. With regard to the specific question of how much Denmark may obtain I pointed out that Congress may hesitate to appropriate the full amount of our estimates which, in turn, would alter the allocations. In the long run the problem of allocations may be decided in light of recommendations by the collective group, on the basis of a collective program similar to OEEC.

Mr. Rasmussen then inquired whether Denmark would be in a better position to obtain equipment if it were a member of the Atlantic Pact than if it were not. I replied that this was a somewhat difficult question since we have consistently sought to avoid applying pressure to join. I explained that in my judgment it will make a difference, however, because of the fact that the Atlantic Pact countries would participate in group planning. The end result is difficult to state but this will probably result in a high priority for the group. However, if Denmark is not in the Pact we would still have to consider whether aid might not be desirable. Nevertheless, it is always easier to justify aid to those who are part of a collective group. Similar considerations have, of course, applied to economic aid.

Ambassador Kauffmann, referring to his previous discussions in the State Department, stated that there had been brought out as important factors not only the attitude of the Administration but also the attitude of Congress. These discussions had indicated that membership in the Pact would make a large difference in the eyes of Congress. As a member, Denmark would be treated, for example, as would Norway. However, if Denmark remained outside the group it could hardly expect the same treatment, that is, arms at the same time and in the same quantities and on the same terms. This factor, said Ambassador Kauffmann, had been brought out in the Department not as pressure but as a simple statement of fact.

In thanking Ambassador Kauffmann for this statement, I pointed out that it would be easy for us to be misunderstood publicly on this point. If we were to say that there would be no aid or less aid to those outside the Pact, that could be construed as a threat. Instead, I said,

I preferred to point out that a reciprocal collective program was different from a bilateral program, for which there are different criteria in public and congressional discussions. It is much fairer to answer in terms of underlying considerations rather than to give a positive "yes" or "no". In this way the Danish Parliament can draw its conclusion on the basis of these factors.

Returning to the first question regarding Denmark's plan of defense the Danish representatives brought out that they would concentrate on strategic areas such as the Danish border, harbors and airfields. Commodore Kjoelsen explained that the Navy would be used to combat landings which might be attempted in various places, to protect the Sound against passage of hostile ships, and in mine sweeping which has been and is likely to be a serious problem in Danish waters.

ERNEST A. GROSS

840.20/3-1449

*Memorandum by the Chief of the Division of Greek, Turkish, and Iranian Affairs (Jernegan) to the Assistant Secretary of State (Rusk)*<sup>1</sup>

[Extract]

TOP SECRET

[WASHINGTON,] March 14, 1949.

Subject: Declaration on Greece, Turkey, and Iran.

Since our memorandum and the suggested draft<sup>2</sup> were submitted to you and, separately, to the Secretary, there have been developments as follows:

1. The British Embassy told us this afternoon that Bevin now wished to confine any reference to Greece, Turkey, and Iran, in connection with the Atlantic Pact, to a speech he planned to make in the House of Commons and the corresponding speech which the Secretary plans to make when the text of the Pact is made public. The Embassy handed us the attached text<sup>3</sup> of the statement which Mr. Bevin was thinking of including in his speech. This text makes only very passing reference to Iran while emphasizing Greece and Turkey. Bevin sent word, however, that he would welcome any stronger reference to Iran which the Secretary might wish to make.

2. Subsequently, Mr. Bromley of the British Embassy called to say

<sup>1</sup> Dean Rusk, Assistant Secretary of State for United Nations Affairs, took on during the early months of 1949 the duties of Deputy Under Secretary of State, a post to which he was formally designated on May 26.

<sup>2</sup> See memorandum by Satterthwaite, March 8, p. 175.

<sup>3</sup> Not printed.

the Embassy had received a further telegram saying Bevin now wished to omit all reference to Iran in his statement and to withdraw the suggestion that the Secretary might make a stronger reference to that country. He is alarmed lest any such mention of Iran should provoke a Russian attack. See the attached memorandum of conversation.<sup>4</sup>

3. More or less simultaneously with the receipt of these communications from London we received a telegram from our Ambassador in Tehran<sup>5</sup> expressing apprehension at the Russian reaction in case a Declaration including Iran were issued before steps were taken to refute the Soviet claim of a right to introduce troops into Iran under the terms of the Irano-Soviet Treaty of 1921. The British Ambassador in Tehran has cabled his Government recommending against any statement about Iran at all, and it is presumably this which has influenced Bevin's latest change of mind.

4. We assume that it is these latest communications from London which the British Ambassador wishes to discuss with the Secretary tomorrow morning at 10:00.

The rapid changes in pace being made on this whole subject at the present moment leave us unable to make firm recommendations at the moment. This office continues to believe that a Declaration of the general type under consideration is desirable, but we feel we must know more of the reasoning behind the new British position and our own Ambassador's telegram (attached) before we can go further. The British Embassy is requesting clarification from London and hopes for a reply by 9:00 tomorrow, while we have sent an urgent telegram to Mr. Wiley for an elucidation of his thinking.

<sup>4</sup>Memorandum of telephone conversation between Bromley and Satterthwaite, March 14, not printed. (840.20/3-1349)

<sup>5</sup>Telegram No. 287, March 13, 1949, not printed. (840.20/3-1349)

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840.20/3-1549

*Verbatim Report on a Meeting Between the Secretary of State and the Danish Foreign Minister*

TOP SECRET

[WASHINGTON,] March 15, 1949.

Participants: Mr. Gustav Rasmussen, Danish Foreign Minister  
 Mr. Henrik de Kauffmann, Danish Ambassador  
 Mr. Frants Hvass, Danish Foreign Office  
 Mr. Povl Bang-Jensen, Danish Counselor  
 The Secretary  
 Mr. Charles E. Bohlen, Counselor  
 Mr. Ernest A. Gross, Assistant Secretary  
 Mr. John D. Hickerson, Director, EUR  
 Mr. Benjamin M. Hulley, Chief, NOE

MR. RASMUSSEN: Mr. Secretary, first of all, I would like to thank you very much for the information you gave me the other day and I

think it has contributed very substantially to the clarification of our minds, and that it will enable me to give orientation and clarification when I get back to Denmark.

Then, I would also like to express my thanks for the detailed, free and open discussions which we have had with your advisers and officials. These discussions will further enable us to inform the Danish Government fully and give them, I think, all the necessary orientation. As a matter of fact, after these rather lengthy discussions which we have had since I saw you last, I think there are only a very few questions left and, with your permission, I should like to raise them.

MR. ACHESON: Please do.

MR. RASMUSSEN: First, about Greenland. There, of course, the Atlantic Pact will throw a new light on the American-Danish relations as to Greenland. But nevertheless we still have our bilateral agreement from 1941<sup>1</sup> and the question is left open what to do about it, whether we should seek to terminate it or whether we should seek to make a new arrangement within the framework of the proposed Atlantic Pact.

I take it that you and your government will adopt a sympathetic attitude toward such Danish wishes which we may put forward in the future. We are convinced that the American Government does not intend to interfere with the Danish administration of Greenland and that the American personnel up there will continue to refrain from having dealings with the native population or attempt to influence them. If you feel able to confirm the correctness of this conception, I should be very glad to hear it.

MR. ACHESON: Well, I am very happy, indeed, to confirm the statement which you have just made.

MR. RASMUSSEN: We also take it, Mr. Acheson, that the American bases in Greenland will not be further enlarged unless in agreement with the Danish Government. Our interest, as we see it, is rather to take over gradually more and more establishments in Greenland, as we have in fact already done in the past with meteorological stations.

There is one point in connection with Greenland which will interest the Parliament in Denmark and that is the character of the United States establishments in Greenland. I am sure it would be very welcomed in Denmark if you might authorize me to state, or rather, stress the purely defensive character of the American establishments in Greenland.

MR. ACHESON: Well, I should be very happy to do that, Mr. Minister, and I'd like to make our attitude very clear on that point because

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<sup>1</sup> See footnote 4, p. 200.



it is a most important one. As in the case of bases anywhere within the jurisdiction of the members of the North Atlantic Pact, bases in Greenland would never be used for aggressive purposes. The whole objective of the Pact is defensive, and any military facilities which may be available to the members individually or collectively are intended for use only in resisting aggression. Greenland will not be used as a base for aggression. It will be a part of the area which is to be defended and will also constitute a part of the defenses which may be available for resisting an assault upon the territory of any members of the Pact. It may well be necessary to conduct the defense of the North Atlantic area on a long-range basis in order to resist aggression in any part of the area. Does that make the matter clear?

MR. RASMUSSEN: Yes, that perfectly meets our point. Can I use that statement of yours, that declaration, publicly?

MR. ACHESON: Yes, I should be delighted to have you use it publicly.

MR. RASMUSSEN: It would be most valuable. If I may, then, leave Greenland.

I'd like to say only just a few words upon the requirements of the armament question which we have discussed in detail, very fully, yesterday with Mr. Gross and his collaborators, and with General Lemnitzer. I would only like to stress one thing in this connection, that is, the importance of getting some arms to Denmark at an early date even if it be only in a small quantity as a token or symbolic in nature, but I think that even such a small shipment, in case the whole thing comes off would contribute substantially to soothe the public opinion in Denmark, and I also think it would have a beneficial effect on public opinion in Sweden. But I don't expect you to be able to give any assurance or any promise, I am not attempting to extract that from you because I think I have understood how the political situation is, the constitutional situation, in the States. But I only want to stress this point that I think it would be a very good thing if such a thing would be possible, to send some of the arms which we so sorely need, to send them in the near future.

MR. ACHESON: Well, as I understand the situation at the present time, Mr. Gross, we are not able to give any assurances in advance of action of the Congress on the proposed legislation.

MR. GROSS: That is right, Mr. Secretary. I think that we have covered that rather fully with the Minister in our discussions.

May I add a point? I think what ought to be clear, too, from our discussions is that we are giving very urgent and sympathetic attention to the requirements, we fully realize the desirability of speed in accomplishing transfers. Our hope is that if the Congress does approve the program and authorize the expenditure of funds for the purpose,

that we should within the first six months after the Congressional action, assuming that Congress does approve it, be able to accomplish some transfers if only of a token nature. I can't now go into quantity, but it should be possible for us, under those circumstances, at least to make some transfers within a period of months after the program is approved by the Congress.

MR. RASMUSSEN: Yes, I thank you. We discussed it at length yesterday and I think we have understood the position. Of course, we very much appreciate the spirit in which you led these discussions and we have done our best to provide you with the facts as to Danish defense, and we trust that you will deal with the matter in the same spirit of understanding and sympathy which we have had over here the whole time.

And, Mr. Secretary, we just mentioned the other day the advisability of issuing a communiqué and I would very much like to have one issued, but before proceeding to that there are one or two other items which I would just like to mention to you. They are entirely disconnected with what we have been discussing over here and they refer entirely to Danish-American relations. (The Foreign Minister then spoke of shipping problems, reported in a separate memorandum.<sup>2</sup>) (A statement for the press was discussed and agreed to.)

MR. GROSS: When do you think the Parliament will begin debate?

MR. RASMUSSEN: I had a message from my Prime Minister yesterday asking when we could have our Foreign Relations Committee—I hope we can have our Foreign Relations Committee have a meeting at the end of this week. It was asked whether it would be ready for Saturday or Monday and I suggested Friday. In case I arrive according to plan on Thursday, I should be able to have it on Friday, then I think that we could have it in Parliament the following Tuesday or Wednesday. Then, of course, my job will be to speed it up as much as possible, but it may take two or three days in Parliament.

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<sup>2</sup> Not printed.

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840.20/3-1549

*Minutes of the Eighteenth Meeting of the Washington Exploratory  
Talks on Security, March 15, 1949*

TOP SECRET

MR. ACHESON reported that since his last meeting with the Ambassadors he had had two talks with the Danish Foreign Minister who was leaving for Denmark during the afternoon. He thought the talks were very successful, that the Danish Foreign Minister's worries had

been dissipated, and that the latter would recommend strongly that Denmark should sign the Treaty. He believed Denmark would sign. There had also been talks with the Icelandic Minister but, though they were progressing satisfactorily, they had not got as far as the talks with the Danish Foreign Minister. He thought the Icelanders were more troubled than the Danes but that they would conclude in the final analysis that they would like to sign the Treaty, too.

MR. BONNET hoped to have an answer from the French Government about approval of the text during the course of the next day but, as Mr. Schuman would still be in London the entire morning, he thought the meeting of the Council of Ministers could not take place before the afternoon and that it might be prolonged. He thought that he could not make the French decision known before Wednesday evening.

MR. ACHESON proposed that the meeting turn to the consideration of the relationship of the Treaty to Chapter VIII of the Charter.

MR. VAN KLEFFENS referred to a very short telegram from The Hague, where they seemed to see an antinomy between Article 51 and Chapter VIII. Their main difficulty seemed to be the obligation under Article 54 to keep the Security Council at all times fully informed; about the applicability of Article 53 they were apparently less concerned, probably because in their view the Treaty under discussion does not contemplate any enforcement action.

Contrary to the London legal advice,<sup>1</sup> it seemed to The Hague that the compatibility of the Treaty with the Charter would be weakened if only Article 51 were declared applicable to the Treaty. On the other hand, it seemed unreasonable to maintain that the Treaty had no connection with Chapter VIII. The Netherlands Government, therefore, had come to the provisional conclusion that it would be preferable to act on the assumption that the Treaty has a certain connection with both Article 51 and Chapter VIII, and to agree that Article 54 is not applicable to the whole contents of the Treaty.

He was not certain whether this was a satisfactory answer; personal investigation into the history of Article 51 and Chapter VIII had not brought him much further. He asked whether there was much point in trying in advance to answer hostile criticism which was not yet known to us. He never had seen much advantage in trying to answer such more or less hypothetical questions. Perhaps it would be

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<sup>1</sup> An extract from a British Foreign Office telegram to the British Embassy, March 14, 1949, summarizing the conclusions of legal advisers on compatibility of the United Nations Charter and the proposed North Atlantic Pact, was forwarded to the Department of State by Hoyer Millar on March 15 and is in Department of State file No. 840.20/3-1449.

better to consult together after an attack had been levelled on this point.

MR. BONNET said that he had no instructions on this point but that the opinion of the jurists given in London had been communicated to him as well as to his colleagues. He wished to agree with Mr. Van Kleffens that it was not possible to foresee all the kinds of criticism which would be levelled against the Atlantic Treaty and to give an appropriate reply in advance. Whatever decision was taken about the relationship of Chapter VIII, there would be criticism; if no reference was made to Chapter VIII, it would be said that the Treaty was not in conformity with the Charter and had some features of an alliance or coalition; if it was linked to Chapter VIII, attempts would be made to prove that it did not conform to the provisions of that Chapter. The legal advice received from the jurists in London was that there was nothing in the text of the Treaty itself that made it necessary to take the view that it was not in conformity with Chapter VIII of the Charter as well as with Article 51. The opinion went on to say that, especially in view of the provisions of Article 54, it would be better, however, not to link the Treaty too closely with Chapter VIII. The legal advisers in London were of the opinion that in commenting on the Treaty it was important to avoid mentioning that it was a regional agreement. Nevertheless, he felt it would be better not to give a narrow interpretation in the minutes.

SIR OLIVER FRANKS said that at the last meeting the two positions had been summed up by saying that *either* Article 51 *or* Chapter VIII applied; or, on the other hand, *both* Article 51 *and* Chapter VIII applied. The views received from London were both legal and political; the only important legal view seemed to be that nothing in the Treaty was in conflict with the Charter. Therefore, the chief considerations were political, which led the jurists to say that the collective self-defense side of the Treaty was a new and legitimate development under Article 51 of the Charter but it was also true that certain things in the Treaty would naturally come under Chapter VIII but those things were in reality simply reaffirmations of what was already in the Charter, e.g., Articles 1 and 9. The jurists suggested that if, instead of relating the Treaty negatively to Chapter VIII, it were related positively, criticism would be invited. It could be assumed, for example, that because of the provisions of the articles of Chapter VIII there would be no power to act: everything would have to be reported and, under the articles of that Chapter, certain acts would become necessary. In the past, thinking had been related mainly to Article 51; attempts to relate it positively to Chapter VIII were recent and not too productive. He suggested that the best answer

would be to agree that it was impossible to foresee in exactly what way criticisms and objections would come; that reliance should be based primarily on Article 51 and secondarily on Chapter VIII. This suggestion was neither "either/or" nor "both/and". He circulated a draft memorandum of an agreed interpretation which he thought might replace the existing draft which appeared to place too much reliance on the "both/and" solution and, therefore, to be open to the political objections raised by too positive a relation of the Treaty to the articles of Chapter VIII. He thought that in dealing with the regional aspect of the Treaty it was fair to say that this was not a regional organization so much as an organization based on self-defense and on the common interests of the countries in the area. This was shown by the fact that the relation of Italy to the area by common interest was clear, although its relationship by geography was not.

Mr. WRONG referred to a Canadian legal opinion<sup>2</sup> which had been distributed to the other representatives earlier. The Canadian position was that on the legal side it was difficult to maintain that every part of the Treaty could be regarded as completely excluded from the operation of Chapter VIII. Clearly, however, Article 51 was intended to be the governing article and nothing in Chapter VIII restricted in any way the right of individual or collective self-defense under treaties authorized by Article 51. He agreed that Article 53 should be disregarded as it dealt wholly with enforcement action, which was contemplated under the Treaty. He thought there was possibly some obligation to send reports from time to time to the Security Council under Article 54, but that obligation would not apply to action taken under Article 3 and Article 5 of the Treaty which drew their sanction from Article 51. If the legal position was to be recorded in the minutes, the Canadian view would be that it was in the highest degree important to emphasize that in signing this Treaty Article 51 was intended to be the over-riding provision and that Chapter VIII must be read and regarded as subject to Article 51 in this connection. On the political side, the Canadian view was that if the relationship to Chapter VIII was emphasized at this stage there would be destructive propaganda against the Treaty. It would be said that a feeble attempt had been made to justify the Treaty in the light of Chapter VIII. If reliance were placed in Chapter VIII Russian propaganda might well emphasize in Europe the argument that Article 51 really applied to any action taken under Article 5 of the Treaty and, therefore, the Treaty did not mean anything because the veto in the Security Council would apply before such action could legally be taken under the

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<sup>2</sup> Enclosed in a memorandum from Hickerson to Acheson, March 15, not printed (840.20/3-1549).

Charter. On the other hand, an attack might take the form of an accusation that this was an attempt to justify what already had been done in violation of the spirit, if not the letter, of the Charter. The Canadian view was that the position should be maintained (and he understood it had been maintained since the early stages of the negotiations) that the Treaty rested squarely on Article 51 but contained nothing contradictory to the terms of Chapter VIII. He thought that this position was very close to the "primarily and secondarily" position taken by Sir Oliver Franks.

MR. MORGENSTIERNE said that he had not yet received instruction but that on a personal basis he thought that the Treaty was both a regional arrangement under Chapter VIII and a common defense pact under Article 51. He was inclined to agree with Sir Oliver Franks' view that the primary function of the Treaty would be an arrangement under Article 51 and that the relationship to Chapter VIII was secondary. He thought it would be necessary to be ready to hear very violent criticism from the Soviet Union in any circumstances, whatever was said and however it was expressed. He thought that it was more important to meet the opposing views which would be expressed by the public of the countries participating in the negotiations.

MR. LE GALLAIS thought there would be less room for criticism if the Treaty were based on Article 51 of the Charter. He supported the point of view put forth by the legal advisers in London.

BARON SILVERCRUYS agreed. There appeared to be nothing in the Treaty which was in conflict with the spirit or the provisions of the Charter. During the negotiations stretching back to the previous summer there had been many discussions on the form of agreement which was to be reached. He thought that the unanimous opinion had been in favor of a defensive treaty. The treaty which had emerged was essentially defensive in character, even if there were some articles in it which might well be related to parts of the Charter other than Article 51. An attempt had been made to demonstrate that the Parties were imbued with the spirit of the Charter as a whole. Taken by and large, he considered the Treaty to be more a defensive than a regional agreement. He thought that if it was necessary to arrive at an agreed interpretation it should be done on the basis of the primary character of the Treaty as a defensive arrangement.

MR. ACHESON said that he thought he could accept Sir Oliver Franks' draft<sup>a</sup> with one or two small changes. What was being done was to say that the Treaty was in accordance with the Charter. No appeal was being made to the Charter for the right to make such a

<sup>a</sup> Not identified in Department of State files.

Treaty. It was only necessary to see that there was nothing in the Charter which forbade the conclusion of an agreement of this sort. Many parts of the Charter applied to the Treaty but particularly two groups of provisions seemed to be particularly applicable; both were permissive. Article 51 said that nothing in the Charter should prevent the exercise of the inherent right of individual or collective self-defense. It put a condition on the exercise of the right by saying that if such and such steps are taken they must be stopped when the Security Council took over. That provision of the Charter was not the basis for the agreement now being reached but was the protection of the right to make the agreement with the sole proviso that action must stop when the Security Council took over. Not one word in the Charter, according to the specific declaration of Article 51, prohibits the inherent right of individual or collective self-defense, whether on a regional basis or otherwise. It would be possible to have an agreement on individual and collective self-defense between the United States and China or between the United States and Turkey. The country need not be in the same region at all. On the other hand, if the countries were in the same region they were protected because the Charter said that nothing in the Charter should prevent regional arrangements. It was impossible to be wrong either way. If the question were asked whether the Treaty was in agreement with Chapter VIII the reply ought to be, not that the Parties had looked to Chapter VIII for authority, but that of course the Treaty agreed with Chapter VIII because there was nothing in the Treaty contrary to Chapter VIII. The Security Council would be kept advised as provided for. No attempt would be made to take enforcement action without the advice of the Security Council. Every attempt would be made to try to settle disputes among the parties without bothering the Security Council. He thought this attitude and the attitude of looking to Chapter VIII to see that there was nothing forbidding the arrangement rather than looking to the Chapter for authority to conclude the arrangement agreed with what Sir Oliver Franks had suggested.

SIR OLIVER FRANKS said that the point that seemed to be of most concern in London was the possibility that after arrangements had been made in connection with collective self-defense under the terms of Article 9 of the Treaty some state on the Security Council might claim that the Council had a right to be told about the plans. It would be very awkward to have to refuse to give this information and it was for this reason that the British Government was concerned that nothing said about the relationship of the Treaty to the Charter should lead to a false position.

MR. ACHESON thought that the proposal to change the word "aggression" to "armed attack" in Article 3 might help to avoid such a possibility because it would then become necessary to inform the Security Council, under Article 54, only about activity in connection with an armed attack. Plans and arrangements did not constitute activity. Only if the arrangements made under Article 9 rose to the status of an agreement would it be necessary to inform the Security Council under other provisions of the Charter. The plans made to meet an armed attack did not constitute activity because an armed attack was not contemplated; plans which might or might not be used were merely being drawn up as a guide in case an attack had to be met. He thought the main thing was to avoid saying that Article 54 did not apply to the Treaty. If overt action had to be taken to meet an armed attack the Parties would probably be very anxious to tell the Security Council about it.

MR. BONNET was inclined to agree with Mr. Acheson's interpretation of Article 54's relation to the Treaty. He thought the point raised could be solved by taking into account that the essential parts of the Treaty did not come under Article 54. This article provides that "activities" must be made known to the Security Council, whether contemplated or undertaken. There is no doubt that some of the activities, for example in the economic field, can be reported to the Security Council. As for other activities, they come under Article 51 and are regulated by that Article. Moreover, it must be stressed that no veto can be applied to the reporting of activities. He consequently thought that the Parties should not be too timid in speaking of regional arrangements. It would be going too far to deny the regional nature of the Treaty and he thought that regionalism would, in the long run, be good for the future of the United Nations which had had so many difficulties in coping with universalism. He thought it would be a good idea to show that something was being done, not only for the defense of the North Atlantic area, but also for the future of the United Nations.

There was a discussion of the wording of the draft memorandum submitted earlier by Sir Oliver Franks in the course of which MR. ACHESON said that the United States had given the United Nations a copy of the Rio Treaty and had informed the United Nations only of those limited matters which were of importance, were of legitimate interest to the United Nations as a whole, and which were not classified for security purposes. The United Nations had been informed of the dispute between Costa Rica and Nicaragua but had not been informed of what was said or done at meetings of the Inter-American Defense Board because that was not regarded as activity under Article 54.



MR. WRONG made the point that there was a closer connection between Chapter VIII and the Rio Treaty than between Chapter VIII and the North Atlantic Treaty because the former contained a provision for a body with power to take decisions which had no parallel in the North Atlantic Treaty.

BARON SILVERCRUYS suggested that Sir Oliver Franks' draft should begin with the words "In reaffirming their existing obligations for the maintenance of peace and the settlement of disputes, it is the primary purpose of this Treaty to provide for the collective self-defense of the Parties". He did not want to relegate the secondary consideration too much to the background.

MR. VAN KLEFFENS suggested that the memorandum in its present form was perhaps too brief for use by people who had not been in close contact with the negotiation of the Treaty. Its terms might well be understood by those present at the table but might not be sufficiently ample for others farther away.

MR. BONNET suggested that there was no reference in the memorandum to Chapter VIII of the Charter and that it would be useful for everybody to be able to point out that at least some parts of the Treaty could be considered as a regional arrangement.

SIR OLIVER FRANKS thought that this could be done under the existing wording.

MR. WRONG thought that if the memorandum said anything about the Treaty being a regional arrangement it would be necessary to indicate whether it was a Regional Arrangement in the sense of Article VIII of the Charter or whether it was a regional arrangement in a more general sense.

There was some further discussion about amplifying the memorandum, especially by the inclusion of a reference to Article 51 of the Charter. The consensus was that it was intended to be less a detailed guidance for publicity purposes than a note of an understanding of the meaning of the relationship of the Treaty to the Charter.

MR. VAN KLEFFENS said that he would give his Government the sense of the present discussion as a commentary on the memorandum. He suggested that others might wish to send it to their governments and comment on it as they saw fit.

MR. MORGENSTIERNE raised the question how much information would be given to the Security Council under Article 54. Mr. Acheson replied that he thought only action taken or contemplated to meet a definite attack should be reported; he did not think that staff-talks concerning a hypothetical attack need be reported. A plan for a possible emergency did not constitute "action".

Agreement was reached on the meaning of the relationship of the Treaty to the Charter, and especially to Article 51 and Chapter VIII on the basis of the draft memorandum submitted by Sir Oliver Franks, as amended. The meeting then turned to the consideration of the proposal to substitute "armed attack" for "aggression" at the end of Article 3.

SIR OLIVER FRANKS thought that "armed attack" emphasized the connection with Article 51 of the Charter. He admitted that "armed attack" was more limited than "aggression", but thought the limitation was outweighed by the greater clarity in the relationship with Article 51.

MR. VAN KLEFFENS expressed a preference for the retention of "aggression" as that word was used throughout the Charter and was broader in meaning than "armed attack": it would cover an attack from within a country.

MR. WRONG also preferred "aggression" because it covered cases of indirect aggression.

SIR OLIVER FRANKS thought the use of "armed attack" might help to allay the concern expressed by Mr. Morgenstierne earlier, by making it easier to limit what was to be reported under Article 54.

MR. BONNET favored "armed attack" in English and "aggression armée" in French. He suggested also the addition of "any" in English and "toute" in French.

MR. MORGENSTIERNE noted that, if "aggression" was interpreted to cover indirect as well as direct aggression, he would prefer it to "armed attack".

MR. BONNET asked if "aggression" had not always been meant to apply to direct aggression only.

MR. VAN KLEFFENS had always held that the Treaty was not limited to armed attack, but that the consultative clause would come into action if a Party said that its security was threatened by borings from within.

MR. HICKERSON said that Article 5 related solely to armed attack.

BARON SILVERCRUYS thought that if "aggression" was retained in Article 3 measures could be concerted beforehand to deal with indirect aggression; if reliance was placed solely on Article 4, plans could be made only after the indirect aggression had started.

MR. LE GALLAIS could see advantages and objections to both courses, and did not wish to take a firm position.

MR. HICKERSON said that the United States group always viewed "aggression" as meaning armed attack.

MR. ACHESON thought that the substitution of "armed attack" for "aggression" would have little, if any, effect on reporting under Article

54, because if activities under Article 3 were to be reported, they would have to be reported whatever phrase was used.

SIR OLIVER FRANKS said that his legal advisors held that if "armed attack" was used in Article 3, Article 54 could not apply. "Armed attack" was the phrase used in Article 51, and they thought that Article 54 had no application to measures taken or contemplated for purposes of self-defense; they thought that if "aggression" was used in Article 3 in a sense wider than "armed attack", possibly Article 54 would apply.

MR. HICKERSON agreed that one point in favor of "aggression" was that it applied to indirect aggression. But throughout the present series of exploratory talks the United States group had used the word "aggression" as synonymous with "armed attack". In the early stages of the talks, consideration had been given to the possibility of dealing with indirect aggression in the Treaty; he thought it had been given up because indirect aggression was so difficult to define. Direct aggression was dealt with in Articles 3 and 5, and indirect aggression was left for Article 4, on consultation.

MR. ACHESON asked for the views of the other representatives.

MR. BONNET preferred "armed attack" and noted that it would not be necessary to refer back to Governments because the change had been agreed in London.

MR. VAN KLEFFENS had a strong preference for "aggression", but would not oppose the general wish of the rest. MR. WRONG and MR. MORGENSTIERNE also had a strong preference for "aggression", but would not make an issue of it.

The United States was prepared to accept "aggression" if it was agreed to mean "armed attack". As the majority preferred "armed attack", the change was made.

The proposal to add "any" before "armed attack" could not be accepted by the majority.

It was agreed that, subject to the final concurrence of the French government, there was now an agreed text of a draft North Atlantic Treaty.

During the exploratory talks which resulted in the draft treaty, agreement was reached on the meaning of certain phrases and articles. These agreements were not formal, but constituted the understanding of the representatives participating in the discussions as to the interpretation of those phrases and articles. The committee reviewed those interpretations and instructed the Secretary to make note of them. They are:

"(1) The participation of Italy in the North Atlantic Treaty has no effect upon the provisions of the Italian Peace Treaty.

(2) 'Mutual aid' under Article 3 means the contribution by each Party, consistent with its geographic location and resources and with due regard to the requirements of economic recovery, of such mutual aid as it can reasonably be expected to contribute in the form in which it can most effectively furnish it, e.g., facilities, manpower, productive capacity, or military equipment.

(3) Article 4 is applicable in the event of a threat in any part of the world, to the security of any of the Parties, including a threat to the security of their overseas territories.

(4) *a.* For the purposes of Article 6 the British and American forces in the Free Territory of Trieste are understood to be occupation forces.

*b.* The words 'North Atlantic area north of the Tropic of Cancer' in Article 6 means the general area of the North Atlantic Ocean north of that line, including adjacent sea and air spaces between the territories covered by that Article.

(5) With reference to Article 8, it is understood that no previous international engagements to which any of the participating states are parties would in any way interfere with the carrying out of their obligations under this Treaty.

(6) The Council, as Article 9 specifically states, is established 'to consider matters concerning the implementation of the Treaty' and is empowered 'to set up such subsidiary bodies as may be necessary'. This is a broad rather than specific definition of functions and is not intended to exclude the performance at appropriate levels in the organization of such planning for the implementation of Articles 3 and 5 or other functions as the Parties may agree to be necessary.

(7) It is the common understanding that the primary purpose of this Treaty is to provide for the collective self-defense of the Parties, as countries having common interests in the North Atlantic area, while reaffirming their existing obligations for the maintenance of peace and the settlement of disputes between them.

It is further understood that the Parties will, in their public statements, stress this primary purpose, recognized and preserved by Article 51, rather than any specific connection with Chapter VIII or other Articles of the United Nations Charter."

The meeting then turned to a discussion of certain points of procedure. It was agreed that the Ambassadors need not meet again to hear the approval of the French Government. It was also agreed that the working group should meet next day to review the message transmitting the text of the Treaty to Denmark, Iceland, Italy, and Portugal, with an invitation to be original signatories. The hour of releasing the text to the press was set for 11 a. m., Washington time, on Friday, March 18.

Mr. WROG asked that there be some discussion of the nature of the meeting preceding signature. It was his view, and the view of his Secretary of State for External Affairs, that the Treaty should not be signed after the General Assembly of the United Nations was in session; he thought Monday, April 4, would be a suitable date, as the

Assembly was to meet on the 5th. This meant that the final proceedings should begin at the end of the week before, on March 31 or April 2. He was afraid that if Foreign Ministers who were going to attend the opening of the General Assembly lingered in Washington to sign the North Atlantic Treaty instead, there would be unnecessary unfavorable propaganda. His main point was that the Treaty should be signed before the Assembly met, and his secondary point was that it was not wise to bargain on concluding the proceedings in one day. It might, for example, be necessary for the Foreign Ministers to agree together on a common statement to meet criticism of the Treaty raised during the fortnight of public discussion.

MR. ACHESON favored meeting on the 4th, signing on the 4th, and concluding the proceedings on the 4th, unless there was some proposal for a change which would have to be dealt with.

MR. WRONG thought that that would not be satisfactory. It was the view of his Government that it would not be suitable to gather together so many Foreign Ministers merely for a signing ceremony lasting a few minutes. He thought the final ceremony would have to be termed a Conference.

It was agreed that this matter should be discussed further at the meeting of the working group next day, and the four invited states should be told that the ceremony of signature would take place on or about April 4, 1949.

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840.00/3-1549: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, March 15, 1949—3 p. m.

970. Re Embtel 906<sup>1</sup> and Deptel 822.<sup>2</sup> Foreign Ministers met in initial session yesterday with varied agenda. I was available but was not called to attend. Bevin told me late last night it was somewhat uneasy meeting and that in course of meeting several difficult questions arose but were resolved satisfactorily.

1. French concern as to Soviet reaction to pact and rearmament.

2. Dutch concern over US warning that political factors in US made it unlikely military equipment could be made available to Dutch unless Indonesian question settled.

Bevin mentioned in passing that there was concern among certain of British because commitment to reach additional military produc-

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<sup>1</sup> *Ante*, p. 183.

<sup>2</sup> March 11, 1949, not printed.

tion schedule at rate \$400 million, meant total commitment \$600 million for two years (150-200 million by 49/50 and \$400 million 50/51) which in turn might mean about 40 million pounds additional in British defense budget next year making total 800 million pounds budget. Cripps believes can get same military efficiency next year with smaller budget and does not want to commit himself to 800 million.

I stressed once more absolute necessity closest mutual coordination on MAP between WU as group and US. Also that for any doubtful questions on financial or economic matters affecting ECA Harriman must be consulted. Told Bevin he should not underestimate necessity close US participation prior any statement from WU group and advantages both ways close liaison.

Group is continuing its discussions today.

Presently contemplated will meet with group at five this afternoon. Consultative council probably will not adjourn until March 16.

If any economic or financial questions develop will advise Harri-man pronto.

Sent Department 970; repeated Paris 175 for Caffery and Harriman, The Hague 33 for Baruch, Brussels 42 for Kirk.

DOUGLAS

840.20/3-1549

*Memorandum of Conversation, by the Director of the Office of  
European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] March 15, 1949.

Participants: Bjarni Benediktsson, Foreign Minister of Iceland  
Eysteinn Jonsson, Minister of Aviation  
Emil Jonsson, Minister of Commerce  
Thor Thors, Minister of Iceland  
Hans Anderson, Legal Adviser, Icelandic Foreign  
Office  
John D. Hickerson, Director, EUR  
Charles E. Bohlen, Counselor  
Major General Anderson, Air Force  
Admiral Wooldridge  
Benjamin M. Hulley, Chief, NOE  
Mr. Gray Bream, NOE

In opening the discussion I stated to the Icelandic representatives that we desired to answer honestly and accurately anything which they might wish to ask. Foreign Minister Benediktsson stated that the most important question in their minds is whether it is possible from a military viewpoint to provide Iceland reasonable assurance of

security without placing military forces in Iceland in peace time, though with the understanding that some facilities would be provided in event of war. I stated that I understood that Iceland has no military forces and only a small police force, and that should Iceland join the Pact there would be no question of stationing troops there in peace time but that certain facilities are and would be in existence for use in war. The mere existence of these facilities might encourage an aggressor to attack Iceland. The question therefore is how much advance notice might we have of such action and what can we do to prevent it. If we could tell the Icelanders that we have a reasonable hope of preventing it, it would be a comfort to them.

General Anderson explained that it is in our primary interest to prevent the seizure of Iceland by hostile forces. We would hope to have some advance warning. Should an attack be launched by water we would have more time to counter it, but the flight of the jet planes last summer showed the feasibility of using them for quick defensive action. In the plans for US responsibilities in case of aggression high priority would be given to the defense of Iceland. Admiral Wooldridge pointed out that prior to the outbreak of hostilities there is usually a period of strained relations during which forces can be deployed to meet the anticipated situation, and that the case of Iceland is different from that of Pearl Harbor because Iceland is in the strategic path of Russia, whereas we thought Pearl Harbor was not in the strategic path of Japan. In reply to Minister Benediktsson's query regarding the possible use of submarines Admiral Wooldridge stated that they could carry only small numbers of troops and probably an attack would depend more on the use of an air drop. General Anderson observed that this would require large forces and would appear not to be good tactics. Iceland is strategically located for attack in both directions and both sides would seek to prevent the other from using it. However, the greatest danger is from local action by subversive elements.

Minister Benediktsson asked whether, if Iceland knew the Russians were trying to land there, they could prevent it by demolition, to which General Anderson replied that this would be effective for a time but we also have plans to fly troops in. He added that the Navy has demonstrated the usefulness of carrier planes in that area and that airplane troop transports are sitting ducks for carrier planes. Regarding the distance from Russian bases General Anderson pointed out that it is roughly half as far from Great Britain as from Russian bases near Northern Finland and that in the event of an emergency we would move air units to Goose Bay and Greenland. Minister Benediktsson pointed out that there is a real possibility that the Rus-

sians might attempt an attack because they could do much harm with small numbers, but General Anderson explained that the degrees of possibility vary. We worry about a Trojan horse attack by submarines or freighters and about sabotage. There is much less chance of an airborne attack which he said he believed would not seem attractive to the Russians.

I pointed out that yesterday Minister Benediktsson had asked whether, if Iceland joined the Pact, there would be any change in the facilities to be maintained there, without bringing in troops, but for use in the event of war. I said that we had explained that this was to be worked out under Article 9 of the Pact but that we estimate there would be no great material change except for the extension of the runways. General Anderson added that there are plans for a few changes, such as additional housing, the extension of the runways and the construction of a fence, but that the most important addition to the facilities which we have in mind would be the increase of fuel storage capacity by 100,000 barrels.

Minister Benediktsson then inquired whether, if the members of the Pact had control of the airfield in war time, it would be used for launching attacks or for transit. General Anderson explained that it would be used largely for transit and anti-submarine operations and that it would not likely be used as a base for attack on Russia, as long as we had available bases nearer the target. I reiterated that the whole Pact is defensive and Mr. Bohlen pointed out that in war time the question of attack or defense is academic. Minister Benediktsson stated that he understood this but that for purposes of propaganda in Iceland it would help if they could say that other bases are available for attack and that Iceland would be used only for defense.

Minister Benediktsson went on to observe that over half of the Icelandic population lives relatively near Keflavik and that an effort to destroy the field might harm many people. Reykjavik is sufficiently far away that it would probably not be accidentally hit by bombs but there is an airfield at Reykjavik and the harbor for Keflavik is also there, so the city may be in direct danger. If Iceland is in the Pact it would want assistance to reduce this danger. He then asked whether we thought it possible that Russia would send parachutists if the field were defended. General Anderson replied that if they made such an attack they would no doubt use paratroops rather than attempt a landing because the latter is very dangerous and slow. He further stated that we would not allow the Russians to hold Iceland regardless of whether they were in the Pact. In reply to Mr. Eysteinn Jons-son's question as to whether it would be of value for Russia to seize the airport and hold it for a short time, General Anderson replied



that a third war would not be simply a Pearl Harbor and then a long period of preparation but that the air activity would be intense during the first few weeks. Russia must consider the airfields which we can use. There are others closer and more dangerous and they could not hit them all. Admiral Wooldridge added that their attempts would be affected by the degree of effort involved and that if Iceland could be taken easily it would move up on their list of priorities. Mr. Jonsson then asked whether, if it is unlikely that Russia could keep Iceland, their interest would not then be to seize and destroy the facilities there. Minister Benediktsson added that it is always more difficult to eject enemy forces once they have gotten in, particularly without harm to the Icelanders, but he said that he understood we thought Iceland to be reasonably defensible without placing forces there in advance and that we have plans for such defense. General Anderson replied that it would be vastly better to have forces there in advance, but that there is a very good chance to defend it anyway and that we can make plans for action on the basis of reasonable warning.

Minister Thors questioned whether, if Iceland signs the Pact, that would make clear to the world that the United States would come to their aid and I replied that it was our hope that this would be unmistakably clear. Admiral Wooldridge observed concerning the danger of bombardment that there is far more damage caused in re-taking a position than in defending it but that in any case Iceland cannot depend upon neutrality in view of its strategic position.

In reply to Mr. Jonsson's question as to whether a seaborne invasion would be likely to be observed before reaching Iceland, Admiral Wooldridge reiterated that war might begin with such an attack on Iceland, but that he believed its imminence would be apparent, thus allowing time for deployment of forces to prevent it.

Minister Benediktsson observed that it might be necessary to have a guard at Keflavik to protect the facilities against sabotage and General Anderson replied that this would be most desirable. Minister Benediktsson explained that they have 150 policemen, chiefly unarmed, in Reykjavik and that they desired to strengthen this force but are prevented by the cost. This, however, would be a program which Iceland would have to study. They now need protection against Communist riots. The Communists could take over the whole country at any moment they desire and this is a question which Iceland must solve. General Anderson noted that the Communists are not more numerous than the rest of the population and asked why the population should not be organized. Minister Benediktsson explained that the Icelanders are averse to the use of force and most Icelanders do

not believe that the Communists would use it. It is difficult to educate the people and change their habits of mind and this is the greatest obstacle in Iceland, to the development of military forces or joining the Atlantic Pact. I pointed out that Stalin is the actual founder of the Atlantic Pact and that unless they are united the small countries would be picked off one by one. Minister Benediktsson asked whether the Soviets were warned of Hitler's attack in 1941 and Mr. Jonsson questioned whether Germany had planned to attack Iceland. He further inquired as to whether a Soviet air attack could put the airfield out of use for a long time. General Anderson replied that it could destroy the fuel storage facilities but that the damage to the field itself would be only temporary. Minister Benediktsson pointed out that they could do the same damage with less risk by using fifth columnists. I reiterated that internal sabotage appears to be the greatest danger and is a cause for more worry than a possible attack.

Minister Benediktsson then asked whether the Russians have any bases on Spitsbergen. General Anderson replied that we have no evidence that they do have such bases and that though they would be useful, particularly if Russia had designs on Iceland, reconnaissance last summer (not made by the United States) showed no indication that such bases had been established. Mr. Jonsson then questioned if Iceland might prepare to place obstacles on the runway to prevent a Russian landing. General Anderson pointed out that a number of relatively simple steps could be taken, such as putting out trucks or using land mines. Minister Benediktsson concluded that there are many possible courses of action but that the best preventive steps lie in common advance planning, to which General Anderson indicated his agreement.

JOHN D. HICKERSON

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840.00/3-1649 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET      US URGENT

LONDON, March 16, 1949—2 a. m.

983. Eyes only for Secretary. I met with WU Consultative Committee late this afternoon.<sup>1</sup> Bevin opened our meeting by stating that after two days work, committee had drafted a response to our memorandum<sup>2</sup> on MAP which he felt covered all matters of principle ade-

<sup>1</sup> March 15. The Consultative Council met on March 14 and 15, attended by the Foreign Ministers, Defense Ministers, and in some cases, the Finance Ministers of the five Brussels Treaty powers.

<sup>2</sup> Presumably the informal memorandum presented to Bevin on March 1. See telegram 750, p. 136.

quately and represented a remarkable effort of cooperation by Brussels Pact countries. Bevin said committee would meet again immediately to finalize draft and would then adjourn. He and Schuman, who are seeing me tomorrow morning on another matter, would give me the final paper at that time.

Bevin said there was one small question he wished to put to us which we could answer directly to the military committee; will the US require in WU's formal request for assistance a set of more specific lists of requirements than that already included in Defense Ministers report of January 14? <sup>3</sup> (Please answer soonest.)

Bevin next stated there would be certain annexes to the paper, one of which, particularly, he felt he should tell me about. It concerns the principle involved in our warning to the Dutch re Indonesia. Annex enunciates, so Bevin said, that there must be solidarity among any equality of treatment for the Brussels Pact countries—no one should be singled out for special action. Bevin said they all recognized that their relationship is under greater umbrella of Atlantic Pact and UN, but in coming to US in regard to military assistance, the Brussels powers came as one body. The WU organization should “deal with US on a basis of oneness”.

Bevin then invited other members of the committee to make any observations they wished. Schuman, Spaak and Stikker responded with brief acknowledgments that Bevin had stated their position well.

I then told the committee our views as to great importance of WU representatives and ourselves working in collaboration. We could get guidance from WU countries and felt we could help them in resolving some of their problems.

I said I could not answer the question regarding new detailed lists of requirements completely at this time, but we would inform military committee. There might be need for some further amplification or expansion on some items, or alternatively reduction, but matter could easily be handled directly with military committee.

I felt it better to refrain from discussing question of the annex which expresses general principle directed towards possibility of separate treatment of the Dutch because of Indonesian question and therefore did not reply on this matter.

I then reiterated the various matters of principle which I said I assured [*assumed?*] WU paper on which they had been working covered in full. When we came to question of reciprocal aid, it became apparent that little or no mention of this principle was in draft. I said it was important to have fairly explicit acceptance of principle in draft, and that from standpoint US, principle was not identical

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<sup>3</sup> Not identified in Department of State files.

with that of mutual aid. Bevin said that they had difficulty on this point because they could not be sure what US means by "reciprocal aid", and also could not anticipate the signing of Atlantic Pact. It was matter of most extreme political delicacy, and fact that our Congressional time table required acceptance of principle before Atlantic Pact was signed created a cart-before-horse situation. He, for instance, might have to make statement in Parliament on MAP in which he could handle mutual aid easily because it was already specific, but reciprocal aid would be different.

I told committee of our full appreciation of their problem, but reiterated necessity of some explicit mention of reciprocal aid in their document. I suggested they might be able to accept broad principle with understanding that details would be defined and worked out later.

Bevin said acceptance of general principle was not easy. He hoped US realized mutuality involved in MAP; that while we were generously offering considerable quantities of equipment, WU powers were in the front line and were accepting grave risks. The consultative committee had discussed this principle at length during meeting. He begged that US would not overemphasize material aspects of MAP.

I spoke of MAP being partial implementation of Atlantic Pact and said our problem was to reconcile problems raised by public opinion in Europe as against public opinion in US. I said that I did not believe, at present stage, we were talking of base rights so much as of other things such as transit rights in time of war, services, etc. I again suggested they attempt to find some language which could show an acceptance of principle of reciprocal aid.

I then asked if it might not be possible for us to see their draft paper before members of committee left London, so that we might offer comments, if any arose, to aid in our common enterprise. Bevin felt that this was not possible since US was asking for European approach to US, the Ministers had met under instructions from their governments, and it would not be compatible with our suggested approach if we were to comment before receiving agreed document. We discussed this point at some length, during which I sensed that perhaps some other members of committee would not have objected. I tried to make plain that my suggestion was solely to aid committee, that they need not, of course, act upon any comments unless they found them acceptable, but that it would seem useful to me for us to cooperate informally to some extent in the work they had done. Bevin gave additional reasons as to why he thought it would not be desirable to let us see draft, and Spaak finally entered conversation with

observation that he felt sure draft would be fully acceptable to us and that therefore we were, perhaps, anticipating troubles which might not exist. I then let matter drop.

I asked if I might raise question which I felt our governments would be confronted with sometime in near future. It was the matter of an extension of mutual aid principles to non-WU Atlantic Pact countries. (Reference paragraph 5 Deptel to London 834, repeated Paris 800<sup>4</sup>) Bevin said that this was most difficult question and the others seemed to agree. Bevin hoped we might for moment keep matter secret, but he was sure all would consider it and would let us have their views later.

We briefly discussed question of presentation of MAP to public and there was agreement that we should recognize problem of French elections, but that after that time there should be coordinated presentation in all countries.

Meeting seemed at certain times to be somewhat tense. Bevin, as chairman, did most of talking and showed evidence of the strain involved in two days of continuous session. I was not happy, though perhaps wrongly so, with attitude that we should not really, though informally, be brought into the picture until after committee had formally adjourned.

The above is perhaps somewhat exaggerated reflection of Bevin's remarks. Since he spoke extemporaneously it may possibly be a misrepresentation of his attitude. I believe, however, that it may not express the attitude of others present. For example I sensed Schuman and Spaak felt that reference to reciprocal assistance to US was not only necessary but right. Moreover after we had risen Schuman, Spaak and Stikker told me privately and separately that we would be completely satisfied with document in its final form.

Later tonight Bevin asked me to call at 9:30 tomorrow to read document before meeting with Schuman and himself at 10 so that I could make comments.<sup>5</sup>

Suggest that no conclusions be drawn from this cable until I have had opportunity to put all pieces together and give you objective assessment.

Will report further after talking with Bevin and Schuman tomorrow morning and after lunching with all other Brussels Foreign Ministers except Schuman and Luxembourgier.

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<sup>4</sup> March 12, 1949, p. 195.

<sup>5</sup> In his telegram 988 of March 16, 1 p. m., not printed, Douglas informed the Department that the full text of the military request from the Brussels Treaty powers was handed to him by Bevin that morning at 10 a. m. The text, including an appendix on the Belgium-Luxembourg contribution, was quoted in the telegram (840.00/3-1649). For revised text dated April 5, see p. 285.

Repeated Paris eyes only for Caffery and Harriman, Brussels eyes only for Kirk, The Hague eyes only for Baruch.

DOUGLAS

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840.20/3-1649 : Telegram

*The Secretary of State to the Embassy in the Soviet Union*

SECRET US URGENT

WASHINGTON, March 16, 1949—noon.

160. Dept has under consideration possible issuance at time conclusion North Atlantic Pact of statement expressing interest US in security all areas world and especially security Greece, Turkey and Iran. Statement would probably say attack on those three countries would be "matter of grave concern" to us. Wld probably refer to Atlantic Pact but wld not be directly connected with it.

Wiley<sup>1</sup> has indicated fear such statement might provoke aggressive Soviet action against Iran, and Brit Amb Tehran has reported even more strongly his fears that Soviets would view it as reason or pretext for invoking 1921 treaty and occupation Azerbaijan.

Brit Govt has been urging issuance proposed declaration by US and UK re Greece and Turkey and recently agreed include Iran but has reversed position and is presently opposed to declaration and especially to inclusion Iran. Understand position re Iran determined by fears Soviet reaction as suggested by Le Rougetel.<sup>2</sup>

Urgently request your views probable USSR reaction to declaration type indicated.

ACHESON

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<sup>1</sup> John C. Wiley, Ambassador in Iran.

<sup>2</sup> Sir John H. Le Rougetel, British Ambassador in Iran.

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840.20/3-1649 : Telegram

*The Secretary of State to the Embassy in Italy*<sup>1</sup>

TOP SECRET US URGENT  
NIACT

WASHINGTON, March 16, 1949—7 p. m.

482. Depcirtel Mar 16, 1 a. m.<sup>2</sup> Convey to FonMin the fol:

"I have the honor, on behalf of the Governments of Belgium, Canada, France, Luxembourg, the Netherlands, Norway, the United Kingdom, and the United States to transmit to Your Excellency the

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<sup>1</sup> This invitation to sign the NATO Treaty was sent also to the Embassies in Denmark and Portugal as telegrams 105 and 72 respectively, neither printed (840.20/3-1649). An identical invitation was delivered to the Iceland Minister of Foreign Affairs on March 17 during his visit in Washington (840.20/3-1749).

<sup>2</sup> Not printed.

text of the North Atlantic Treaty proposed for signature in Washington during the first week in April 1949 probably on April 4. The above-mentioned Governments invite the Government of [Italy] to join with them in signing this Treaty at that time."

You should further inform him orally that several of the FonMins of participating govts plan proceed Washington for signature Treaty and US Govt would be gratified if he could be present. Further details on conf for signature will be sent you soon as agreed.

Fact that invitations have been extended to Ital, Dan, Port, and Ice Govts but not texts of invitations, will be released press 12 noon GMT Mar 17.

ACHESON

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840.20/3-1649: Telegram

*The Secretary of State to the Embassy in Turkey*

SECRET

WASHINGTON, March 16, 1949—6 p. m.

102. Turk Amb today reiterated and emphasized previously expressed views that exclusion Turkey from North Atlantic Pact seriously weakens Turk position vis-à-vis USSR and opens way for Soviets to produce split in Turk public opinion.<sup>1</sup> He stressed that inclusion non-Atlantic power, namely Italy, points up exclusion Greece and Turkey, which are only two free European powers wishing to join Pact not invited. Argued that Turk public would interpret this as meaning US and Western European states unwilling to assume risk of pledging to come to aid of Turkey if she were attacked. Previous US statements in support Turkey, such as Truman Doctrine and President's message last Oct 29<sup>2</sup> have lost effect because of comparison with new and closer obligations assumed by US to Western Europe. Added that inclusion both Italy and France in Atlantic Pact made it very difficult for Turkey to realize Medit group which was her logical alternative to membership Atlantic Pact.

Amb also cited unwillingness Adm Conolly open mil staff talks following encouragement given by Adm Radford as cause of worry to Turk Govt re attitude US toward Turkey.

Request your estimate effect on Turk Govt and public opinion of exclusion Turkey from Atlantic Pact and possible eventual decision of US not to encourage or associate itself with Medit or Near East group including Turkey. Especially wish your views whether Turk disappointment this regard could result in any weakening determina-

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<sup>1</sup> A memorandum of conversation covering this March 16 meeting between Satterthwaite, Jernegan, and Ambassador Feridun C. Erkin is in Department of State file No. 840.20/3-1649.

<sup>2</sup> For statement by President Truman on the twenty-fifth anniversary of the Republic of Turkey, see Department of State *Bulletin*, November 7, 1948, p. 585.

tion Turk people continue firm resistance USSR. Erkin says, among other things, leaders of group such as Nation Party could seriously embarrass Govt by querying attitude Western powers toward Turkey in light refusal include her in European defense group. Do you believe this is serious danger?

ACHESON

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840.20/3-1749 : Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

SECRET US URGENT

Moscow, March 17, 1949—11 a. m.

672. ReDeptel 160, March 16. We do not believe Soviet Union will make any aggressive move with armed forces this year likely to embroil it in major hostilities with west powers. Kremlin will, however, organize, support and supply so-called local and liberation forces, notably Greco-Macedonians in north Greece and south Yugoslavia. Barzani Kurds in Iran-Iraq, North Korean bands in South Korea, et cetera, all calculated to weaken local governments and contribute to worldwide war scare.

However, we do not anticipate any major effort in Iran, and particularly do not see any likelihood invocation 1921 treaty and occupation Azerbaijan. That such move relatively useless and advantage incommensurate with risk major clash involved doubtless impressed on Moscow by previous unhappy experience under comparatively favorable conditions. While local native disturbances might be organized in Azerbaijan we think target any eventual future Soviet aggression towards Iran will be control Central Government and capital in order obtain mastery entire country.

We believe Soviet intentions would be little affected by statement of nature suggested, since these surely already take account our previously demonstrated positive interest. Propaganda reaction would be strong, along established lines of damning American aggressive imperialism, but this now rather shopworn. On whole we consider statement useful supplement Atlantic Pact, which inevitably draws public attention to west, and believe issuance would be useful reassurance to peoples on southern periphery as well as timely reminder to Kremlin that we are not dropping our guard anywhere. Any statement should certainly include Iran, since our stronger direct support Turkey and Greece, which make these countries less vulnerable spots, to large extent speaks for itself. However, we believe statement should be most carefully worded to avoid any implication we are accusing Soviet Government of intending launch armed attack on countries named. Thus, for example, we would suggest saying that "continued



independence and integrity" Greece, Turkey and Iran matter grave concern to US, rather than that "attack" on them would be grave. Finally we consider almost essential British join in issuance statement, since American British solidarity in Near East area seems to us matter of great practical and psychological importance, both in region itself and in Moscow.

Sent Department 672, passed London 66.

KOHLER

840.20/3-1749

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 17, 1949.

Participants: Mr. Bjarni Benediktsson, Foreign Minister of Iceland  
Mr. Eysteinn Jonsson, Leader, Progressive Party  
Mr. Emil Jonsson, Leader, Social Democratic Party  
Mr. Thor Thors, Minister of Iceland  
The Secretary  
Mr. Gross, Assistant Secretary  
Mr. John D. Hickerson, Director, EUR  
Mr. Benjamin M. Hulley, Chief, NOE

The Foreign Minister expressed appreciation of the full and frank discussions with my colleagues on the many questions which he asked. He said he had been a sort of Spanish inquisitor and that the way in which his questions had been answered could not have been more satisfactory. He thought he had all the information necessary to explain the Pact to the people of Iceland. He had no other questions to bring up.

I thanked him for his kind statement and assured him it had been a pleasure to have him and his colleagues here to engage in the talks which this visit made possible.

(A joint press release was agreed to.)

I said that I understood from Mr. Hickerson that the phrase "including the use of armed forces" in Article 5 was troubling the Foreign Minister and that a suggestion had been made that in a brief speech incidental to the signing ceremony, he might mention the special status of Iceland as a country without armed forces. There would undoubtedly be speeches made by each Foreign Minister at that time and I thought it would be proper to follow this suggestion if the Icelandic Foreign Minister so desired. Mr. Benediktsson thanked me but said that he would want to discuss with his colleagues the best manner of handling this and he would not decide it until after his return to Iceland.

Mr. Gross asked about the prospective Icelandic schedule. Mr. Benediktsson said he would be back in Reykjavik on Monday, March 21 and would immediately lay the matter before his colleagues in the Cabinet. After that the various parties would hold party meetings to discuss it and it was there that the real decision would be made. There would then be a public debate in Parliament. Possibly by the end of the week (March 26) the matter would be decided.

DEAN ACHESON

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*Editorial Note*

The text of the proposed North Atlantic Pact, printed herein on page 281, was made public on March 18, 1949. On the same day, Secretary of State Acheson delivered an address on "The Meaning of the North Atlantic Pact". For text of the address, together with a brief statement on the Pact by the U.S. Representative at the United Nations, Warren R. Austin, see Department of State *Bulletin*, March 27, 1949, pages 384 ff.

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840.20/3-1849 : Telegram

*The Ambassador in Portugal (MacVeagh) to the Secretary of State*

TOP SECRET      US URGENT

LISBON, March 18, 1949—6 p. m.

98. Secretary General of Foreign Office informed me this morning that Portuguese Ambassador Washington<sup>1</sup> has been urgently instructed consult Department and seek answers to following questions (mytel 96, March 17<sup>2</sup>).

1. Is treaty submitted final, or can it be modified in accordance with Portuguese suggestion of duration limited to ten years?

2. If treaty is final without possibility of modification, could Portuguese sign with reservation as to duration?

3. If above two alternatives impossible, could Portuguese Government accede to pact at later date with same reservation?

Secretary General added invitation will be placed before cabinet immediately answers to above received.

In repeated conversations yesterday and today, both Ronald and I have used every possible argument persuade Portuguese Government sign pact as stands, both in general interest and that of Portugal itself. Nevertheless Portuguese attitude remains precisely as stated in mytel 87, March 10, though I believe signature now practically cer-

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<sup>1</sup> Pedro Theotónio Pereira.

<sup>2</sup> Not printed.

tain if some such procedure as that suggested in final sentence that message could be permitted.<sup>3</sup>

Regarding effectiveness of Department's request to Pereira (Deptel 78 [73], March 17<sup>4</sup>) that Portugal "consider duration not only from aspect of Portuguese commitments but also from aspect of US commitment to assist Portugal during 20 years period," which request I strongly reiterated here this morning, Department may refer to final sentence paragraph two mytel 19 of January 20.<sup>5</sup>

MACVEAGH

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<sup>3</sup>The last sentence of telegram No. 87, not printed, read as follows: "Believe therefore that if anything like 20 year period desired, Portuguese Government more likely join if definite duration limited 10 years with remainder covered by usual clause permitting withdrawal on notice given" (840.20/3-1049).

<sup>4</sup>Not printed.

<sup>5</sup>In final sentence of telegram No. 19, not printed, MacVeagh warned that if Portugal were not adequately supplied with ECA funds, his local leadership and prestige would be impaired and negotiations on such matters as the Azores might be seriously jeopardized (840.50 Recovery/1-2049).

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640.002/3-1949 : Telegram

*The Ambassador in Belgium (Kirk) to the Secretary of State*

SECRET

BRUSSELS, March 19, 1949—6 p. m.

405. Spaak says Benelux meeting Hague last week-end resulted in satisfactory protocol and general agreement. For himself he says he took long-range decision to back Benelux limit based on premise that ERP would revive western Europe, that Atlantic Pact would provide necessary defense, and that Soviets would fail declare war. As result, he has agreed grant additional credits Holland even if such strains Belgium's resources. He points out, however, that successful participation Holland depends upon continuation ECA aid Dutch and early solution Indonesia problem is imperative.

He intimates attainment full possibilities Benelux depends upon our continued sympathetic interest and support all parties thereto and implies that to weather future financial storms further ECA help may be necessary.

Sent Department 405; repeated Hague 32.

KIRK

840.20/3-1949 : Telegram

*The Ambassador in Portugal (MacVeagh) to the Secretary of State*

TOP SECRET

URGENT

LISBON, March 19, 1949—6 p. m.

99. Deptel 77, March 19 [18].<sup>1</sup> Both Ronald and I feel that Portuguese Government is now inclining to refuse invitation if answers to all three questions are negative but that is not yet convinced of desirability of doing so, which leaves us further room for action. Much publicity given announcement of treaty in all papers this morning, apparently in view of possible adherence. However, Salazar<sup>2</sup> still able explain that after careful examination of document he feels Portuguese sovereign interests insufficiently covered in matter duration, and this would probably satisfy local public opinion favorable to treaty, particularly if accompanied by allusion to possible future invitation under Article 10.

In these circumstances, and provided Department really wishes Portuguese signature now, I recommend earliest sending of warmly earnest personal message from Secretary Acheson to Salazar, emphasizing great importance attaching to maximum unity among Atlantic Powers for discouragement aggression and playing up in some degree to characteristic Portuguese susceptibilities now clearly affected by receiving text as *fait accompli* with only few days allowed for decision to adhere. As regards duration, it would be well if such message could explain that provision for review of treaty after ten years means possibility of such alterations in text as any one of the parties feel may be desirable at that time or thereafter in view of changed conditions. But in any case, matter is now on highest level here, and as Salazar is notably averse to long-term international agreements, as evidenced by Azores negotiations and recently renewed Spanish-Portuguese treaty of friendship and non-aggression, an appeal to his statesmanship to view present matter in larger light required by world situation would seem appropriate and might prove effective.

In this connection, I presume the Department will have received a copy of the message sent by Mr. Bevin to Dr. Salazar through Portuguese Ambassador London.

MACVEAGH

<sup>1</sup> In telegram No. 77, March 18, MacVeagh was informed that replies to the questions posed in telegram No. 98 (p. 237) could not be given without consulting other participating governments but would probably be negative. (840.20/3-1849)

<sup>2</sup> Antonio de Oliveira Salazar, Portuguese Prime Minister.

*Statement on the North Atlantic Pact by the Department of State*<sup>1</sup>

[Extract]

[WASHINGTON,] March 20, 1949.

**THE NORTH ATLANTIC PACT: COLLECTIVE DEFENSE AND THE PRESERVATION OF PEACE, SECURITY AND FREEDOM IN THE NORTH ATLANTIC COMMUNITY****THE ATLANTIC PACT AND THE EUROPEAN RECOVERY PROGRAM**

The North Atlantic Pact is a necessary complement to the broad economic coordination now proceeding under the European Recovery Program, but there is no formal connection between the Pact and the ERP since the latter includes countries which will not participate in the Pact.

In the view of the United States, the Pact and the ERP are both essential to the attainment of a peaceful, prosperous, and stable world. The economic recovery of Europe, the goal of the ERP, will be aided by the sense of increased security which the Pact will promote among these countries. On the other hand, a successful ERP is the essential foundation upon which the Pact, and the increased security to be expected from it, must rest.

**THE ATLANTIC PACT AND MILITARY ASSISTANCE**

A military assistance program is now being considered by the executive branch of the Government. This program, another measure for securing peace for the United States and other peace-loving nations, envisages aid to the members of the Pact as well as other friendly states of the free world. As President Truman stated to the Congress in March 1947: "I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. . . . Totalitarian regimes imposed upon free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States." Since May 1947, military assistance has been provided to several countries under this policy.

While the North Atlantic Pact does not expressly commit the United States to furnish military assistance to the other Parties of the Pact, the decision to do so by the United States would be one way in which this nation could logically contribute to the mutual aid concept expressed in article 3 of the Pact. It is not intended, however, that one

<sup>1</sup> For the complete text, see Department of State *Bulletin*, March 19, 1949, pp. 342-350; printed also as Department of State publication 3462.

nation should carry on its shoulders the entire burden of maintenance of the security of the North Atlantic area. The United States is one of the contributors to this effort. The United States is fully aware that it does not have available unlimited supplies and that it is essential that its own armed forces be adequately equipped. Allocation of such military equipment as is available for transfer to other countries must be made in such a manner as will serve the over-all security interests of the United States.

In accordance with the principle of self-help and mutual aid, the other members of the Pact have already taken action to further the security of the North Atlantic area. Their efforts toward reestablishing sound economies are a vital provision of self-help in the security arrangements. The military budgets already carried by many of these countries, despite the tremendous load of economic recovery expenditures which they are undertaking, are an added expression of their intention of helping themselves and of not relying solely or even principally on United States assistance to maintain their own security and that of the North Atlantic area.

#### THE PACT AND EUROPEAN INTEGRATION

*Economic and Political Cooperation.* The North Atlantic Pact is made possible by the strides the Western nations of Europe have taken toward economic recovery and toward economic, political, and military cooperation. The core of the economic recovery effort is the European Recovery Program and the Organization for European Economic Cooperation (OEEC), composed of the 16 countries receiving American aid through the United States Economic Cooperation Administration (ECA). The 16 countries in the OEEC and represented on its Council are the United Kingdom, Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, and Turkey. Western Germany also participates fully in the OEEC. The Charter of the OEEC pledges the continuing effort of these countries to increase production, modernize industry, stabilize their finances, and balance their accounts with the outside world in order to make their full contribution to world economic security. Lines of action to increase cooperation through 1952 have been prepared. Support and aid to this integration has also come from the United Nations Economic Commission for Europe, of which the United States is a member.

840.20/3-2149: Telegram

*The Secretary of State to the Embassy in Portugal*

TOP SECRET

WASHINGTON, March 21, 1949—7 p. m.

79. Pls convey fol personal message Dr. Salazar from me (Embtel 99 Mar 19) adding suitable salutation and close:

Amb Pereira and Amb MacVeagh have both conveyed to me Your Excellency's preoccupation with the twenty-year term for the proposed North Atlantic Treaty and the reasons therefor arising from Port's historic policy of avoiding involvement in continental conflicts in Eur.

I well understand your preoccupation. My own govt has, since the early days of its independence, always endeavored similarly to avoid involvement in Eur conflicts. US participation in the proposed North Atlantic Treaty represents such an important change in our historic policy that we too have given most careful thought to the question of the duration of the treaty. Brit, Fr, Belg, Neth, and Lux govts strongly preferred a duration of fifty years but my govt was reluctant, as is yours, to accept such a long-term commitment. After the most careful consideration, however, my govt reached the conclusion that twenty years with provision for review after ten years represented the best term. This provision for review provides an opportunity to make such changes as may be necessary to adapt the Treaty to the international circumstances prevailing at that time. We believe that a shorter duration would not be adequate to provide in Eur the necessary long-term stability and confidence of security.

In view of the consistently expressed desire of the other govts for a long duration I can see no possibility of their agreeing to reduce the Treaty to a ten-year term. While the possibility of a Port reservation could only be decided by all the participating govts, my govt would be unhappy to see Port participate on less than an equal footing with the other participants and would be seriously concerned lest any reservation by any govt be taken as a precedent by other govts or parliaments for the imposition of other reservations which might seriously weaken the whole Treaty. The question of later accession to the Treaty, and the terms of accession by any govt, could be decided only by unanimous agreement of the Parties after the Treaty had come into effect.

Port is both in a geographic and historic sense an Atlantic and a European nation. This fact is an important element in the close ties and similarity of outlook which bind Port and the US together. Your Excellency's govt has given many indications of its Atlantic outlook and its interest in contributing to the security of the North Atlantic area. The arrangements so happily concluded concerning facilities in

the Azores are concrete testimony of Port's interest in, and contribution to, the security of the area. The proposed Treaty provides an unprecedented opportunity for our two countries to join in a mutually beneficial security arrangement. In these circumstances I strongly hope that Port will decide to join with the United States and other Atlantic nations as a full and original partner in this great cooperative step to promote peace through discouraging aggression and contributing toward the stability and security of the North Atlantic area.

ACHESON

840.20/3-2249: Telegram

*The Ambassador in Portugal (MacVeagh) to the Secretary of State*

TOP SECRET

US URGENT

LISBON, March 22, 1949—6 p. m.

103. Re invitation joint Atlantic treaty, two Cabinet meetings have been held without result, but Foreign Minister hopes for decision tomorrow. Message from Secretary (Deptel 79, March 21) would thus seem to have arrived at most useful moment: I gave it to the Foreign Minister this afternoon, and he promised to hand it to Salazar within half-hour.

Spanish Ambassador called on Foreign Minister yesterday and said Portugal should not sign pact, since this in conflict with Luso-Spanish treaty of friendship. Foreign Minister rejected this view, explaining consultations under pact called for only in case aggression and maintaining that neither inconsistency with existing agreements nor impediment to future defense arrangements between Spain and Portugal involved. Told me he felt Spanish *démarche*, which has given rise to many rumors here, was ill-conceived, but excused it on grounds Spanish pride wounded by exclusion from treaty group.

MACVEAGH

840.20/3-2349: Telegram

*The Secretary of State to Certain Diplomatic and  
Consular Offices*<sup>1</sup>

US URGENT

WASHINGTON, March 23, 1949—2 p. m.

At press conference today, Sec State commented as follows:

"During the drafting of the North Atlantic Pact, we were aware of the possibility that our formal expression of serious interest in the security of countries in the North Atlantic area might be misinter-

<sup>1</sup> Sent to: Greece, Turkey, Iran, the United Kingdom, and the Soviet Union.



puted as implying a lessening of our interest in the security of countries in other areas, particularly the Near and Middle East.

In my radio discussion of the North Atlantic Pact last Friday night,<sup>2</sup> I tried to make clear our continuing interest in the security of areas outside the North Atlantic community, particularly in Greece, Turkey and Iran. I will repeat the portion of my speech bearing upon this subject: 'In the compact world of today, the security of the United States cannot be defined in terms of boundaries and frontiers. A serious threat to international peace and security anywhere in the world is of direct concern to this country. Therefore, it is our policy to help free peoples to maintain their integrity and independence, not only in Western Europe or the Americas, but wherever the aid we are able to provide can be effective. Our actions in supporting the integrity and independence of Greece, Turkey and Iran are expressions of that determination. Our interest in the security of these countries has been made clear, and we shall continue to pursue that policy.'

I think that should speak for itself."

ACHESON

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<sup>2</sup> See address of March 18 on "The Meaning of the North Atlantic Pact," Department of State *Bulletin*, March 27, 1949, pp. 384 ff.

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840.00/4-2249

*Minutes of the First Meeting of the European Correlation  
Committee*<sup>1</sup>

[Extract]

TOP SECRET

LONDON, March 25, 1949.

Present: Ambassador Douglas, Chairman  
Ambassador Harriman  
Minister Holmes  
General Huebner<sup>2</sup>  
STAFF AND CONSULTANTS  
Colonel Bonesteel  
Mr. Bonsal  
Admiral Conolly  
Colonel Hill  
General Kibler  
Mr. Linebaugh  
Colonel Westphalinger

Ambassador Douglas opened the meeting with a few preliminary remarks.

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<sup>1</sup> Held at the U.S. Embassy, London.

<sup>2</sup> Lt. Gen. C. R. Huebner, U.S.A., Deputy Commander in Chief European Command.

## U.S. RESPONSE TO WU REQUEST FOR MILITARY ASSISTANCE

**AMB. DOUGLAS:** The next point is the question of the U.S. response to the WU Request for Military Assistance. All cables on this subject have been distributed. I don't know if every member is fully informed as to what happened when the Consultative Council met in London. Col. Bonesteel was here. During the meeting Col. Bonesteel and I met one evening with Messrs. Bevin, Spaak, Stikker, Schuman and the Luxembourg Foreign Minister. We suggested then, in an informal way, that the Foreign Ministers give us an opportunity to examine the tentative draft they were sending us. Mr. Bevin and the others came to the conclusion that they should not follow this suggestion. The draft was delivered to us the following morning. On the whole it was not bad from our point of view. This Request for Military Assistance was sent to Washington. Washington suggested several substantial changes in the Request.<sup>3</sup> We took them up with Bevin. He told us he thought the best way to deal with the matter was for the US Government to submit a reply interpreting the language according to our own lights and clarifying our position on any points in the Request. He said it would be impossible to reassemble the Consultative Council and have them make the changes we had in mind. Then he elaborated on the difficulties he had had in getting the five Foreign Ministers to agree to the document submitted. Bevin's view was passed on to Washington.<sup>4</sup> In the meantime, the British and French notes were delivered to the State Department, covering one or two of the points that were raised with respect to the Request.<sup>5</sup> Washington, after receiving my comments and Amb. Harriman's comments, replied \* to the suggestion by asking me to go to the Permanent Commission and take up the revisions we desired in the Request, and, through the Permanent Commission, obtain a modification of the draft. This was impossible. In the first place the Permanent Commission had no authority; and in the second place, even if it had had the authority, it probably would not have been able to modify the document to suit the Department. There were four major points in question. First, the document implies membership and participation of the US in WU. However, I think that the Request should not necessarily be so construed. It certainly was not their intention. Anyway, Washington felt it might be taken so. Secondly, it does not make clear that the US has the final deter-

\* Telegram 953 to London, March 19, for Douglas from the FACC, not printed.

<sup>3</sup> The conversation between Douglas and Bevin on March 21 was described in telegram 1105 from London, March 22, not printed.

<sup>4</sup> Notes presented on March 18 by Bonnet and Hoyer Millar in separate conversations with Ernest A. Gross, Coordinator for Foreign Assistance Programs. These notes, not printed, are in Department of State file 840.00/3-1849, together with memoranda by Gross covering the two conversations.

<sup>5</sup> Telegram 1004 to London, March 23, not printed.

mination of the allocation of US assistance. The third point is that this document does not make sufficiently explicit the intention of WU to increase their military production. The fourth point is the expectation that WU will distribute dollar assistance from the US among its members. This point, however, can be taken care of in our reply and seems identical with the second major point, namely that the US has the ultimate determination of the final allocation of US assistance. Finally, the principle of mutual aid is not spelled out as explicitly as desired.

Furthermore, Washington questions the principle of "equality of treatment." Washington feels that this principle is designed to prevent us from acting in the event that the Netherlands defies or does not conform to any order of the Security Council. There is no doubt that this language in the Request is associated with the Netherlands-Indonesian situation. Bevin stated that, while this language was intended to cover the Netherlands situation, it could also be applied with respect to the French in Southeast Asia, or with respect to the British in Malaya. However, all members of WU have equal obligations toward UN. Bevin feels that the US should not take unilateral action against any WU country when all of the latter have the same obligations toward UN. That is what that language, according to Bevin, means. I am inclined to think that this matter could be clarified in the US reply.

The issue is whether the Consultative Council should be asked to modify the Request or whether that document will be interpreted by the US according to our lights, and questions we have clarified in our reply. We are interested in retaining spontaneity in the WU approach to us. Can we preserve spontaneity by asking the Consultative Council to change their document to meet our wishes? I am of the opinion, and I think Ambassador Harriman agrees, that the most effective way of preserving spontaneity is to make our comments on the Request in our reply.

AMB. HARRIMAN: I agree.

AMB. DOUGLAS: As to presentation to public opinion at home, we think that the document which the Consultative Council has prepared, plus our written reply, will be adequate. We have communicated our views to Washington. I think you have all received copies of the cable sent out last night.<sup>7</sup> I know that Pat Carter talked to Paris about it before it went. There was coordination of opinion among us on this matter. We haven't yet had a reply.

Because it was impossible to resolve this matter through the Permanent Commission, I delivered to Bevin a brief memorandum referring

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<sup>7</sup> Telegram 1168, March 24, not printed.

to Washington's comments on the Request prepared by the Consultative Council. I told Bevin in a letter that I was handing this memorandum to him because I wanted him to be prepared for possible discussions in Washington.<sup>8</sup>

• GEN. HUEBNER: I have been sitting in the WU Chiefs of Staff meetings here the last week and I think we have got to control where our money goes. Either procedure you outline in your telegrams to the State Department would bring about this result. But we must have the final say as to the allocation of our assistance among members of WU.

AMB. DOUGLAS: I agree. However, if we ask WU to rewrite their Request, it seems to me that we really are coercing. We tell them we want them to be spontaneous but we won't let them be. Either we do or we don't. If they are in fact spontaneous, we are not barred from stating our opinion.

AMB. HARRIMAN: All of the comments which the Department has on the Request could be covered in the US reply. For example, FASC has raised a question as to the implications in the Request as to US participation in WU. We could clarify our relationship to WU in the reply. The question of whether WU has sufficiently indicated its intention to increase arms production does perhaps pose a problem, but this could be amplified in a subsequent note from WU.

AMB. DOUGLAS: Some of the language in the WU Request to which we now object was actually lifted right out of the Department's basic telegram, No. 627.<sup>9</sup> The British do not object to our retaining control over allocations of military aid and I think the WU countries will probably agree to all of Washington's comments.

AMB. HARRIMAN: Washington seems to feel that we should deal bilaterally with WU countries. Any effort on our part at bilateralism will have most serious political repercussions in France and on the Continent. It is not compatible with the concept of partnership and of equality as between WU and the US. Fears on both sides of the Atlantic are unrealistic and I think it should not be too difficult to resolve this problem.

AMB. DOUGLAS: General bilateral undertakings between the US and WU countries might seriously weaken WU. However, there is no objection on the part of WU to bilateral agreements with the US on technical questions such as transit rights, the granting of services, etc.

<sup>8</sup> The letter and memorandum are quoted in telegram 1168.

<sup>9</sup> Telegram 627 to London, February 24, not printed, summarized Department of State thinking on the prospective military aid program. These thoughts were incorporated in the memorandum submitted to Schuman on March 3, copy of which was transmitted to the Department in telegram 889 from Paris, March 3, p. 146.

AMB. HARRIMAN: I agree that bilateral arrangements of this sort are not objectionable. Further, we must have the final say as to the destination of our aid. However, we want solidarity and unity in Europe and therefore the Europeans must develop a habit of reconciling their differences. We must of course in the last analysis retain the final decision but this should be kept in the background.

AMB. DOUGLAS: Are we then in accord as to the position we should take with respect to the Request from the Consultative Council, namely that the US comments should be made in our reply?

*All agreed*, and also agreed that it would be desirable if the Secretary could discuss the general problem with the WU Foreign Ministers while they are in Washington.

It was agreed that the next meeting of ECC would be held late in April when General Huebner expects to be in London again.

The meeting adjourned.

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840.20/3-2549 : Telegram

*The Secretary of State to the Legation in Iceland*

TOP SECRET  
US URGENT

WASHINGTON, March 26, 1949—1 p. m.

53. Legtel 97 Mar. 25.<sup>1</sup> It would be preferable if Ice simply accepted invitation since any form of conditional acceptance would require agreement all participating governments. If FonMin feels it essential to say something along lines suggested care should be taken that it merely referred to existing situation and could not be taken as conditional acceptance. We do not like phrase "unable to declare war" and would prefer any statement to refer merely to existing situation rather than to constitute permanent limitation. We repeat it would be better if Ice could simply accept but if they must say something it might be to effect that Ice's special position as unarmed nation limits action it might take under Article 5.

Thors advised along foregoing line in response his inquiry.

ACHESON

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<sup>1</sup> In telegram 97, not printed, Butrick informed the Department of State that Foreign Minister Benediktsson was anxious to incorporate in Iceland's acceptance of the invitation to join the North Atlantic Pact a reservation regarding his country's ability to declare war (840.20/3-2549).

840.20/3-2649 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET

LONDON, March 26, 1949—9 p. m.

1212. Re Deptel 1003,<sup>1</sup> repeated Paris 916. ECC discussed reference cable and feels following comments may be useful.

Agree that mutual aid principle is problem. Neither Norway nor Italy members Western Union. Atlantic Pact not yet in effect. OEEC cannot be used as mechanism for international financial arrangements concerned with MAP. Consequently we foresee great difficulty for governments of Norway and Italy to agree, at this time, to principle of mutual aid and correlative principle financial arrangements for transfer of military equipment and supplies without disrupting inter European payment scheme. This especially true since WU is very chary at this time of idea of mutual aid to non-WU members.

Acceptance these principles in abstract and before Atlantic Pact in being would therefore seem to be asking a great deal of Italy and Norway. Presumably requests are to be made public and therefore governments would have to answer to Parliaments as to meaning and extent commitments taken.

All of above pertains with even greater strength to matter of reciprocal aid. Do not see how either country could make undefined commitment this subject before ratification Atlantic Pact.

ECC believes that if it is necessary to have definitive requests for aid from Italy and Norway, they should be on same basis as other non-WU countries to which US contemplates giving military assistance under MAP legislation. Their requests should not at this stage be predicted [*predicated?*] on acceptance by these countries of principles of common defense, mutual aid and reciprocal aid.

ECC believes inadvisable to press WU countries to agree that mutual aid will be extended to non-WU members of pact until after pact has become reality. Even then anticipate difficulties among others of arriving at financial arrangement for transfers on basis other than payments as reduced as possible by exchanges of finished armament or raw materials.

Sent Department 1212, repeated Paris 228 for Harriman.

DOUGLAS

<sup>1</sup> Telegram dated March 23, 1949, not printed, repeated to Paris, Rome, Oslo, Copenhagen, and Lisbon, concerning the timing and procedure of initiating arms-request discussions with Italy, Norway, Denmark, and Portugal similar to those already held with the Western Union powers. (840.20/3-2349)

840.00/3-2649: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, March 26, 1949—7 p. m.

1213. Reference Paragraph 6 Deptel 1017 to London<sup>1</sup> not repeated other addressees.

We appreciate difficulties being encountered in resolving problem of relationship between Atlantic Pact and Western Union. Matter discussed with ECC and following are our preliminary views which we will follow up with more considered thoughts soon.

Our feeling is that we must not artificially exaggerate difference in relationship, but all must realize that the Western Union countries comprise the hard core of possible military strength which may be developed in Europe and are strategically most important. Also must bear in mind that Brussels Pact and Western Union covers wider range than just military collaboration among signatories. Nevertheless, Western Union organization in its defense aspect is most important step towards achieving an "army of Europe" instead of nationalistic armed forces loosely coordinated. Under existing and probably continuing difficult economic conditions free Europe, Europe can only afford to support strength to resist threat of aggression by combining its forces in some way to get maximum efficiency through agreed allocations of missions, balancing of force on international scale, combined command, etc.

No matter what mechanics of organization under Atlantic Pact are arrived at, US position vis-à-vis Western Union countries should be one of intimate working relationship and, in fact, one of exercising influence towards unification on Western Union military policies and military aspects of Western Union as a body. Vigorous US action towards Western Union as a body will expedite movement towards integration of armed forces and strategic concepts. Unless there is increasing integration it may not be continuing good risk for US to divert its arms and money to what would remain no more than nationalistic European forces. Value received from dollars and equipment given these non-unified forces might not justify drain on US economy particularly since unintegrated forces and plans would mean diminished US and total Western Powers defense capabilities.

Our national interest demands that we foster the unity and solidarity of Western Union and for that reason we cannot understand apparent Washington emphasis on bilateral relations between US and individual Western Union members excepting, of course, few aspects

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<sup>1</sup> Telegram dated March 24, 1949, not found in Department of State files.

of reciprocal aid to US, which, because of unavoidable differences in geographical location and extent of individual members must necessarily vary among them.

We have been striving to increase economic integration through ERP, where it is very important, but when dealing with military instead of economic problem, unity in plans and action becomes essential. Although all recognize we will and should have bilateral arrangements on certain matters with individual countries, if US over-emphasizes attitude towards member nations of either Western Union or Atlantic Pact, that it must deal with each primarily on bilateral basis, we can and will be accused of pursuing same tactics as Kremlin vis-à-vis satellites, i.e., those of the great power dictating to smaller powers. This would kill conception individual equality in an association of partners which should be our greatest asset. We would endanger needed European unity and solidarity and weaken Europeans' confidence in US intentions.

It would seem most unwise to weaken Western Union in the process of absorption into a more diffused Atlantic Pact organization. Also strengthening of Western Union and assistance to Western Union countries must not be delayed by awaiting the organization of Atlantic Pact mechanisms.

Sent Department 1213; repeated Paris 229; Brussels 61; The Hague 50.

DOUGLAS

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840.20/3-2749 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET

LONDON, March 27, 1949—8 p. m.

1220. ECC discussed principle of "equality of treatment" in WU request for MAP and has following comments to make:

We fully appreciate pressures—Congressional, press and public—on Department regarding Indonesian question. It is not intent this message to concern itself with substance of Indonesian problem or Dutch actions. However we believe you would wish us to keep you informed of reaction to be expected in Europe to assertion by US of right to interpret unilaterally our UN obligations by suspending arms shipments under MAP to Dutch. Our comments are:

1. In asserting that right, we would be acting on assumption that French, British, Luxembourg, and Belgians will be less zealous than ourselves in carrying out our common and identical UN obligations and that common approach to Indonesian problem would be impossible. As matter of fact, closer relations made possible by MAP should



facilitate such approach and the reaching of a common position in which Dutch could cooperate.

2. In joining with us in MAP, WU governments are assuming grave responsibilities. They are agreeing to make common contribution to common defense, in which security of all, including US, is indivisibly involved. From point of view of immediate danger of war on own territory, European powers consider risks assumed by them greater than ours. Is it reasonable to expect them to accept a situation in which defense potential of one partner (Netherlands) might be suddenly diminished by American decision involving unilateral interpretation of international engagements to which all partners have subscribed? Can a common strategic concept be built upon such a possible development arising out of unilateral action by US?

3. We have been urging integration—both economic and political—on European nations. Some progress is being made. It seems therefore most unfortunate that in case of military integration, where governments concerned are dealing with lives or deaths of their countries, we should foreshadow a refusal to deal with WU as a unit on this problem, a problem in which we state that our conduct will be governed by our UN obligations which somehow or other, we imply, are not identical with obligations of Britain, France, Belgium and Luxembourg or which we will observe and they will not. Will not this policy be interpreted by European countries as being on [*one of?*] keeping a close string on each WU member separately rather than one of strengthening common organization and promoting common decisions? Is that policy therefore not thoroughly inconsistent with the broad objectives of ERP, MAP and the Atlantic Pact?

4. It seems to us that if we insist upon our position, the other members—Britain, France, Belgium and Luxembourg—will be unable to comply with their commitments to each other under WU, and WU will therefore disintegrate to [omission] alternatively, will be unable to enter upon the mutually and collective [apparent garble] undertaking with us on MAP (or possibly the Atlantic Pact). Thus, we are confronted it seems to us, with a dilemma; either we are prepared to admit that all WU countries and the US are bound equally by their obligations under the charter of UN and should, as a unit, honor them in accordance with a common interpretation of their meaning, or, alternatively, take a course which may mean either, (a) The disruption of WU, or (b) the isolation of US from WU, and therefore from the hard military core of the European portion of the Atlantic Pact membership. Either alternative is unpleasant.

5. From strategic point of view, defense Western Europe is combined problem not related necessarily with Indonesia. Geography does not permit ignoring any one country. If they do not hang together they will be hanged separately. Dutch mission in common defense is vital. If Dutch forces inadequate in numbers or armament to hold north flank on natural barrier, entire defense could be flanked and objectives and expense of MAP negated. Continental thinking has not forgotten strategic lessons World Wars I and II. This may help explain great concern WU countries about US insistence in declaring possible intent unilaterally to refuse arms assistance to one partner of WU.

Already, under present strategic concept, Dutch would have to concede large part their country to invader in order to make stand on agreed position.

Disheartening effect US action re arms has further shaken Dutch and may jeopardize WU and Atlantic Pact.

Sent Department 1220, repeated Hague 53, Paris 225, Brussels 64.

DOUGLAS

840.20/3-2949

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*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] March 29, 1949.

Participants: Count Sforza, Italian Minister for Foreign Affairs  
The Italian Ambassador  
The Secretary  
Mr. Hickerson, EUR  
Mr. Dowling, SWE

When Count Sforza called at his request this afternoon, he spoke first of the advantages which he anticipated for Western Europe generally, as well as for France and Italy, from the Franco-Italian Customs Union which he and Schuman had signed at Paris on March 26. He explained that he had always felt the problem of European unity had to be approached on an economic basis, and therefore felt the Customs Union represented real progress in this direction. Referring to the French feeling on the German problem, Sforza said he had told Schuman of his idea that Western Europe should move forward on cooperation and unity without Germany, but that a place must be kept open for the participation of the latter at such time as the German people may be prepared to cooperate with Western Europe.

I told Sforza that we too were encouraged by the Franco-Italian agreement, that there was keen interest in Congress regarding European cooperation and unity, and that I could assure him that his efforts in this direction were widely appreciated.

Sforza then remarked that he had come to Washington a few days ahead of schedule not only to provide Italian public opinion additional evidence of the serious consideration which the Italian Government was giving the Atlantic Pact, but also to raise a couple of points on which he wanted my advice before the Foreign Ministers' meeting on April 2. The first of these concerned the possibility that, in the unlikely event of hostilities after the Pact had come into force, Yugoslavia might be able to keep out of the war. This in turn raised the question of the Italian attitude, and especially whether it might be advantageous to all the Pact members for Italy to adopt a neutral

attitude. Another point concerned the representation of Italy in matters which might arise between the Security Council and members of the Atlantic Pact; he hoped that the United States would represent Italy should this necessity arise.

In reply, Mr. Hickerson pointed out that the first question raised by the Minister was an appropriate subject for consideration under the consultative machinery of the Pact, and would undoubtedly come up for discussion at an early date. As regards the second point, Mr. Hickerson remarked that we had of course supported the Italian cause in the Security Council on other occasions in the past, notably in regard to Trieste and Italian membership in the UN, and that he thought we could comply with the present request on an informal basis.

In conclusion, Sforza recounted some of his experiences in steering the Italian cabinet proposal on Atlantic Pact membership to a successful vote in Parliament. He emphasized the bitterness of Communist opposition, and expressed the view that the Italian Communist Party was virtually "destroyed" as an effective political force in Italy. By way of illustration, he said that the "Peace Front" now being organized by the Communists was a poor substitute for the general strike which they had been too weak to organize.

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840.20/3-3049

*Memorandum of Conversation, by the Ambassador in Portugal  
(MacVeagh)<sup>1</sup>*

TOP SECRET

[LISBON,] March 30, 1949.

The Spanish Ambassador<sup>2</sup> called on me yesterday for the expressed purpose of telling me about recent Spanish-Portuguese conversations which have delayed the Portuguese answer to our invitation to adhere to the Atlantic Pact. He said that it appeared to his Government that the negotiations, so far as Portugal is concerned, had been rushed through very fast, and that some time should be given to considering the implications of the Pact as regards Portugal's relations with Spain and the position of the Iberian Peninsula as a whole in connection with the defense of the West, which the Pact is designed to serve. He said that for this reason his Government had requested conversations with the Portuguese Government under the provisions of the Protocol of 1940 to the Luso-Spanish Treaty of Friendship and Non-Aggression. During these conversations, in which he represented his Government, he had stressed the point of view that even with the adherence of Portugal the Atlantic Pact must remain weak unless something is

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<sup>1</sup> Enclosed in despatch No. 95 from Lisbon, March 30, 1949, not printed.

<sup>2</sup> Nicolas Franco.

done to bring the rest of the Peninsula into the defense system. He understood the attitude of the American Government that the adherence of Portugal might constitute a helpful step towards the eventual inclusion of Spain, but he emphasized that such inclusion can hardly be possible for many years because of the provision of the Treaty that acceptance of an additional party must be unanimous, and the fact that there are some nations presently included which have powerful socialist influences likely to affect their actions for a long time to come. Under these circumstances, he said, he had suggested that while Portugal's adherence to the Treaty might be a good thing so far as it goes, some arrangement should be made as soon as possible, outside the framework of the Treaty but in keeping with its spirit, to bring Spain into the general picture. In this connection he mentioned the possibility of perhaps getting the United States to adhere in some way to the existing Iberian Pact, and argued that in any case the strategic necessities of the defense of Western Europe called for some kind of arrangement whereby Spanish capabilities for holding the Peninsula could be re-inforced. During the course of his remarks, the Ambassador repeatedly asserted that his Government had not made any attempt to prevent Portugal from joining the Pact, and that rumors alleging that it had threatened to denounce the Luso-Spanish Treaty of Friendship should Portugal insist on signing, were false. What his Government wanted to do, he said, was merely to point out once more the importance of Spain in the problem which the Atlantic Pact is designed to solve, and to suggest that this importance be now recognized and dealt with promptly, for the sake of all concerned, without waiting for any highly problematic future when it might be politically possible for Spain to become a member of the Atlantic Treaty group.

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840.20/3-3149

*Memorandum by the Counselor of the Department of State (Bohlen)  
to the Secretary of State*

TOP SECRET

[WASHINGTON,] March 31, 1949.

We had a very useful discussion at the Pentagon this afternoon concerning the question of the organization of the Pact. Mr. Hickerson and Mr. Achilles accompanied me and from the military side there were General Gruenther, General Norstad, General Maddox<sup>1</sup> and Admiral Struble<sup>2</sup> who had been working on the problem.

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<sup>1</sup> Presumably Maj. Gen. Ray T. Maddocks, Director, Plans and Operations Division, General Staff, Department of the Army.

<sup>2</sup> Rear Adm. Arthur D. Struble, Deputy Chief of Naval Operations.

Although there was some divergence of views between the military representatives as to the problem presented by the organization of the Pact, there seemed to be a general consensus that the chief difficulty lay in the fact that under the present setup from a purely military point of view there was no form of organization that would really make full military sense since, of the participants, only Great Britain had any real force at the present time. They were inclined, particularly General Norstad, to regard the organization under the Pact as a political problem rather than a military one. There was, however, general agreement that while an ideal setup from a military point of view could not be achieved without destroying the political advantages of the Pact, there were a considerable number of possibilities towards bridging the gap between the political purposes and the military reality. They were in general agreement that at some point in the organizational scale it would be wise to have the form of the organization correspond to the military reality insofar as possible.

It was agreed by all, and particularly forcibly presented by General Norstad, that the nub of the matter was, in effect, the role of France; that no matter what form of organization was set up under the Pact, the central problem would remain as to whether or not France could be informed and have an equal voice in the determination of major strategy. General Norstad, in particular, felt that there was a constant danger that the political purposes of this Pact would be destroyed if France felt that she was excluded from the top military planning group; against this, there were strong feelings of the joint British and American staffs that for security reasons alone France could not be cut in on overall strategic planning.

I pointed out that under the Pact there was a possible alternative and that was to give France full membership in whatever was the real controlling body from the military point of view of the Pact, but at the same time confine the functions of any of the organizations under the Pact to the immediate question of the implementation of the Treaty. Under such an arrangement France would be on a full equal footing within the framework of the Pact with any other member, but on matters lying outside of the immediate purposes of the Pact which might involve global strategy—Far East, Middle East, etc.—no mechanism of the Pact would be called upon to deal with such subjects.

After some discussion the following were generally agreed, subject to confirmation tomorrow by General Gruenther; that for the present phase it would be wise to restrict our thinking to:

1. The Council on which all would be represented under the terms of the Treaty;

2. The Defense Committee which would be civilian and would probably have to include representatives of all the countries if only because it is specifically mentioned in the text of the treaty; and

3. The idea of a Steering Committee composed of U.K. and France representing the Western Union countries, and the U.S. and Canada.

It was also agreed that we should not permit the mechanism of the Atlantic Pact to supersede or undo the Brussels mechanism but should tend to deal with the countries involved in that Union as a unit and that we should use our influence to get the Brussels Pact membership expanded in due course to include the other European members of the North Atlantic Pact.

For the purposes of the Saturday<sup>3</sup> meeting, as you will have seen from the revised briefing paper, it would be sufficient to put forth the foregoing *without, however, attempting to name the countries which might be on the Steering Committee* but merely stating that the Steering Committee of the Defense Committee should be set up with a more limited membership.

CHARLES E. BOHLEN

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<sup>3</sup> April 2.

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ECA Telegram Files, FRC Acc. No. 53A278,  
Paris Repto, Telegram

*The Acting United States Special Representative in Europe Under the Economic Assistance Act of 1948 (Katz) to the Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, March 31, 1949—1 p. m.

Repto 3407. For Hoffman for FACC. OSR report on impact on ERP of proposed military assistance program to Western Union countries finished today and being pouched soonest.<sup>1</sup> Important conclusions as follows:

1. Proposed military assistance program would not jeopardize ERP. On contrary, MAP will be important factor in developing level of confidence in future Western Europe necessary to insure continuing viability beyond end ERP in 1952.

2. Physical capacity for proposed additional production available. This production probably too small to cause serious diversion manufacturing facilities, labor, fuel and energy from recovery program. Electrical energy tight in continental Western Europe and requires better survey for complete answer, but believe problem manageable.

3. Since amount dollar aid for 49/50 requested by ECA minimum necessary for satisfactory rate economic recovery Western Europe, any dollars required by Western Union countries for necessary dollar costs of imports raw materials, machinery etc., under MAP should be

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<sup>1</sup> Not found in Department of State files.

met through additional amounts of dollar aid. Available data indicate suggested 100 million to 150 million dollars sufficient for fiscal year '50.

4. Burden increased military production on Western Union countries national budgets is of manageable proportions, but will call for some additional sacrifice, probably new taxes. See clause (a) of paragraph 5, below.

5. Following three elements of MAP require careful attention now and in future.

(a) Financial situation in Western Union countries still critical so imperative increases in military expenditures must be met from noninflationary sources.

(b) Financial arrangements for transfer European produced military equipment under MAP for first year should be made outside OEEC intra-European payments plan on *ad hoc* basis.

(c) After initial allocation of spare parts for American equipment transferred to Europe is expended, there will be continuing requirement for spare parts involving either substantial dollar drain on Western Union countries, or development European production almost from scratch, which will not be easy.

Sent Washington Repto 3407; repeated London Repto 432 for Finletter and Douglas; Brussels Repto 167 for Blaine<sup>2</sup> and Kirk; Hague Repto 175 for Valentine<sup>3</sup> and Baruch (please show Harriman upon arrival).

KATZ

<sup>2</sup> James G. Blaine, Chief of the ECA Mission in Belgium.

<sup>3</sup> Alan Valentine, Chief of the ECA Mission in the Netherlands.

840.50 Recovery/3-3149

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] March 31, 1949.

Participants: The Netherlands Foreign Minister, Mr. Stikker  
The Netherlands Ambassador, Mr. Van Kleffens  
The Secretary  
Mr. Reed, South East Asian Affairs  
Mr. Nolting, Western European Affairs

The Netherlands Foreign Minister and the Netherlands Ambassador called at their request. Mr. Stikker opened the conversation by referring to a communication recently received by him concerning the United States' position on the Brussels Treaty Powers' request for equality of treatment in the Military Assistance Program. He stated that he considered any "singling out" of The Netherlands with regard to possible military assistance and the placing of The Netherlands on a different footing from the other members of the North Atlantic Alliance as an action which would be incomprehensible to his gov-

ernment and people. He asked for clarification of our position on this point.

In reply, I described to Mr. Stikker the reaction of the American people and Congress to Dutch actions in Indonesia, relating this reaction to the European Recovery Program as well as to the Military Assistance Program. I frankly stated that reaction to be that "the Dutch were wrong" and that The Netherlands has been guilty of aggression. I said that this deep-rooted conviction on the part of our people has now led to a situation which gravely jeopardizes the continuation of ECA assistance to The Netherlands. I referred to the support in Congress for the Brewster Amendment.<sup>1</sup> I said that the Administration has consistently opposed this amendment for various reasons, but that the basic cause of its growing support—namely, the failure of The Netherlands to reach an equitable settlement with the Indonesians—must be promptly removed. I said that the removal of this root problem is just as important to the Administration as it is to Congress. I stated that, even if the Brewster Amendment should fail, the same problem would plague the ensuing appropriations legislation in the event of no progress toward a settlement in Indonesia; and that, following this, the problem would plague the legislation for military assistance. I pictured quite frankly our legislative problems, stating that we had deliberately decided to handle the Pact and the MAP as two separate matters. I said that, while ratification of the Pact seemed assured, I could give no guarantee respecting the passage of the MAP legislation, it having already encountered considerable resistance. I made it plain that in my opinion, in the absence of a settlement in Indonesia, there was no chance whatever of the Congress authorizing funds for military supplies to The Netherlands.

Mr. Stikker said that he, too, is confronted with legislative problems and parliamentary reaction. He referred to the difficulties of a coalition government and to his own efforts to reach a compromise solution. He then stated that he would have to give an explanation to his Parliament regarding this Government's position in connection with military assistance to The Netherlands, and that he feared that our position, as he understood it, would result in reconsideration by his government of the advisability of signing the Pact. Mr. Stikker further stated that he would have to consult the other members of the Brussels Treaty about this matter. He restated his understanding of our position as follows: "If in June, when the MAP legislation will probably be introduced, there is no settlement in Indonesia, I

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<sup>1</sup> For documentation regarding the Brewster Amendment and other matters of U.S. concern regarding Dutch action in Indonesia, see vol. VII, pp. 119 ff.



understand that The Netherlands will not participate in the Military Assistance Program”.

I replied that it was quite possible that the involvement of The Netherlands in the Indonesian affair would be the factor which would defeat the Military Assistance Program *in toto*. Concerning Mr. Stikker's point that the Pact might not seem attractive to his country without the Military Assistance Program, I pointed out that we regarded the Pact as of great value whether or not there should be a Military Assistance Program; and that we considered the commitment of the United States under the Pact to regard an attack on any signatory power as an attack upon all, a very substantial commitment.

Mr. Van Kleffens said that his people and government could understand the United States' attaching conditions both with respect to ERP and MAP, if such conditions were reasonable and if they applied generally to all participants. For example, he mentioned the withholding of financial aid from any country against which the Security Council had voted sanctions, and the withholding of military supplies from any country which violated a commitment to retain such supplies for defense in Western Europe. I replied that our criteria in this matter would surely not be whimsical, but that we were faced here not with a question of principle but with a question of hard political facts. I said again that the root trouble—the failure of The Netherlands to reach a settlement in Indonesia—has been of very long duration already, and that what is necessary to cure the malady is prompt tangible evidence on the part of The Netherlands of its willingness to negotiate a settlement. I suggested that Mr. van Royen should proceed to Batavia just as promptly as possible to begin negotiations.

Mr. Stikker stated that his government was prepared to restore the Republican leaders to a seat of governmental authority in Jogyakarta, but that they could not do so unconditionally. He stated that the conditions outlined in his letter to Mr. Bevin were about as far as they could go. He said that the admission of Republican army troops to Jogyakarta, and the admission of radical elements, including Tan Malakka and his followers, would put pressures on the Republican leaders which would prohibit their reaching any settlement with the Dutch. He pictured the bloodshed which would result from a complete restoration of the Republican regime.

I replied that what is necessary is a prompt initiation of discussions with the Republicans with the object in view of clearing the obstacles to the proposed roundtable negotiations at The Hague; that the United States must maintain flexibility regarding conditions imposed by either side; that I had confidence in Mr. Cochran and knew his desire to promote The Hague negotiations; that I also knew of his

efforts to gain Republican participation in the preliminary conference without conditions or reservations. I emphasized once again that there is not much time to be lost in getting on with this matter.

As the meeting broke up, Mr. Stikker raised the question of whether his speech after the signing of the Pact should be made in English or in Dutch.

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840.20/3-3149

*The Ambassador of the Soviet Union (Panyushkin) to the Secretary of State*

[Informal Translation]

No. 32

[WASHINGTON,] March 31, 1949.

SIR: Upon instructions from the Soviet Government I enclose herewith for the Government of the USA a memorandum of the Soviet Government concerning the North Atlantic Pact.

At the same time I enclose the text of the declaration of the Ministry of Foreign Affairs of the USSR of January 29, 1949 concerning the North Atlantic Pact.<sup>1</sup>

Accept [etc.]

A. PANYUSHKIN

[Enclosure]

MEMORANDUM OF THE GOVERNMENT OF THE USSR CONCERNING THE  
NORTH ATLANTIC TREATY <sup>2</sup>

On March 18 the Department of State of the USA published the text of the North Atlantic Treaty which the Governments of the USA, Great Britain, France, Belgium, the Netherlands, Luxembourg, and Canada intend to sign within the next few days.

The text of the North Atlantic Treaty has fully confirmed what was said in the declaration of the Ministry of Foreign Affairs of the USSR of January 29 of this year,<sup>1</sup> which is attached herewith, both as regards the aggressive aims of this Treaty and as regards the fact that the North Atlantic Treaty is in contradiction with the principles and aims of the United Nations Organization and the commitments which the Governments of the United States of America, Great Britain, and France have assumed under other treaties and agreements. The state-

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<sup>1</sup> See telegram 228, p. 51.

<sup>2</sup> Informal translation by the Office of Eastern European Affairs. For the Russian text of the memorandum, see *Vneshniaia politika Sovetskogo Soiuza, dokumenty i materialy, 1949 god*, Moscow, 1953, pp. 89-94.

ments contained in the North Atlantic Treaty concerning its defensive design and its recognition of the principles of the United Nations Organization serve aims which have nothing in common either with the tasks of self defense of the Parties to the Treaty or with real recognition of the aims and principles of the United Nations Organization.

Such great powers as the United States, Great Britain, and France are parties to the North Atlantic Treaty. Thus the Treaty is not directed either against the United States of America, Great Britain, or France. Among the great powers only the Soviet Union is excluded from the number of the parties to this treaty, which may only be explained by the fact that this Treaty is directed against the Soviet Union. The fact that the North Atlantic Treaty is directed against the USSR as well as against the countries of people's democracy has also been specifically indicated by official representatives of the United States of America, Great Britain and France.

To justify the conclusion of the North Atlantic Treaty, reference is made to the fact that the Soviet Union has defensive treaties with the countries of people's democracy. However these references are completely untenable.

All the treaties of the Soviet Union on friendship and mutual assistance with the countries of people's democracy have a bilateral character and are directed solely against the possibility of a repetition of German aggression, the danger of which no single peace-loving state can forget. In this connection the possibility of interpreting them as treaties in any degree directed against the Allies of the USSR in the last war, against the United States or Great Britain or France, is entirely excluded.

Moreover the USSR has similar treaties against a repetition of German aggression, not only with the countries of people's democracy but also with Great Britain and France.

In contradiction therewith the North Atlantic Treaty is not a bilateral but a multilateral treaty which creates a closed grouping of states and, what is particularly important, entirely ignores the possibility of a repetition of German aggression, not having consequently as its aim the prevention of a new German aggression. And, inasmuch as the USSR alone of the great powers which comprised the anti-Hitlerite coalition does not participate in this Treaty, the North Atlantic Treaty must be regarded as a treaty directed against one of the chief Allies of the United States, Great Britain, and France in the last war—against the USSR.

The parties to the North Atlantic Treaty are carrying out extensive military measures which can in no way be justified by the interests of self-defense of these countries. The carrying out under present

peace-time conditions by the United States in cooperation with Great Britain and France of extensive military measures, including an increase in all types of armed forces, the drafting of a plan for the utilization of the atomic weapon, the stockpiling of atomic bombs, which are a purely offensive weapon, the construction of a network of military air and naval bases, and so forth—have by no means a defensive character.

The preservation of a Combined Anglo-American Military Staff in Washington, organized during the second World War, the recent establishment of a military staff of the so-called Western Union in Fontainebleau (France), as well as the intention to establish immediately a Defense Committee provided by the North Atlantic Treaty are by no means an indication of the peace loving or defensive aims of the parties to the Treaty, but along with other numerous military preparations contribute to intensifying anxiety, alarm and the whipping up of war hysteria, in which all kinds of instigators of a new war are so interested.

The North Atlantic Treaty is designed to frighten states which do not agree to submit to the dictates of the Anglo-American grouping of powers, which aspire to world domination, although the second World War, which ended with the defeat of fascist Germany, which also aspired to world domination, confirmed anew the untenability of such pretensions.

Such countries also participate in the North Atlantic Treaty whose governments expect to benefit at the expense of the richer parties to this Treaty, making various plans to obtain new credits and other material benefits.

At the same time one cannot but see the groundlessness of the anti-Soviet motives of the North Atlantic Treaty, since as everyone knows the Soviet Union does not intend to attack anyone and in no way threatens either the United States of America, Great Britain, France, or other parties to the Treaty.

The conclusion of the North Atlantic Treaty and the establishment of a new grouping of powers is motivated by the weakness of the United Nations Organization. It is quite evident however that the North Atlantic Treaty does not serve the cause of strengthening the United Nations Organization but on the contrary leads to undermining the very foundations of this international organization, as the establishment of the mentioned grouping of powers not only does not correspond to the aims and principles of the UNO but contradicts the Charter of this Organization.

The parties to the North Atlantic Treaty refer to the fact that this treaty represents an allegedly regional agreement envisaged by Article

52 of the UNO Charter. But such references are wholly unfounded and untenable. There can be no question of any regional character for this Treaty, inasmuch as the alliance envisaged by this Treaty embraces states located in both hemispheres of the globe and does not have as its aim the settlement of any regional questions. This is also confirmed by the fact as already announced, that states which are not members of the United Nations Organization (Italy, Portugal) are being drawn into participation in the North Atlantic Treaty, although Article 52 of the UNO charter envisages the conclusion of regional agreements only among members of the United Nations Organization.

The establishment of the North Atlantic grouping of states cannot be justified by the right of each member of the UNO to individual or collective self-defense in conformity with Article 51 of the Charter. It is sufficient to say that such a right under the UNO Charter can arise only in the event of armed attack on a member of the Organization, whereas as everyone knows, no armed attack threatens the United States of America, Great Britain, France or other parties to the Pact.

It is clear that references to Articles 51 and 52 of the UNO Charter are untenable and designed solely to cover up the real aggressive aims of the military grouping of states which is being established by the conclusion of the North Atlantic Treaty.

No one can deny that the North Atlantic Treaty and, first of all, Article 5 of this Treaty, is in direct contradiction with the Charter of the United Nations Organization. The text of Article 53 of the Charter which speaks of enforcement actions, in accordance with regional agreements, states directly that "no enforcement action shall be taken under regional arrangements or by regional agencies without the authorization of the Security Council" with the exception of measures specially provided with regard to former enemy states. In spite of this, Article 5 of the North Atlantic Treaty envisages the application of armed force by parties to the Treaty without any authority whatsoever from the Security Council. Thus even if the North Atlantic Treaty were considered a regional agreement, Article 5 of this Treaty is incompatible with the UNO Charter. This shows again how groundless are all references of the North Atlantic Treaty to recognition of the principles and aims of the Charter of the United Nations Organization.

On the basis of everything set forth above the Soviet Government arrives at the following conclusions:

1. The North Atlantic Treaty has nothing in common with the aims of self-defense of the states parties to the Treaty, which no one threatens and which no one intends to attack. On the contrary, this Treaty has a clearly aggressive character and is directed against the USSR, which even the official representatives of the states parties to the Treaty do not conceal in their public pronouncements.

2. The North Atlantic Treaty not only does not contribute to the strengthening of peace and international security which is the obligation of all members of the United Nations organization but is in direct contradiction with the principles and aims of the UNO Charter and leads to the undermining of the United Nations Organization.

3. The North Atlantic Treaty is in contradiction with the Treaty between Great Britain and the Soviet Union concluded in 1942, under which both states undertook to cooperate in the cause of maintaining peace and international security and "not to conclude any alliance and not to take part in any coalition directed against the other High Contracting Party."

4. The North Atlantic Treaty is in contradiction with the Treaty between France and the Soviet Union concluded in 1944, under which both states undertook to cooperate in the cause of maintaining peace and guaranteeing security, namely "not to conclude any alliance and not to participate in any coalition directed against one of the Contracting Parties."

5. The North Atlantic Treaty is in contradiction with the agreements between the Soviet Union, the United States of America, and Great Britain concluded at the Yalta and Potsdam Conferences<sup>3</sup> as well as at other meetings of the representatives of these powers held both during and after the second World War, under which the United States of America and Great Britain, like the Soviet Union, undertook to cooperate in the cause of strengthening general peace and international security and to contribute to the strengthening of the United Nations Organization.

WASHINGTON, March 31, 1949.

<sup>3</sup> See *Foreign Relations*, The Conferences at Malta and Yalta, 1945, and *ibid.*, The Conference of Berlin (The Potsdam Conference), 1945.

840.20/4-149

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] April 1, 1949.

Participants: The Secretary of State  
Mr. Schuman  
Mr. Henri Bonnet  
Dr. Jessup<sup>1</sup>  
Mr. Murphy<sup>2</sup>  
Mr. Beam<sup>3</sup>

*North Atlantic Treaty*

Mr. Schuman expressed gratification with the North Atlantic Treaty.

<sup>1</sup> Ambassador at Large Philip C. Jessup.

<sup>2</sup> Robert D. Murphy, Acting Director of the Office of German and Austrian Affairs.

<sup>3</sup> Jacob D. Beam, Acting Special Assistant, Office of German and Austrian Affairs.

I said while we realized action could only be taken after ratification, I nevertheless thought we should consider here the various organizations to be set up under the Treaty. The Council might be composed of Foreign Ministers or Plenipotentiaries ready to meet at any time. In form the Military Committee could include representation of all members, but this should only be in form. In effect the Pact would add the US and Canada to the Brussels Treaty. The arrangement should be such as to limit the real work of the Military Committee to four powers. Other devices could be worked out to ensure the association of the other countries as needed.

Mr. Schuman agreed that there should be a small, concentrated Military Committee. Before leaving Washington he would like to obtain in outline answers to questions which the French Government considers most important, namely, regarding the political objectives of the Pact which he could use in debates in the French Chamber, and, secondly, regarding strategic considerations which he would like to discuss with the US military staffs here. France was most concerned about the possibility of Soviet invasion. The Soviets would be able to use all the resources of western Europe and would be in a sort of privileged position because it would be difficult to bomb them out of western Europe. Even if the other powers eventually conquered the Soviets, nevertheless France would cease to exist if it had to suffer a Russian invasion. Mr. Schuman recognized that these matters cannot be settled in a few months but thought the objectives should be considered now.

I said his representatives would doubtless wish to discuss these questions with the US military staff. The US would probably wish to retain considerable freedom of military action in the event of attack since our initial contribution would be air strength. The US found it difficult to think in terms of a fixed or static line of defense in Europe. We could not say that the Treaty in itself was a guarantee against invasion but it was our aim to have a strategic plan to stop invasion if it started.

Mr. Schuman agreed, and then referred to the US draft military assistance bill about which Mr. Harriman and Mr. Caffery had informed him. Such assistance was necessary as France did not possess the resources to arm western Europe.

I mentioned that we might have considerably more trouble in Congress with the military assistance law than with the Pact. We hoped to take this up following ratification. Mr. Schuman should nevertheless understand that because of our budget deficit it is becoming increasingly hard to get money appropriated.

[Here follows a record of discussion pertaining to Germany.]

840.20/4-149

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] April 1, 1949.

Participants: The Secretary of State  
Mr. Spaak  
The Belgian Ambassador  
Dr. Jessup  
Mr. Achilles  
Mr. Beam

## MILITARY ASSISTANCE FOR EUROPE

Mr. Spaak having raised the question of military assistance under the Atlantic Pact, I explained that the US Congress would not authorize the delivery of arms to the Dutch which might go to Indonesia or replace armaments sent to Indonesia. Apart from the issues involved in Indonesia, this was simply a fact, since Congress was reluctant to appropriate money to nations not abiding by United Nations decisions. This is not a case of discrimination against the Netherlands. It would be best if the Indonesian matter were settled before the appropriation bill came up.

Mr. Spaak thought an improvement could be made in the coordination with the US of the arms requests of the Brussels powers. While it was natural for the European countries to get together and lay their results before the US, he feared this might lead to misunderstandings, since the US might feel that the Europeans were ganging up on us. As regards the Netherlands position, he mentioned there was also complete solidarity under the Five Power Treaty.

I said that Ambassador Douglas felt the five nations should meet together and before formally presenting the request to the US should inform him. It was not intended that Mr. Harriman or Mr. Douglas be present at every meeting but that representatives of the five European nations might consult Mr. Harriman regarding the ERP aspects and Mr. Douglas regarding armament requests before crystalizing their position.

Mr. Spaak did not entirely agree and thought there should be no objection to the US participating in the discussions at the outset, since difficulties arose from the fact that a certain amount of crystallization took place before US participation. He believed the US should take part on a basis of equality and not simply as observers, otherwise the impression would be given that the US was checking on the work rather than participating.



I agreed as regards ERP, but pointed out the British felt US participation in armaments matters was an embarrassment. The matter must be handled tactfully.

Mr. Spaak thought the present procedure cumbersome since the Brussels countries did not know whether or not they should show Ambassador Douglas completed texts. We should all be in it together from the very beginning.

I made no comment but said I believed the US had received necessary information from the London Committee, although further conversations were contemplated here.

The Belgian Ambassador expressed the need for coordination between the consultative committee of the Brussels powers and the committees under the the North Atlantic Pact. He suggested that an informal exchange of views take place between the US and the Brussels representatives.

I questioned whether this could be done before ratification of the Pact.

In reply to Mr. Spaak's question regarding steps to be taken under Article 9 of the Atlantic Pact, I explained we opposed any development which might weaken the Brussels arrangements. We envisaged the Council under the Pact as including Foreign Ministers or Plenipotentiaries. A military committee representing all signatories could not operate effectively. For successful strategic planning, there should be two representatives from the Brussels powers plus Canada and the US, since the other signatories would not be immediately concerned.

I said we could discuss these procedures at tomorrow's meeting with the Ministers.

#### INDONESIA

Mr. Spaak said he was worried about the impact on the Benelux and western European countries if, because of the Indonesian question, the Netherlands were omitted in the effective implementation of the Pact. There would also be serious internal complications in the Netherlands. The Dutch had made a great mistake by resorting to military action in Indonesia, but it was in the general interest to do what we could to help them out of their predicament. We should tell the Dutch clearly the conditions under which the US would exert influence on the Republicans. Should the latter become aware of US refusal of military assistance to the Dutch under the Pact, they would never go to a conference.

I said that Cochran had sensible ideas about a solution but the Dutch were always laying down new conditions. We felt the government should be restored in Indonesia and that other matters, such as police, could be discussed later. I had urged that Van Royen be sent

out to Indonesia as soon as possible. Cochran was willing to exert pressure on the Republicans but not to the point of rendering them completely impotent.

While he had a high regard for Mr. Cochran's ability, Mr. Spaak did not think he had the authority to influence the Dutch and said that I was the only person who could do this successfully. He felt we should tell the Dutch what conditions the Republicans would accept and bring pressure on both parties now before bringing pressure on the Dutch through ECA and denial of military assistance. He thought there might be a real crisis in Holland if we so threatened the Dutch. He realized that the Netherlands position was untenable, that it was unwise for them to maintain the Indonesian question was entirely an internal issue. The Dutch always gave in too late and this encouraged the Republicans to hold out and to refuse to go to a conference. Stikker was moderate in comparison with some of the other Dutch politicians.

Dr. Jessup pointed out we had not threatened the Dutch, but they simply must take account of the US political situation. I said I had told Stikker that the US administration had opposed the Brewster amendment to ERP and that I had shown a strong interest in helping him. As regards military aid, we won't get to this until late in June. We have informed the Dutch of our ideas concerning the essentials of a settlement and have told Cochran to press the Republicans to agree to a reasonable settlement. I had urged the dispatch of Van Royen as soon as possible and Cochran will work on the Republicans. I therefore thought our attitude was fairly close to Mr. Spaak's suggestion. I was of the opinion that if we laid down hard and fast conditions on the Dutch they would react in the opposite way from which we wanted. I said I would be glad to review the latest file on the Indonesian case.

### OEEC

Mr. Spaak said that as President of the OEEC he would like to take occasion to express gratitude for US assistance on the first anniversary of the setting up of the European Recovery organization which would occur on April 3.

I told him this would be a very gracious thing to do and it would be much appreciated here.

840.20/4-249 : Telegram

*The Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

SECRET US URGENT

WASHINGTON, April 2, 1949—1 a. m.

President's speech Apr. 4 at ceremony of signing Atlantic Pact will contain following passage designed to endorse and emphasize recent statements by SecState on Greece, Turkey and Iran :

"The Pact will be a positive, not a negative, influence for peace, and its influence will be felt not only in the area it specifically covers but throughout the world. Its conclusion does not mean a narrowing of the interests of its members. Under my authority and instructions, the Secy of State has recently made it abundantly clear that the adherence of the US to this Pact does not signify a lessening of Amer concern for the security and welfare of other areas, such as the Near East. The step we are taking today shld serve to reassure peace-loving peoples everywhere and pave the way for the world-wide stability and peaceful development which we all seek."

Dept informing GTI Ambs today.

In agreement with Brit Govt it has been decided not to issue further statement or declaration on GTI at this time and we are so advising Ambs concerned, explaining decision on following basis :

(a) Although our statements have not taken the form which we originally contemplated, we consider that the remarks made by Mr. Acheson and Mr. Bevin on Mar. 18 and Mar. 23<sup>2</sup> shld have achieved the purpose we had in mind of putting the Sov Union on notice and reassuring the peoples of the countries concerned of our continued interest in their security.

(b) Anything further that we wld feel able to say at the present time wld be largely a repetition of what we have already said. To go beyond this wld amount to an extension of the Atlantic Pact to other areas, which is something we have already explained we are not prepared to do as yet.

(c) We intend to continue to follow the situation with the closest attn and will be glad to consider appropriate steps if it develops that what has already been done is insufficient to prevent increased Sov pressure on the countries in question.

We hope Greek, Turkish and Iran Govts will refrain from public indications of disappointment at absence formal signed declaration, since such attitude of disappointment wld weaken effect of President's

<sup>1</sup> Sent to the missions in Greece, Turkey, and Iran for action and to the missions in the United Kingdom and the Soviet Union for their information.

<sup>2</sup> For text of radio address by Acheson on March 18, see Department of State *Bulletin*, March 27, 1949, "The Meaning of the North Atlantic Pact," pp. 384 ff. For statement by Bevin in the British House of Commons, also March 18, see *Parliamentary Debates*, House of Commons, 5th series, vol. 462, p. 2533. Mr. Acheson, in a press statement released March 23, reiterated the points made in his address of March 18 regarding Greece, Turkey, and Iran.

statement and previous statements by Acheson and Bevin and thus create appearance exclusion their countries from security plans Western powers, which is exactly what they shld desire avoid. Conversely, public emphasis on important statement this kind by President on such occasion shld serve counteract any possible disappointment at exclusion from Atlantic Pact or other formal commitment by US.

Athens, Ankara, and Tehran may convey foregoing to Govts to which accredited.

ACHESON

840.20/4-249

*Minutes of a Conference of Foreign Ministers at Washington,  
April 2, 1949, 11 a. m.*

TOP SECRET

Participants:

BELGIUM

Mr. Paul-Henri Spaak, Baron  
Silvercruys, Messieurs  
Walter Loidan, Conrad  
Seyfert, Roger Taymans,  
Robert Vaes

CANADA

Messieurs L. B. Pearson, H.  
Hume Wrong, T. A. Stone,  
[A. L.] Wright, R. L.  
Rogers

DENMARK

Messieurs Gustav Rasmussen,  
Henrik de Kauffmann,  
Frants Hvaas, Povl Bang-  
Jensen

FRANCE

Messieurs Robert Schuman,  
Henri Bonnet, Maurice  
Couve de Murville, Ar-  
mand Bérard

ICELAND

Messieurs Bjarni Benediktsson,  
Thor Thors, Hans  
Andersen

ITALY

Count Sforza, Messieurs Al-  
berto Tarchiani, Gastone  
Guidotti, Mario Mondello,  
Mario Luciolli

LUXEMBOURG

Messieurs Joseph Bech, Hugues  
Le Gallais

THE NETHERLANDS

Messieurs Dirk U. Stikker, E.  
N. van Kleffens, O. Reuch-  
lin, C. Vreede

NORWAY

Messieurs Halvard Lange, Wil-  
helm Munthe de Morgen-  
stierne, Eigil Nygaard,  
Sivert A. Nielsen

PORTUGAL

Messieurs José Caeiro da Matta,  
Pedro Theotónio Pereira,  
Antonio Faria, Manuel  
Rocheta, José Duarte  
Figueiredo

UNITED KINGDOM

Mr. Ernest Bevin, Sir Oliver  
Franks, Sir Gladwyn Jebb,  
Sir F. R. Hoyer Millar,  
Messieurs J. N. Henderson,  
R. E. Barclay

UNITED STATES

Messieurs Dean Acheson,  
Charles Bohlen, Ernest  
Gross, J. D. Hickerson,  
T. C. Achilles, W. J.  
Galloway

MR. ACHESON welcomed the Foreign Ministers and said that it was an honor to have them in Washington. This honor was even greater when it was remembered that the Ministers had come for a purpose which was full of significance and hope for the world.

MR. ACHESON suggested that the first order of business should be the question of formal approval on behalf of governments of the text of the Treaty.<sup>1</sup> He mentioned that he had in his possession the engrossed copy of the Treaty which would be signed on Monday. He thought that everyone had both English and French copies of the text. He asked if there was any objection to unanimous approval of the text. Since no objection was voiced, he assumed that the text was approved.

He proposed for consideration and discussion the question of determining a method for proceeding after the signature of the Treaty to the formation and establishment of the organization created under the Treaty. He had in mind the council, the defense committee, and any other subsidiary bodies which might be deemed appropriate. He did not think that agreement should be reached on the various aspects of this question until the Treaty had been ratified and had gone into effect, but he thought considerable time might be saved by a discussion of certain principles during the present meeting. The matter could then be turned over to a working group representing all the signatories, for further development.

MR. ACHESON stated briefly the preliminary thinking of the United States representatives. It was considered that the council might be composed either of the Foreign Ministers of the signatory countries or of plenipotentiaries representing the chiefs of state. The choice might be left open in each case to the signatory governments. There were many reasons why the Foreign Ministers might prefer to have someone other than themselves on the council. However, there might be occasions when they would wish to be present on the council.

With reference to the defense committee, he thought it might be composed of representatives of the Ministers of Defense and that other arrangements might be worked out for a military representation in connection with the strategic planning. He assumed that the defense committee would have duties other than strictly professional military duties. There would be questions of supply, arms, and other pertinent military matters where the Ministers of Defense or their representatives might have an important role to play. The actual planning obviously was a professional military matter. He asked for views of the other representatives.

MR. RASMUSSEN asked if any thought had been given as to where

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<sup>1</sup> *Infra.*

the council and the defense committee would sit. He thought this aspect would have some influence on the choice of representatives. Mr. Acheson thought that would be a matter for the members of the council to determine—also, the working group would probably be able to explore this aspect further.

MR. BEVIN understood that the first point was whether the Foreign Ministers would attend all the meetings of the council or whether their governments could appoint other representatives. Since he did not want to be permanently away from home, he thought that governments should be allowed to designate representatives other than the Foreign Ministers. However, he thought it was a reasonable suggestion that governments could, if they desired, send Foreign Ministers. He assumed it was intended that the Foreign Ministers would be primarily responsible, but could arrange for other representation on the council. If that was the intention, he supported it.

MR. ACHESON said that it was his thought that representatives on the council should have plenipotentiary powers.

MR. BEVIN referred to Mr. Acheson's comments on the division of functions between the defense committee and a strategic planning body. He, Mr. Bevin, thought it essential that the defense committee should be on the Defense Minister level because of the closely associated supply, finance, and other functions which would have to be performed as a part of the defense work. He supported Mr. Acheson's idea in principle but thought it essential that a working party be appointed to work out the details.

MR. SCHUMAN thought that the proposal made by Mr. Acheson corresponded to the needs of the task ahead. He, Mr. Schuman, believed that the choice of the delegates other than the Foreign Ministers should be left to each government. It should be understood, however, that a delegate other than the Foreign Minister would not be a deputy of the Foreign Minister but should be a plenipotentiary of his government. Delegates should have full powers at any meeting. As to representation on the defense committee, each government should be left to choose its representative. It might be that special delegates would be selected. With regard to the question of strategic planning, he thought it might be advisable to have a smaller group. At least, the possibilities should be considered.

COUNT SFORZA agreed with the comments of Mr. Bevin and Mr. Schuman. He, Count Sforza, wondered if it would not be useful, for the purposes of general policy, to detach the question of deciding the authority of the defense committee and related matters from the general problems. He thought it proper that such questions concerning the defense committee should go to the council.

MR. ACHESON said it was his understanding, based on Article 9, that the defense committee would make recommendations to the council and the council would make recommendations to governments. He thought that the point Count Sforza had raised would, therefore, be met. Mr. Acheson asked if there were other comments and, since none were forthcoming, assumed that the discussion represented a general directive of the Foreign Ministers. If each Foreign Minister would inform him as to representatives on the working party, that party could be constituted and could begin work in the light of the discussion just concluded.

MR. CAEIRO DA MATTA stated that his country had a Treaty of Friendship and Non-Aggression with Spain. This was not, of course, the only treaty that his country had concluded. For instance, it had a treaty with the United Kingdom. However, in 1939 Portugal signed a Treaty of Friendship and Non-Aggression with Spain and in 1940 signed an additional Protocol to that Treaty. In this connection, he wondered how Article 8 of the North Atlantic Treaty should be interpreted. His Government had consulted with the Governments of the United States and the United Kingdom, who had expressed their views. He interpreted the opinion of the United States Government as meaning that there was no inconsistency between the Portuguese-Spanish Treaty and the North Atlantic Treaty. The Government of the United Kingdom had expressed a similar opinion. He wanted to be quite certain as to how Article 8 should be interpreted. Should it be interpreted to the effect that the signing of the Treaty was not compatible with any treaties entered into previously, or, on the contrary, should it be interpreted as meaning that the North Atlantic Treaty was in no way inconsistent with the treaties Portugal had entered into previously?

MR. ACHESON observed that the question posed by Mr. Caeiro da Matta already had been the subject of comment by the Governments of the United States and the United Kingdom. He, Mr. Acheson, presumed that in Article 8 there was an undertaking that each Party declared that none of the international engagements in force between it and any other of the Parties or any third state were in conflict with the provisions of the North Atlantic Treaty. The Government of Portugal had declared that its treaties with Spain and with the United Kingdom were not in conflict with the North Atlantic Treaty. The Government of Portugal had asked the opinion of the United States Government, which had replied that it did not consider Portugal's other treaties to be in conflict with the North Atlantic Treaty. Mr. Acheson thought that Mr. Caeiro da Matta wanted to know if any of the Foreign Ministers had a different view.

MR. SPAAK was not certain that the question as Mr. Acheson had summarized it was exactly the same as posed by Mr. Caeiro da Matta. He, Mr. Spaak, was not certain that Mr. Caeiro da Matta had asked the Foreign Ministers to express opinions as to whether treaties between Portugal and Spain and Portugal and the United Kingdom were or were not consistent with the North Atlantic Treaty. Mr. Spaak did not think the Foreign Ministers would be able to answer a question of that type. He, for one, did not know the exact terms of the two treaties in question. Moreover, he thought that this question was outside the scope of Article 8, which he interpreted as being a unilateral declaration of each signatory government and engaging the responsibility of that government only. It was for each Party to declare that the North Atlantic Treaty was not in contradiction to any other treaty it had signed. Each Party was responsible for its own declaration.

MR. CAEIRO DA MATTÁ said that the question was a very simple one in the eyes of his Government and he did not think it was the question outlined by Mr. Spaak. The Portuguese position was entirely different. The Portuguese Government had studied the North Atlantic Treaty and had posed to itself the question: Was the Treaty compatible with the treaties Portugal had signed previously, or was it not compatible with those treaties?

Portugal had always honored the treaties it signed and if the North Atlantic Treaty was incompatible with previous ones, or had the effect of nullifying previous ones, Portugal's position would be difficult.

MR. BEVIN said that Portugal and the United Kingdom had a treaty which was probably the oldest in the world, having endured some six hundred years. It must have been a good treaty to last so long. In the late war it was operative, particularly in relation to the Azores, and had been brought into operation immediately upon request. It had been very useful and effective in anti-submarine warfare. He thought there was no conflict between the United Kingdom-Portuguese Treaty and the North Atlantic Pact, and so far as he knew, between the Pact and the Portuguese-Spanish Treaty.

MR. LANGE, associating himself with the interpretation of Article 8 given by Mr. Spaak, suggested that if anything were to be done collectively with the question raised by Mr. Caeiro da Matta, the Foreign Ministers take note of the declaration of the Portuguese Government to the effect that there was no inconsistency between engagements entered into under the agreement with the United Kingdom and the agreement with Spain. Also, note could be taken of the concurring opinions expressed by the United States and the United Kingdom representatives to that effect. Beyond that Mr. Lange thought it would



not be proper for the other representatives, not having the texts of the agreements in question, to give any formal opinion. Mr. Caeiro da Matta said that it was not so much the text of Article 8, but rather the interpretation pertaining to that text, brought to his attention a few moments before, which cause some concern. That interpretation read:

"(5) With reference to Article 8, it is understood that no previous international engagements to which any of the participating states are parties would in any way interfere with the carrying out of their obligations under this Treaty."

MR. ACHESON said that he did not believe any difficulty arose from the interpretation. If the Portuguese Government declared, as it had declared, that no international engagements in force between it and any third party were in conflict with the North Atlantic Treaty, it meant that no existing treaty would prevent the Portuguese Government from carrying out its obligations under the North Atlantic Treaty. He hopes that the matter might be left at that if it were satisfactory to Mr. Caeiro da Matta.

MR. CAEIRO DA MATTA said, in consequence, that Portugal was not undertaking anything which would be in conflict with the Treaty of Friendship and Non-Aggression with Spain. If such was the understanding, he was fully satisfied. And he was pleased to have this opportunity to declare that the acceptance of the Atlantic Pact on the part of Portugal was entirely compatible with the obligations deriving from engagements previously assumed by the Portuguese Government, particularly those under the Treaty of Friendship and Non-Aggression with Spain, of March 17, 1939, and the Additional Protocol thereto, of June 29, 1940.

MR. SPAACK said that he did not quite understand the question being asked. He thought that no one represented was asking Portugal to renounce any of her treaties, but, at the same time, the other representatives could not declare that the Treaty between Portugal and Spain was in agreement with the North Atlantic Treaty. It was not the part of the other representatives to make such a declaration. Article 8 asked Portugal, not the other Parties, to make such a declaration, and he could not go beyond that. If Mr. Caeiro da Matta declared that there was no contradiction between other treaties his country had signed and the North Atlantic Treaty, naturally his declaration would be accepted. The other representatives could not be asked to pass on the treaties Portugal had signed. Such a procedure would not be consistent with the provisions of Article 8.

MR. ACHESON associated the Government of the United States with

Mr. Spaak's very clear statement, and he hoped that Mr. Caeiro da Matta would accept that statement.

MR. CAEIRO DA MATTA agreed and said that he had raised the question only because of the interpretation concerning Article 8 to which he had previously referred. The text of Article 8 itself did not give rise to doubt.

MR. ACHESON put forward for consideration another question on which he asked the advice and, if it were deemed desirable, suggestions for possible action from the Foreign Ministers. The Government of the United States and, according to the Moscow radio, the Governments of six other nations presently represented had received a communication from the Soviet Union<sup>2</sup> declaring that the North Atlantic Treaty was aggressive in purpose and was directed against the Soviet Union. He assumed that each interested government would answer the note in detail. However, it had occurred to him that it might be useful for all of the Foreign Ministers, while they were in Washington, to issue a short statement on the subject. If this idea did not commend itself to the other representatives, he would drop it. However, if it was desired to pursue the matter further, he had a draft which the other representatives might wish to study. If there was no doubt in the minds of any of the representatives, the statement could be issued on that day, or it might be issued on the following Monday.

COUNT SFORZA recalled that he had had sad experience with a totalitarian regime. He thought he knew how the question just posed should be answered. As to the timing of the answer, it would be better to answer immediately or as soon as possible. It was the moral duty of all present to answer the allegations made by the Soviet Union at once so that there could be no doubt in the minds of some honest but perhaps naive people who might be misled by false propaganda. The allegations made by the Soviet Union should not be left before the world but should be answered at once.

MR. SCHUMAN agreed that a rapid reply was needed. However, any collective answer given at that time could take into account only one of the points made by the Soviet Union. All that could be accomplished at present would be a unanimous statement that the North Atlantic Treaty was not aggressive but was purely a defensive treaty. Another reproach contained in the Soviet memorandum was aimed at members of the United Nations. He observed that all countries represented were not members of that organization. Another reproach concerned countries which had signed treaties with the Soviet Union and he thought this reproach should be answered by those countries

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<sup>2</sup> *Ante*, p. 261.

individually, and on their own responsibility. He intended to answer the Soviet memorandum on Monday and believed that individual answers should not be later than that day. He added that the Government of France had considered the question and he affirmed that there was no incompatibility between France's treaty with Russia and the North Atlantic Pact.

MR. RASMUSSEN called attention to the fact that not all governments represented had received a protest from the Soviet Union. This was the position of his Government and personally he felt disinclined to answer communications sent to other governments and not addressed to his own. Also, he wondered whether it was quite proper to issue a statement such as that proposed so long as the North Atlantic Treaty had been neither signed nor ratified. This did not mean that he was opposed to the idea of a collective statement, but he preferred that such a statement should not take the form of a direct reply to the Soviet Union.

MR. BEVIN suggested that a little time should be given to consider the idea. He had not consulted his Government and did not know how it proposed to deal with the matter. He thought that by the following Monday it could be decided whether or not a collective declaration should be made rather than have each government deal with the question individually. He personally inclined to the view that instead of answering the allegations made, it would be better to assert positively the views of the governments which had received the memorandum. It sometimes seemed that the governments concerned were chasing the Soviet Union rather than asserting their own point of view.

MR. PEARSON wanted to be certain that it was clear in the minds of all representatives what had been proposed. He understood that Mr. Acheson's suggestion was not to send a collective reply to the Soviet memorandum, which some governments had received and some had not, and to which Canada had already replied, but to make a joint affirmative declaration on the pacific and defensive character of the North Atlantic Treaty which was to be signed. He was inclined to think that there was real value in that suggestion. As to individual replies to the memorandum, he thought it would be useful if they followed more or less the same line. Otherwise, the results might be embarrassing. He doubted that there could be a collective reply to individual notes.

MR. ACHESON said that Mr. Pearson's understanding was correct. He, Mr. Acheson, had not suggested that there be a collective answer by the present group to the Soviet Union. He had tried to make clear his assumption that each government which had received the Soviet

memorandum would unquestionably reply directly to it. However, the Soviet communication had been handed to the press and put on the radio. Basically, it constituted an attack on the North Atlantic Treaty on the ground that it was an aggressive treaty directed against the Soviet Union. Accordingly, he had thought that it might be desirable for the Foreign Ministers to consider making, as soon as possible, a statement to the effect that they had noted the Soviet statement, made in the press and on the radio all over the world, and that the best answer to the charges made was the Treaty itself. He went on to read the text of a draft statement in the above sense for the consideration of the Foreign Ministers:

"The Foreign Ministers of the countries assembled here in Washington for the signing of the North Atlantic Pact have taken note of the views of the Soviet Government concerning this Pact made public in its communications to seven of the governments represented here.

The Foreign Ministers note that the views expressed in these communications of March 30 are identical in their misinterpretation of the nature and intent of this association with those published by the Soviet Foreign Office in January,<sup>3</sup> before the text of the pact was even in existence. It would thus appear that the views of the Soviet Government on this subject do not arise from an examination of the character and text of the North Atlantic Pact but from other considerations.

The text of the Treaty itself is the best answer to such misrepresentations and allegations. The text makes clear the completely defensive nature of this Pact, its conformity with both the spirit and letter of the Charter of the United Nations, and also the fact that the Pact is not directed against any nation or group of nations but only against armed aggression."

MR. RASMUSSEN thought that the draft had more or less the form of a reply to the Soviet protest, and he was not sure it was wise for all twelve countries to enter, at the present stage, into such a statement against the Soviet Union. He thought that all the Foreign Ministers, in the short speeches to be made on Monday, would say materially the same thing as to the peaceful and defensive purposes of the North Atlantic Treaty. Even if it was considered important to say something collectively on Monday, he would prefer a short statement containing no reference to the latest Soviet propaganda move.

MR. SPAAK regretted that he was not in full agreement with Mr. Rasmussen. If no reference were made to the Soviet communication in the proposed statement, there was no reason for making the collective declaration since the Treaty itself was such a declaration. He personally was of the opinion that an answer should be made to this

\* See telegram No. 228, January 29, from Moscow, p. 51.

propaganda started by the Soviet Union. It should be answered by counter-propaganda and it should be answered immediately. He thought that Mr. Acheson's draft was a good draft, with the possibility of slight modifications. He thought it answered the essential points of the Soviet propaganda move, i.e., the accusation as to the aggressive intent of the North Atlantic Treaty. The remainder of the accusations in the Soviet memorandum should be answered individually by the different countries since their positions were not identical. He thought that if agreement could be reached immediately on a statement it would be a very useful propaganda move.

MR. SCHUMAN agreed entirely with Mr. Spaak's remarks. He added that the Soviet memorandum had been sent to seven of the countries represented but that the reproach contained therein was directed against all the signatories of the North Atlantic Treaty. The propaganda using the Soviet reproach as a basis would be directed against all the countries represented. Consequently, he believed that these countries should reaffirm solemnly their solidarity on the matter.

MR. LANGE associated himself with what had been said by Mr. Spaak and Mr. Schuman. His Government had had occasion previously to answer reproaches of the kind contained in the Soviet memorandum and he thought it would be useful collectively to reaffirm what had been said before. He thought that the draft statement presented by Mr. Acheson was a good basis for a declaration.

COUNT SFORZA thought that any modification of the draft might entail lengthening it. He thought that the draft was as strong as it was brief and he would agree with it as it stood.

MR. ACHESON suggested a wording change which he thought might remove some of the problems of Mr. Rasmussen. Mr. Acheson did not wish to press the question, but he did wish to associate himself strongly with the views expressed by Count Sforza, Mr. Schuman, Mr. Spaak, and Mr. Lange. He thought that in the present propaganda battle point after point would be lost if action were confined to the niceties of diplomatic procedures. The Soviet radio had been broadcasting its propaganda barrage every hour of the day and one short statement such as the one proposed would give all the countries represented a chance to answer rather than to sit silently.

MR. BEVIN agreed to the statement as amended and said that he could provide some bad language for inclusion in the statement if it were desired for propaganda purposes.

MR. RASMUSSEN thanked Mr. Acheson for the amendment he had suggested and thought that it somewhat alleviated his concern. If it was the general opinion of the other representatives that such a statement should be issued, he would accept it.

It was agreed that the statement should be issued on behalf of the countries represented at the meeting (statement attached).<sup>4</sup>

There was a general discussion on the arrangements for the signing of the North Atlantic Treaty on Monday, April 4.

MR. SCHUMAN recalled that Mr. Acheson had suggested the constitution of a working group for the study of the implementation of Article 9. He thought it might be useful to give some terms of reference to this working group or at least to determine a precise agenda. One question which would have to be discussed was the location of the two or three bodies to be formed. His Government would be favorable to the choice of Washington.

MR. ACHESON thought that the working party could use as reference the record of the present discussion rather than a formal directive. This was accepted by the other representatives.

The subject of a communiqué to the press was then discussed and that communiqué as agreed and issued is attached.<sup>5</sup>

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<sup>4</sup>The statement, read by Acheson earlier in the meeting, was issued with the following changes of wording: paragraph 1 was altered to close with the words: "... Soviet Government made public by that Government on March 31, 1949," and the first sentence of paragraph 2 was changed to read "... the views expressed by the Soviet Government on March 31 are identical. ..." For text, see Department of State *Bulletin*, April 10, 1949, p. 457.

<sup>5</sup>*Ibid.*, p. 458.

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*Text of Treaty Signed at Washington, April 4, 1949*

NORTH ATLANTIC TREATY<sup>1</sup>

The Parties of this Treaty reaffirm their faith in the purposes and principles of the Charter of the United Nations\* and their desire to live in peace with all peoples and all governments.

They are determined to safeguard the freedom, common heritage and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law.

They seek to promote stability and well-being in the North Atlantic area.

They are resolved to unite their efforts for collective defense and for the preservation of peace and security.

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<sup>1</sup>Reprinted from Department of State Treaties and Other International Acts Series (TIAS) No. 1964. The U.S. Senate gave its advice and consent to ratification of the Treaty on July 21, 1949.

\*Treaty Series 993; 59 Stat. 1031. [Footnote in the source text.]

They therefore agree to this North Atlantic Treaty:

ARTICLE 1

The Parties undertake, as set forth in the Charter of the United Nations, to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security, and justice, are not endangered, and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.

ARTICLE 2

The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

ARTICLE 3

In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack.

ARTICLE 4

The Parties will consult together whenever, in the opinion of any of them, the territorial integrity, political independence or security of any of the Parties is threatened.

ARTICLE 5

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.

Any such armed attack and all measures taken as a result thereof shall immediately be reported to the Security Council. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

## ARTICLE 6

For the purpose of Article 5 an armed attack on one or more of the Parties is deemed to include an armed attack on the territory of any of the Parties in Europe or North America, on the Algerian departments of France, on the occupation forces of any Party in Europe, on the islands under the jurisdiction of any Party in the North Atlantic area north of the Tropic of Cancer or on the vessels or aircraft in this area of any of the Parties.

## ARTICLE 7

This Treaty does not affect, and shall not be interpreted as affecting, in any way the rights and obligations under the Charter of the Parties which are members of the United Nations, or the primary responsibility of the Security Council for the maintenance of international peace and security.

## ARTICLE 8

Each Party declares that none of the international engagements now in force between it and any other of the Parties or any third state is in conflict with the provisions of this Treaty, and undertakes not to enter into any international engagement in conflict with this Treaty.

## ARTICLE 9

The Parties hereby establish a council, on which each of them shall be represented, to consider matters concerning the implementation of this Treaty. The council shall be so organized as to be able to meet promptly at any time. The council shall set up such subsidiary bodies as may be necessary; in particular it shall establish immediately a defense committee which shall recommend measures for the implementation of Articles 3 and 5.

## ARTICLE 10

The Parties may, by unanimous agreement, invite any other European state in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty. Any state so invited may become a party to the Treaty by depositing its instrument of accession with the Government of the United States of America. The Government of the United States of America will inform each of the Parties of the deposit of each such instrument of accession.

## ARTICLE 11

This Treaty shall be ratified and its provisions carried out by the Parties in accordance with their respective constitutional processes.



The instruments of ratification shall be deposited as soon as possible with the Government of the United States of America, which will notify all the other signatories of each deposit. The Treaty shall enter into force† between the states which have ratified it as soon as the ratifications of the majority of the signatories, including the ratifications of Belgium, Canada, France, Luxembourg, the Netherlands, the United Kingdom and the United States, have been deposited and shall come into effect with respect to other states on the date of the deposit of their ratifications.

#### ARTICLE 12

After the Treaty has been in force for ten years, or at any time thereafter, the Parties shall, if any of them so requests, consult together for the purpose of reviewing the Treaty, having regard for the factors then affecting peace and security in the North Atlantic area, including the development of universal as well as regional arrangements under the Charter of the United Nations for the maintenance of international peace and security.

#### ARTICLE 13

After the Treaty has been in force for twenty years, any Party may cease to be a party one year after its notice of denunciation has been given to the Government of the United States of America, which will inform the Governments of the other Parties of the deposit of each notice of denunciation.

#### ARTICLE 14

This Treaty, of which the English and French texts are equally authentic, shall be deposited in the archives of the Government of the United States of America. Duly certified copies thereof will be transmitted by that Government to the Governments of the other signatories.

In witness whereof, the undersigned Plenipotentiaries have signed this Treaty.

Done at Washington, the fourth day of April, 1949.

[The facsimile signatures are not reprinted here. The following is a romanization of these signatures:

*For the Kingdom of Belgium:*

P. H. SPAAK  
SILVERCRUYS

*For Canada:*

LESTER B. PEARSON  
H. H. WRONG

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†See *post*, p. 15. [Footnote in the source text. —Page 15 of TIAS 1964 reprinted the proclamation by President Truman stating that instruments of ratification had been deposited and that the Treaty entered into force on August 24, 1949.]

*For the Kingdom of Denmark:*

GUSTAV RASMUSSEN  
HENRIK KAUFFMANN

*For France:*

SCHUMAN  
H. BONNET

*For Iceland:*

BJORNI BENEDIKTSSON  
THOR THORS

*For Italy:*

SFORZA  
ALBERTO TARCHIANI

*For the Grand Duchy of Luxembourg:*

JOS BECH  
HUGUES LE GALLAIS

*For the Kingdom of the Netherlands:*

STIKKER  
E. N. VAN KLEFFENS

*For the Kingdom of Norway:*

HALVARD M. LANGE  
WILHELM MUNTHE MORGENSTIERNE

*For Portugal:*

JOSÉ CAEIRO DA MATTA  
PEDRO THEOTÓNIO PEREIRA

*For the United Kingdom of Great Britain and Northern Ireland:*

ERNEST BEVIN  
OLIVER FRANKS

*For the United States of America:*

DEAN ACHESON]

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*Editorial Note*

The ceremony on the occasion of the signing of the North Atlantic Treaty included remarks by the twelve participating Foreign Ministers and an address by President Truman. For texts of these statements, see Department of State *Bulletin*, April 17, 1949, page 471.

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*Requests From the Brussels Treaty Powers to the United States Government for Military Assistance*<sup>1</sup>

APRIL 5, 1949.

1. Since the signature of the Brussels Treaty the five Governments [United Kingdom, France, Belgium, the Netherlands, Luxembourg]

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<sup>1</sup> Department of State *Bulletin*, April 17, 1949, p. 494. This request was presented to the Department by the Luxembourg Minister, Le Gallais, as representative of his Foreign Minister, Joseph Bech, Chairman of the Consultative Committee of the Brussels Treaty Powers.

have had under consideration a common defence programme. Convinced of the necessity for such a programme, they believe that its formulation and application must be based on entire solidarity between them. They have reached the conclusion that if this defence programme is to be effective the material assistance of the United States Government is essential. The principles on which the programme should be based are set out in the following paragraphs.

2. The main principles would be self-help, mutual aid, and common action in defence against an armed attack. The immediate objective is the achievement of arrangements for collective self-defence between the Brussels Treaty Powers within the terms of the Charter of the United Nations. The programme would be considered as a further step in the development of Western European security in the spirit of the statement made by President Truman to Congress on March 17, 1948,<sup>2</sup> the day of the signature of the Brussels Treaty. It would be in accordance with the general objective of Article 3 of the North Atlantic Pact, and would result in each Party, consistent with its situation and resources, contributing in the most effective form such mutual aid as could reasonably be expected of it. It would also be in accordance with the principles expressed in the Resolution of the Senate of the United States of June 11, 1948.<sup>3</sup>

3. The military strength of the participating Powers should be developed without endangering economic recovery and the attainment of economic viability, which should accordingly have priority.

4. In applying these general principles of a common defence programme the signatories of the Brussels Treaty attach importance to the following points:

*a.* The armed forces of the European participating countries should be developed on a coordinated basis in order that in the event of aggression they can operate in accordance with a common strategic plan.

*b.* They should be integrated so as to give the maximum efficiency with the minimum necessary expenditure of manpower, money, and materials.

*c.* Increased military effort, including increased arms production, should be consistent with economic objectives and the maintenance of economic viability. Additional local currency costs should be met from non-inflationary sources.

*d.* Arrangements concerning the transfer of military equipment and supplies for such production among the European participating countries should permit transfer, in so far as possible, without regard

<sup>2</sup> Extracts of President Truman's address which relate to the Brussels Treaty are printed in *Foreign Relations*, 1948, vol. III, p. 54. For complete text, see Department of State *Bulletin*, March 28, 1948, p. 418.

<sup>3</sup> Senate Resolution 239, 80th Congress. For text, see *Foreign Relations*, 1948, vol. III, p. 135.

to foreign exchange problems and without disrupting the intra-European payment scheme.

5. In order to carry out a common defence programme on the basis of the above principles, there is urgent need for United States material and financial assistance. The Signatories of the Brussels Treaty will therefore be glad to learn whether the United States Government is prepared to provide this assistance to them.

6. In the event of a favourable reply in relation to the above request, a detailed statement of the specific needs of the signatories of the Brussels Treaty for the year 1949-1950 will be transmitted to the United States Government at the earliest possible date.

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*Reply of the United States Government to the "Request From the Brussels Treaty Powers to the United States Government for Military Assistance" Dated April 5, 1949*<sup>1</sup>

TOP SECRET

[WASHINGTON,] April 6, 1949.

1. The Government of the United States refers to the memorandum dated April 5, 1949 from the Brussels Treaty Powers, which inquires whether the United States will provide military assistance in the form of military equipment and financial aid to the Brussels Treaty Powers and which sets forth the principles on which such request is made.

2. The Executive Branch of the United States Government is prepared to recommend to the United States Congress that the United States provide military assistance to countries signatory to the Brussels Treaty, in order to assist them to meet the matériel requirements of their defense program. Such assistance would be extended in recognition of the principle of self-help and mutual aid contained in the Atlantic Pact, under which Pact members will extend to each other such reciprocal assistance as each country can reasonably be expected to contribute, consistent with its geographic location and resources, and in the form in which each can most effectively furnish such assistance.

3. It will be requested of the Congress that such assistance be in the form of military equipment from the United States required by their common defense program and the provision of some financial assistance for increased military efforts on their part required by such defense program. It will be understood that the allocation of this matériel

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<sup>1</sup> Department of State *Bulletin*, April 17, 1949, p. 495. This reply, bearing only the heading "Memorandum", was handed to the Luxembourg Minister in Washington on April 6, together with copies for the British, French, Belgian, and Netherlands Embassies (840.00/4-549).

and financial assistance will be effected by common agreement between the Brussels Treaty Powers and the United States.

4. The United States Government will accordingly appreciate receiving as soon as possible the detailed statement of the specific needs of the signatories of the Brussels Treaty for the year 1949-50 as proposed in paragraph (6) of the request from the Brussels Treaty Powers.

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*Editorial Note*

The Department of State, in an exchange of communications with Denmark, Italy, and Norway between April 5 and 7, 1949, agreed to extend military assistance to these nations in keeping with the principle of self-help and mutual aid agreed upon in the North Atlantic Treaty. These communications are printed in the Department of State *Bulletin*, April 17, 1949, pages 495-498.

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840.20/4-749 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

PARIS, April 7, 1949—5 p. m.

1431. For the Secretary. In view recent senatorial statements and press comments indicating rising opposition to MAP in certain circles at home, I feel sure you have had benefit conversations with Foreign Ministers re reaction their respective countries to no, or inadequate, MAP (Deptel 1125 to London repeated Paris 1026<sup>1</sup>). I should like to stress my conviction, however, that in spite of the very great advantages of the pact to France its signature is only half the battle to defeat basic feeling of insecurity in this country. This feeling of insecurity rests on a widespread realization of France's military weakness and of fact that this weakness cannot be remedied without US help.

I consider April 4 De Gaulle statement on Atlantic Pact (Embtel 1394, April 5, repeated London 243<sup>2</sup>) to embody essentials of average non-Communist Frenchman's feelings about validity of pact without adequate MAP. While agreeing that pact in itself "was meritorious and salutary demonstration on part of US toward France" De Gaulle went on to say that to have practical value it must be accompanied by "binding and precise commitments re American aid". This was coupled with his usual insistence on France's role as center of European defense

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<sup>1</sup> April 1, 1949, not printed.

<sup>2</sup> Not printed.

and he repeated emphatically that France should "for the moment reserve its overall judgment on Atlantic Pact."

As I have already reported French will not submit pact for ratification until mid-May, with result that progress MAP legislation in US Congress will have important bearing debates here. I would not wish to prophesy failure to pass MAP will result in rejection of pact by French parliaments, but I strongly believe that our representatives in Congress should know that the emasculation or defeat of MAP would unquestionably reduce the benefits of an increased sense of security in Europe which we would otherwise hope to reap and would strengthen hand both of enemies and of critics of Atlantic Pact.

Sent Department 1431, repeated London 252.

CAFFERY

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840.20/4-749

*Memorandum by the Secretary of State to the President*

[WASHINGTON,] April 7, 1949.

MEMORANDUM FOR THE PRESIDENT

Subject: North Atlantic Treaty

I attach my report on the North Atlantic Treaty<sup>1</sup> together with a draft message to the Senate<sup>2</sup> for your consideration and transmission to the Senate if you approve.

DEAN ACHESON

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<sup>1</sup> For text of report, dated April 7, see Department of State *Bulletin*, April 24, 1949, p. 532.

<sup>2</sup> For text of final version, dated April 12, see *ibid.*, May 8, 1949, p. 599.

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840.00/4-749

*The United Kingdom Representative on the Brussels Treaty Permanent Commission (Jebb) to the Director of the Policy Planning Staff (Kennan)*

SECRET      PERSONAL

WASHINGTON, 7th April, 1949.

DEAR GEORGE: At one point during our recent conversations you said that you thought it possible that you, and perhaps some other representative of the State Department, might pay a visit to England during the summer for the purpose of exchanging views on long-term political problems with the Foreign Office. You added that if this proposal should be authorised you would prefer the discussions to take place in some unpublicised spot in the country, such as Oxford.

I have now consulted Mr. Bevin on this matter and he asks me to say that so far as he is concerned he thinks it would be an admirable thing if you came over for the purpose indicated above. If you could not do so, then he thinks that the necessary exchange of papers might take place through our Embassy here. But he feels, on the whole, that it would be greatly preferable if you could have a meeting with myself and one or two of my colleagues somewhere in England at a not too far distant date.

We suggest that the sort of problems on which we might exchange short papers would be the following:

1. How far is any form of political unity in Western Europe a possibility in the next five years?
2. How far should the United Kingdom be associated with a united Western Europe?
3. How do we envisage the future of Germany, and what part should Germany (or Western Germany) play in a United Western Europe?
4. Does the emergence of a United Western Europe (with or without the United Kingdom) postulate the formation of a Third World Power of approximately equal strength to the United States and the Soviet Union?
5. What exactly is meant by the conception of an "Atlantic Community"? Can this Community be stretched so as to embrace to some degree at any rate, the Middle Eastern countries, India, South East Asia, and Australia?
6. What possibility exists of creating further Article 51 treaties, similar in form to the North Atlantic Treaty, in other parts of the world?

There may well be other similar questions which you, for your part, would wish to place on the agenda of any possible meeting between us, and it may also be that when I get home I shall find that my colleagues will suggest further general problems suitable for discussion.

I shall be most grateful if in any case you could send a reply to this letter to Hoyer Millar—or if it should seem preferable, arrange for the Secretary of State to send a letter to the Ambassador. Needless to say we quite realise that you may, on reflection, feel that the time is not yet ripe for a joint study of the sort of questions to which I have referred.<sup>1</sup> But we are becoming conscious of the fact that our own long-range thinking is hardly likely to lead to any very good result unless we are aware of basic American intentions; and it may

<sup>1</sup> Certain financial aspects of the talks envisioned in this letter were partially realized a few weeks later during informal U.S. talks with the British in London. Far more substantive discussion occurred during the French-British-U.S. preparatory and Ministerial meeting in London in late April and early May 1950.

even be that you, for your part, are conscious of a similar feeling as regards ourselves!

Yours ever,

GLADWYN JEBB

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840.20/4-849

*Memorandum of Conversation, by the Counselor of the Department of State (Bohlen)*

TOP SECRET

[WASHINGTON,] April 8, 1949.

Participants: M. Armand Bérard, French Chargé d'Affaires  
C—Mr. Bohlen  
EUR—John D. Hickerson  
WE—T. C. Achilles

I asked M. Bérard to call to exchange ideas on the Atlantic Pact organization. I outlined to him briefly our thinking that the Council and the Defense Committee should be composed of representatives of all the parties but that the next lower echelon should be more in accordance with the realities of the situation and consist of some sort of an executive committee composed of representatives of the United Kingdom, France, Canada and the United States. I suggested that representatives of other parties should sit as full members with this committee whenever matters concerning their own countries were under discussion, but that the British and French members might represent the other Brussels Treaty countries.

Bérard expressed general agreement with these views and added that the United Kingdom and France might in addition represent the other European parties to the Pact. He said that Schuman had already discussed with Spaak and Stikker the possibility of France representing the Benelux countries, and that they had indicated that this would be acceptable. I suggested that, since this was a European problem, it would be preferable for the British and French to work it out in the near future with the Benelux countries and perhaps later with the other European parties. I said I had discussed the subject briefly with Jebb and found him in general agreement, that we proposed to discuss it with the Canadians and that we thought it would be useful for the French to discuss it with the British, and whenever they thought that the time was propitious, with the Benelux countries.

Bérard repeated several times that Schuman would have "no objection" to the whole organization being located in Washington. I said we had reached no opinion on location and believed that this question should be decided only after more thinking had been done and agreement reached on the nature and functions of the machinery to be established. The whole organization would not necessarily have to be in the same place.



840.20/4-1149

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] April 11, 1949.

Mr. McBride<sup>1</sup> at his request saw me alone. He said that he had two matters which he wished to discuss—the first was the present state of Europe, the second the question of partition in Ireland and Irish adherence to the Atlantic Pact.

On the first question, Mr. McBride felt that so far our efforts in Europe might be described as propping up a wall which was leaning. This was necessary and had been successful. He felt it was not of enduring success unless we rebuilt the wall and gave lasting vitality and strength to European life. He felt that military alliances while of great importance and wholly right in the present case would not furnish alone what was needed. In fact, to some extent they had the opposite effect by frightening the people in such countries as Austria and Czechoslovakia, where there was the belief that if war came whatever the result they would be destroyed. The Marshall Plan, he felt, was a most constructive step, but he felt that the hope that this was going to result in a real economic and political integration in Europe was not being fulfilled. Specifically, he said that while progress along these lines had been made by some of the leaders of Europe, the idea had not permeated to the people. There was too much of a feeling among the people in Europe that the OEEC, the Council for Europe, and similar organizations were merely methods by which American dollars became available and were not appreciated in and of themselves for their effect on European unity.

I said to the Minister that we did not disagree with the ends which he had in view. We believed with him that the Atlantic Pact and the Arms Assistance Bill had their chief value as preventative measures which contributed toward a sense of security in Europe and toward European recovery. We believed also that economic assistance and economic recovery were again means to an end which was a more stable and satisfying life for the people of Western Europe, which if achieved was the real answer to Communist infiltration.

The Minister then said that he thought that the chief appeal to non-Communists by the Communists was an idealistic one and this had to be met by Western civilization coming forward with a more appealing ideal. I asked him to be more specific about this, which he was not able to do, but I think in general he referred to the sort of thing about which the President spoke in his inaugural.

I then asked the Minister whether there were any specific sugges-

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<sup>1</sup> Seán MacBride, Irish Minister for External Affairs.

tions which he could make whereby we could be more helpful in forwarding the idea of European political and economic unity in saying that we had been apprehensive that too positive an attitude on our part would produce a negative reaction in Europe. He had no positive suggestions, but thought that it was not true that strong leadership in this direction would be resented in Europe. I asked him to let me know whenever he had a suggestion that he would like us to consider along these lines. He said that he would be glad to do so.

The Minister then turned to the partition issue. He said that Ireland was strongly in favor of the Atlantic Pact and would have liked to join in signing it, but that no Irish Government could have lasted two months which had done this as long as the partition question remained unsettled. He said that his policy toward Great Britain had been one of eliminating sources of conflict. He thought that whereas a few years ago there had been a score of such sources there now remained only one—the partition question. If this could be removed, he felt that Ireland would be a strong friendly supporter of British and Western European policy. If it were not eliminated, it would be a constant irritant and might be an explosive. He thought that the Atlantic Pact furnished an opportunity for the United States in some tactful way of assisting in the solution of this problem, and he ventured to suggest that it was in our interest as well as in the interest of the Irish and British to do so. He said that he had reason to believe such an attitude on our part might not be resented by the Labor Government, which he felt was over-cautious about partition for fear of eliminating middle class support.

The Minister added that he felt that American reluctance to be involved in the partition question had in the past been associated with the idea that this might be regarded in England as an anti-British attitude for the reasons given above, and he thought this no longer was a valid reason for reluctance on our part. I said to the Minister that we here believed first that for us to become involved in the Irish partition question would be to bring us into a matter which was not an American concern, which would be resented in England and which in my judgment would cause far more harm than it could possibly do good.

After some further discussion along these lines, he asked whether I still adhered to this point of view. I said that much as I would like to agree with him from the point of view of politeness, I regretted that I could not do so and reiterated the position that we regarded partition as wholly unconnected with the Atlantic Pact and were not willing to become involved in discussions of partition.

D[EAN] A[CHESON]

840.20/4-1549

*Memorandum by the Secretary of State to the Director of the Office  
of European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] April 15, 1949.

On March 28 General Wedemeyer, Deputy Chief of Staff for Plans and Combat Operations, sent Col. Walter Grant, the Department of the Army Liaison Officer with the State Department, to me with a letter involving two matters.

The second of these was as follows:

"Another matter which I had hoped to discuss was an arrangement that was made during General Eisenhower's incumbency as Chief of Staff. General Marshall asked that one officer be designated in the Department of Army to maintain contact with a General Billotte, the French Military Representative in the United Nations at Lake Success. I was designated to fill this liaison role approximately twelve months ago. I have had a few meetings here in Washington with the French General. The French for the past several months had been striving to arrange for staff conferences with American military men. Frequently they suggested that they should be included in the membership of the Combined Chiefs of Staff. However, uniformly in the State Department and in the Department of Army, as well as in the Joint Chiefs of Staff, it was indicated to the French that the Combined Chiefs of Staff is no longer extant. I was admonished not to make any commitments in my conversations with the French concerning military collaboration. Further, I was told to carry on conversations that would cause the French to feel that at least they had an opportunity to express their military views to someone in Washington. Every two or three months, General Billotte visited my office. We had pleasant conversations, none of which amounted to anything from the American viewpoint; however, he did outline French views concerning the developing strategic situation in Western Europe. I kept General Eisenhower informed while he was Chief of Staff and subsequently General Bradley.<sup>1</sup> Recently I suggested to General Bradley that my meetings with General Billotte could properly be discontinued. I am quite certain that he will be asking for an appointment in the next few weeks. I believe that I should do so, but indicate tactfully that he unquestionably will impart to committees within the framework of the North Atlantic Treaty, the information he had been transmitting to me in the past. If you approve of this step, I will inform General Bradley and take appropriate steps."

I suggested to Col. Grant that he say for me to General Wedemeyer that I thought that before very long relations between our military officers and French military officers would be regularized through the machinery set up under the North Atlantic Treaty. I, therefore, suggested that when, as General Wedemeyer expected, General Billotte

<sup>1</sup> Gen. Omar N. Bradley, Chief of Staff, U.S. Army, 1948-1949.

asked for his next conference it should be held. Probably before an ensuing conference was requested, plans referred to above might be sufficiently advanced to terminate the meetings with General Billotte in accordance with General Wedemeyer's desire. I thought that for the present it might worry the French if these were broken off without progress having been made to establish others.

D[EAN] A[CHESON]

840.20/4-2649 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, April 26, 1949—8 p. m.

1600. For Secretary and FACC. Following are Embassy's views on possible British reaction to congressional handling of MAP legislation:

1. As result acceptance by US, particularly during past two years, of wide responsibility in international matters, there is now great confidence here in consistency of US policy and dependability of US as potential ally in event of aggression. US-UK unity is regarded as fundamental to British foreign and defense policy and every precaution will continue to be taken to minimize differences with US. These views hold throughout British Government as well as general public. It may therefore be expected that regardless of what may occur in connection with MAP legislation and regardless of what the real feelings may be, the Government will probably try to put best possible interpretation on the outcome of MAP. The following comments must be viewed in the light of the foregoing general proposition.

2. We feel there would be a strong, and possibly an openly adverse, reaction here if MAP was financed through cuts in ECA. If ECA is to be cut it should, we think, be justified solely on grounds of economic recovery and should be wholly unrelated to MAP. The two programs should be kept separate and distinct.

3. There will also be a strong and open adverse reaction if unilateral or onerous conditions were attached to MAP by congressional action. Such legislative conditions might be, for example, insistence on specific military and air base rights or attachment of extraneous conditions as *quid pro quo* for aid. This would not of course preclude arrangements for air base or other military rights in agreement with British either under MAP or under Article 3 of the North Atlantic Pact. In fact US bombers are using British air bases at the moment. There would also be unfavorable reaction to legislative limitation on assistance to recipients because of possible differences over matters

unrelated to defense of Western Europe; i.e. with Holland over Indonesia, France over Indochina or UK over Palestine. Similarly, any indication that UK should curtail social welfare and housing or similar expenditures and redeploy Government expenditures to defense front as an imposed legislative condition of US aid, would provoke most serious reaction here.

4. If MAP appropriation is reduced below the presently contemplated, it need not provoke adverse reaction, (a) if dollars bear no direct relation to real value of equipment, and publicity is concentrated on increased military posture made possible by such physical aid; and (b) if Britain is provided enough dollar aid to pay hard currency costs of her expanded program. Adequacy of MAP from British viewpoint will not necessarily therefore depend on size of appropriation.

5. If Congress should fail to pass enabling legislation, regardless of size of appropriation, it would come as a real shock to the British, for it would again give rise to grave doubts as to consistence and reliability of US in international affairs, and it would cause British to review their own plans for expanding defense arrangements, especially where dollars are involved.

6. What would worry the British most is the effect on the Continent, particularly France, if any failure to pass enabling legislation or make adequate MAP revision. The British "will to resist" Russia is so strong that it would take much more than one shock to affect it. But the British do not have the same confidence in France, where such a shock might have serious psychological consequences.

Sent Department 1600; repeated Paris 297 for Harriman.

DOUGLAS

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*Statement by the Secretary of State Before the Senate Committee on Foreign Relations*<sup>1</sup>

[Extract]

[WASHINGTON,] April 27, 1949.

THE NORTH ATLANTIC TREATY AND THE ROLE OF THE MILITARY ASSISTANCE PROGRAM

I believe it appropriate to outline briefly the role of the proposed military assistance program in our over-all foreign policy and its relationship to the Atlantic pact. As you know, the President will shortly recommend to the Congress the enactment of legislation au-

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<sup>1</sup> For complete text, see Department of State *Bulletin*, May 8, 1949, pp. 594-599.

thorizing the transfer of military equipment and assistance to other nations. As you also know, the proposed program will request authorization and appropriation of \$1,130,000,000 for Atlantic pact countries and approximately \$320,000,000 for other countries, including Greece and Turkey, making a total of \$1,450,000,000 for the fiscal year 1950.

The furnishing of military assistance to the Atlantic pact countries is designed to assist us in attaining the fundamental goal of our foreign policy: the preservation of international peace and the preservation of the security of the United States. Our aid to Greece and Turkey, the European Recovery Program—the greatest of all measures to date in our foreign policy—Senate Resolution 239, the Atlantic pact, which we are now considering, and the proposed military assistance program, are all designed to this end.

You may ask why it is not enough to have the Atlantic pact alone since it accepts the principle that an attack on one is an attack on all. Why does the Executive believe that it will be necessary to have a military assistance program in addition to the commitments contained in the pact?

The answer is found in the insecurity and the fears of Western Europe and of many of the other freedom-loving nations of the world. Basic to the purposes of the military assistance program is the necessity of promoting economic recovery and political stability by providing a basis for confidence, a sense of security, and a reasonable assurance of peace among European peoples. The military assistance program will improve the defenses and military capabilities of these nations, and thus increase their will to resist aggression and their ability to maintain internal security.

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#### *Editorial Note*

The Statute of the Council of Europe was signed on May 5, 1949. The ten original members of the Council were Belgium, Denmark, France, Ireland, Italy, Luxembourg, Netherlands, Norway, Sweden, and the United Kingdom. For information on the origins of the Council, see Council on Foreign Relations, *The United States in World Affairs, 1948-1949*, pages 521-526. The Statute is reprinted in Department of State *Bulletin*, December 5, 1949, pages 858a-862a.

840.20/5-1249

*Memorandum by the Secretary of State to the President*

TOP SECRET

[WASHINGTON,] May 12, 1949.

## MEMORANDUM FOR THE PRESIDENT

It is important that Congress act on the Military Assistance Program at this session. Failure to so act on the program would compromise seriously our leadership among free nations, result in the possible loss of the initiative which those nations have secured, and prejudice our entire foreign policy interests.

Senators Connally and Vandenberg feel that hearings on the program should not begin prior to final Senate action on the Atlantic Pact, which will probably be during the week of June 13. Representative McCormack<sup>1</sup> has concurred in this view. This would mean that the Senate would not be able to complete action on the program until after the first of July.

This creates a special problem in connection with the program for Greece and Turkey, since the present authorization expires June 30, 1949. While it might be possible to obtain separate authorization for military assistance to Greece and Turkey for the next fiscal year, this procedure might well prejudice the enactment of authorization for military assistance for the North Atlantic Pact countries and other areas at this session of Congress.

To avoid this prejudice, the Greek-Turkish situation can be met before final action on the Military Assistance Program by the Congress by a deficiency appropriation of \$50 million, which is possible under the existing authorization, together with an extension of the time for obligating and expending the \$10 to \$11 million which will remain of the present appropriation. This would carry the Greek-Turkish program until August 30th.

This procedure would require that to maintain the Military Assistance Program for Greece and Turkey without a damaging break in the furnishing of such assistance, the entire Military Assistance Program would have to be enacted before August 31, 1949. However, entirely apart from the Greek-Turkish situation, I feel that it is essential for our over-all foreign policy interests that the Military Assistance Program be enacted before that date.

*Recommendation:*

I therefore recommend that you inform the leadership of:

(a) The urgent necessity of legislative action on the Military Assistance Program at this session prior to August 31, 1949;

<sup>1</sup> John W. McCormack, Majority Leader, U.S. House of Representatives.

(b) The need to seek now a deficiency appropriation of \$50 million, an extension of time for obligating and expending existing funds for Greece and Turkey, to carry that program until August 31, 1949, pending enactment of the Military Assistance Program;

and obtain their support for this schedule.<sup>2</sup>

D[EAN] A[CHESON]

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<sup>2</sup> In a memorandum of May 12, not printed, Acheson recorded that the President approved these recommendations and the suggestion that the Military Assistance Program should not be presented to the Congress until after ratification of the North Atlantic Treaty. (840.20/5-1249)

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*Statement on the United States Military Assistance Program by the  
Department of State*<sup>1</sup>

[Extracts]

[WASHINGTON,] May 22, 1949.

*Coordinating Military Aid*

We are already aiding Greece and Turkey. We now find it necessary to aid Western Europe and certain other free nations. Manifestly, in the interests of economy and to achieve coherent action, the military aid programs must be considered together and at one time. Accordingly, the executive branch has been developing a program somewhat after the manner of the Marshall Plan for economic aid. For the past several months the Department of State, at the direction of the President, has been coordinating the efforts of all the Government agencies concerned with foreign assistance in shaping a unified, cohesive military aid program. The proposed program provides for centralized administration of military aid and asks that broad authority be granted to the President so that he may make aid available in critical situations.

*Relationship to the Atlantic Pact*

The requests of the eight North Atlantic Pact countries are not a product of the Atlantic Pact. The military assistance program was conceived and developed separately and somewhat in advance of the formulation of the Pact. The military assistance program would be necessary even without an Atlantic Pact. It is clear, however, that the military assistance program will be more effective with the Atlantic Pact than without it, for the Atlantic Pact provides the defensive potential of all the members taken together as contrasted with the

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<sup>1</sup> Department of State *Bulletin*, May 22, 1949, p. 643.



smaller potential of the individual member nations. It further provides the procedures for attaining coordinated military defense plans and the mechanisms for developing the self-help and mutual aid principles.

Although the military assistance program and the Pact were conceived of and developed separately, they are based upon the same principles and they are complementary. Article 3 of the Pact provides that by self-help and mutual aid the members will develop their capacity to resist aggression. The military assistance program is based on the same principle of self-help and mutual aid. Article 3 does not obligate the United States to provide any definite amount of military assistance or to make any specific contribution. It does, however, obligate the United States, as it obligates every other member of the North Atlantic Pact, to adhere to the principle of mutual aid and to exercise its own honest judgment in contributing what it most effectively can to implement the mutual-aid principle. It is the opinion of the executive branch of this Government that the United States can best contribute to the collective capacity for defense of the North Atlantic area by providing military assistance, and it is the recommendation of the executive branch that it should do so. It is also the opinion of the executive branch that the provision of assistance will become a powerful factor for assuring success on the aims of the Pact, for, as the countries of the Western Union develop their power to resist aggression, they will become better able to contribute not only to the peace and security of the North Atlantic area but to the peace and security of the world.

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#### *Administering the Program*

The executive-branch proposal envisions that the President will delegate to the Secretary of State by Executive order the broad responsibility and authority to administer the military aid program. Thus military aid may be best integrated into the over-all foreign policy of the United States and made consistent with our goal of world peace.

Within the Department of State an administrator for foreign military assistance would be appointed to administer the program and supervise the allocation of funds for the Secretary. The National Military Establishment would be delegated a large share of the responsibility for the actual operation of the program. Both the National Military Establishment and the Economic Cooperation Administration would act in an advisory capacity to the Department of State.

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840.20/6-149

*Memorandum by the Director of the Policy Planning Staff (Kennan)  
to the Acting Secretary of State*

CONFIDENTIAL

[WASHINGTON,] June 1, 1949.

THE ACTING SECRETARY: I conferred yesterday with Generals Gruenther and Landon<sup>1</sup> on some of the problems which will be involved in any attempt to translate the military implications of the Atlantic Pact into the realities of command organization and collective planning. These problems are bitter ones. We shall have to insist on solutions which preserve the security and effectiveness of major strategic planning and which give recognition to the overwhelming relative importance of the contribution we shall be expected to make to the defense of the Atlantic area. Here, considerations of national pride and prestige are going to enter in, and we are going to have a hard time getting some of the others to accept realistic arrangements in which their own roles, and their own right to be informed on all aspects of strategic planning, must necessarily be limited. Our position in trying to negotiate such arrangements will be very seriously weakened if we find ourselves unable to promise military assistance to the other governments in question. Our whole position in argument must rest largely on the predominance of our contribution and on what we are being asked to do for the others. If we have nothing to give, we can hardly expect the others to accede to our views. If, consequently, there is no arms program this year, it may well be that any real implementation of the Atlantic Pact in the military sense will have to be postponed for at least a year, with serious psychological and political repercussions among the other Pact members.

G. F. K[ENNAN]

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<sup>1</sup> Maj. Gen. Truman H. Landon, U.S. Air Force, Member of the Joint Strategic Survey Committee.

840.20/6-549: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary  
of State*

TOP SECRET      PRIORITY

LONDON, June 5, 1949—8 p. m.

2187. For FASC and FACC from ECC. Personal for Webb, Johnson, Hoffman from Douglas, Harriman, Huebner and Taggart.<sup>1</sup>

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<sup>1</sup> Under Secretary of State James Webb; Secretary of Defense Louis Johnson; ECA Administrator, Paul G. Hoffman; Lt. Gen. C. R. Huebner, Acting American Military Governor in Germany and Acting Commander in Chief, European Command; and Joseph H. Taggart, U.S. Representative to the Military Committee on Equipment and Armament.

First item on agenda ECC meeting June 2<sup>2</sup> was question of effect in Europe of delay in consideration MAP legislation until next session of Congress. Reports from Washington indicate that present congressional calendar may necessitate such delay.

Unfortunately this possibility has already become general knowledge Europe as result reports in press under Washington date line, and has already caused some apprehension.

We are of unanimous opinion that delay in consideration of MAP legislation until next session would have seriously adverse effect on total situation in Western Europe. Briefly our opinion based on following reasons:

1. Canada and US are taking momentous step of linking their defense and security with Europe through Atlantic Pact. Having taken this positive and unprecedented step with its heartening effect throughout free Europe, a delay in MAP would raise question in minds of some continental European countries and people that we are lukewarm in intent to give effective support to the Pact by affirmative action. The implementation of Article III of Pact is viewed in many places on continent as of equal if not perhaps greater significance than Article V. In Europe the hope that the Pact will be an effective deterrent to war rests not only on the intent of all parties to act together when and if war comes but also on their intent to rebuild military strength by mutual aid so that it is a tangible proof of a strong military posture in Europe and an ability as well as an intent to resist aggression. Serious delay in acting on MAP would resurrect old doubts and uncertainties as to dependability and consistency of US foreign policy. It would give renewed force to those elements in Europe who have supported the illusion of appeasement and neutrality against those who have courageously led their governments to place their security in the Atlantic Pact concept. It would result in setback to our general position in Western Europe. We would lose the momentum that has been created as result of our consistent efforts over the past two years to restore strength and assurance in the political, economic, and military fields in Europe.

2. Although confidence has steadily strengthened, there still remains in Western Europe a deep latent feeling of insecurity, a feeling which springs from the fear that Western Europe cannot now be defended against Soviet invasion and that our military power cannot be brought to bear in Western Europe in time to prevent forcible occupation. Our farreaching political and economic efforts over the past two years, and our intent to assist rearmament which has been widely disseminated by the press, have played unquestionably vital part in rebuilding confidence and in strengthening the will to resist. But delay now in MAP would bring back old fears that our intentions are not to help defend but only to accept the necessity for another liberation of Western Europe. The people of Western Europe know

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<sup>2</sup> Summary minutes of this second meeting of the European Correlation Committee, held in London, dated June 2, 1949, are in Department of State file No. 840.00/6-1449.

that their civilization will not survive Soviet occupation. It is the opinion of those working intimately with the Western Union organization that a lengthy postponement of MAP would stop much effective work.

3. Relapse into this fear and insecurity would retard economic recovery, and would play into hands of Communist and fellow-travelling elements. In view of Communist strength in France and Italy, and the sensitivity of large segments of population to propaganda, political stability as well as economic recovery might be jeopardized in these countries by seeming slackening of US interest in MAP.

4. Present indications of Atlantic Pact powers intent to rearm and increase military potential are encouraging. For some time now slowly increasing assurance in face of Soviet has been evidenced. If this important upswing is suddenly halted by seeming slackening of US interest, retrogression will set in. To reverse the process again and regain the upswing may be immensely costly, if indeed it can be fully regained. Delay of legislation which would provide for some military equipment and augmented local production for armed forces would play their part in halting the upward trend, adversely affect morale, and provide Soviets opportunity to capitalize on our seeming vacillation.

We reiterate our deep concern and emphatic recommendation that all possible efforts be made to have Congress consider and act upon MAP legislation earliest date possible during current session.<sup>3</sup>

Sent Department 2187, repeated Paris 393 for Bruce, Rome 77 for Dunn, Oslo 23 for Bay, Copenhagen 14 for Sparks, Brussels 113 for Millard, The Hague 100 for Baruch. [Douglas, Harriman, Huebner, and Taggart.]

DOUGLAS

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<sup>3</sup> Under Secretary of State Webb, in a memorandum dated June 10, not printed, said that President Truman had told him on the preceding day that he had read telegram 2187 from London, agreed with the reasoning presented therein, and wanted all officials of the Department and the various Embassies concerned with the matter to maintain an attitude of confidence with the assurance that he would take every occasion to urge the program's enactment. (Secretary's Memoranda, Lot 53 D 444, June 1949)

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### *Editorial Note*

On June 6, 1949, the Senate Committee on Foreign Relations unanimously agreed to report the North Atlantic Treaty to the Senate for favorable action. For text of the Committee's report, see Department of State *Bulletin*, June 19, 1949, page 787.

840.20/6-1049 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary  
of State*

SECRET      PRIORITY

LONDON, June 10, 1949—11 a. m.

2232. For FASC and FACC from ECC. Personal for Webb, Johnson, Hoffman from Douglas, Harriman, Huebner and Taggart.

The following general views of relationship between Western Union and the non-Western Union Pact countries are presented for your information in considering various proposals submitted from time to time by ECC. These views were unanimously agreed at the ECC meeting on June 2.

It is self-evident that Western Union is the hard central core of Western European strength. The United States must therefore maintain the integrity of Western Union and foster its fuller integration. At the same time, the US must correlate the needs and capabilities of the peripheral non-Western Union Pact countries with those of Western Union. In so doing, the US must, while avoiding any inference that the peripheral countries are "orphans of the storm," realistically appraise their capabilities and in so far as possible combine such capabilities with those of Western Union, for the greatest benefit of all. We should also promote and facilitate mutual aid among Western Union and non-Western Union Pact countries.

This must inevitably lead to consideration of attendant problems within the Western Union organizations, initially perhaps informally by US presentation, but eventually by the peripheral countries themselves through some relationship not yet established. The US must not assume as its prerogative the position of middle man. At the same time, we presumably would not wish to establish a permanent, complicated arrangement which might prejudice the Atlantic Pact organizations. If MAP is to follow the logical, long-range precepts laid down in its basic concept, there will and should be an increasingly intimate relationship between the hard core countries and the peripheral pact countries. We should therefore, quietly and unobtrusively encourage such relationship.

Sent Department, repeated Paris for Bruce 411, Rome for Dunn 81, Oslo for Bay 26, Copenhagen 16 for Sparks, Brussels 118 for Millard, The Hague 103 for Baruch. [Douglas, Harriman, Huebner, and Taggart.]

HOLMES

840.00/6-1049 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

TOP SECRET

LONDON, June 10, 1949—11 a. m.

2234. For FASC and FACC from ECC. ECC at meeting 2 June considered question of US dollar assistance for indirect impact MAP on recovery. Agreed it is important that principle be established in legislation or legislative history. Furthermore if feasible desirable that contingency authority to expend some sums for such assistance if experience proves necessary should be obtained. Not possible give any figures on indirect impact at present. Examination of WU Supply Board's production programs (FSB) 49 (13) indicates insufficient data therein to make any useful evaluation (note re Clay memorandum to Taggart and Bonesteel).<sup>1</sup> Appears likely indirect impact of 49/50 additional production will be small or negligible but believe it desirable not to prejudge problem. Precedent that such impact can be disregarded should not be established at this time.

ECC believes it important that argument justifying possible use of dollars for indirect impact aid be presented positively. Financial and economic condition many MAP countries is such that they must give priority to recovery as matter of vital importance their continued existence. This is in keeping with basic premise of MAP. However, there does exist for various reasons capacity for increased armament production in these countries without substantial impact on recovery. In some cases likely to arise specific increased arms production projects might be initiated if country concerned knew that at least preliminary impact on its hard currency exports, et cetera, of diverting resources would be compensated for in some degree by dollars. Without dollar coverage of indirect impact on recovery, these projects might not be started. Contributions to rearmament of these projects might be many times the value of impact compensation.

Basic to indirect impact question is general proviso that all projects involved must be financed from noninflationary local currency sources and must not seriously affect recovery. Any indirect impact arising would, therefore, be marginal and would not be able net additional source of funds for ERP but simply would cover small losses to recovery which had been adjudged by US to be worthwhile from overall standpoint because of greatly increased benefits to MAP.

Overall amount of dollar aid available to assist European military production should be kept high since it represents our big lever in

<sup>1</sup> Col. C. H. Bonesteel, 3d, Special Assistant to the U.S. Special Representative in Europe.

obtaining the maximum production consistent with no adverse effect on recovery. If kept high it will permit advantage being taken of potential increases capacities arising from possible changes in economic situation and would provide flexibility to permit appropriate handling of indirect impact when experience has developed how it properly should be treated.

Sent Department 2234; repeated Paris 413; Rome 83; Oslo 28; Copenhagen 18; Brussels 120; The Hague 105.

HOLMES

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*Editorial Note*

On June 21 David K. E. Bruce, who had been appointed Ambassador to France on May 9, reported that Foreign Minister Schuman had handed to Secretary of State Acheson an *aide-mémoire* dated June 16 that presented the following views: Noting again the concern of French public opinion over the absence of effective military protection of the territories of Western Europe, the French Government asked for clarifications of American intentions with regard to the proposed North Atlantic Pact, and particularly with regard to French participation in a limited military committee in Washington and to the possible strategic consequences that France might expect from the pact. Without such clarifications it was possible that the French Parliament would attach reservations to its ratification. Mr. Schuman accordingly requested the United States Government to renew the assurances given him in Washington in April. (Telegram 2534 from Paris, June 21, 840.20/6-2149)

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840.00/6-2149: Telegram

*The Chargé in Belgium (West) to the Secretary of State*

[Extracts]

SECRET

LUXEMBOURG, June 21, 1949—6 p. m.

53. Meeting last week end of Brussels Pact FonMins characterized by close harmony under chairmanship of Bech and absence sensational developments.

Cultural and social questions received greatest attention. Decision [garble] continue program pending formulation European council's plan using those fields. Airmail report follows.

Bevin gave factual account of Paris CFM developments and Schuman presented optimistic general picture of East-West relations.

Colonel Mallaby<sup>1</sup> of secretariat gave defense report setting two million men under arms as objective for five powers armed forces. Spaak terminated incipient controversy re purchases of materiel from outside of Brussels group by announcing Belgium had already completed supplementary thirty million dollar military expansion program for this year without outside purchase and he presumed others were doing likewise. It was agreed that each power would individually publicize defense measures for benefit American public opinion. Mallaby's report approved and meeting defense minister[s] set for July 15 here.

According to one source Stikker warned against Rapallo repetition<sup>2</sup> and stated division of Germany should be recognized and Western Germany brought into Western European family. Bevin assured him US, UK, and France were working along lines consistent with above views. . . .

Discussion of Atlantic Treaty was ruled out as premature owing American non-ratification. Bevin [garble] Secretary's statements re Congressional calendar for treaty and MAP. Some observers expressed opinion that group's relative inactivity re additional military planning reflected uncertainty re future American actions.

Sent Department; repeated Brussels 14, Paris 11, London 11, The Hague 13.

WEST

<sup>1</sup> Howard G. C. Mallaby, former Assistant Secretary of the British Ministry of Defense, Secretary General, Brussels Treaty Defense Organization.

<sup>2</sup> Reference here is to the Treaty of Rapallo between Germany and the Soviet Union, April 16, 1922.

840.20/6-2149 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, July 8, 1949—7 p. m.

2471. Following reply handed Bonnet today to Schuman's *aide-mémoire* of June 16 (Embtel 2534, Jun 21) :

"The Govt of the US cannot overemphasize the importance which it attaches to the North Atlantic Pact. The Pact is a collective undertaking and the question of its ratification is one to which no unilateral assurances can attach. Rather, the Treaty must be considered on its own merits by the signatories in accordance with their respective constitutional processes.

The view of this Govt, which it understands is shared by the French Govt, is that the Pact, by making clear the intention of the signatories



resolutely and collectively to resist armed attack should it occur, will exert a powerful deterrent effect on any nation which might be considering such an attack against any of them. The ravages of war in any country can be avoided with certainty only by preventing war from starting. It is this priceless benefit which the Pact is designed to go far toward assuring all the participating nations.

If, despite the existence of the Pact and all the efforts of its members in the interest of peace, the aggressive designs of some nation should lead it to attack a Party, each of the other Parties would be committed to assist the Party attacked by taking such action as it deems necessary to restore and maintain the security of the North Atlantic area. The strategic policy necessary to achieve that objective cannot, of course, be determined now but will depend upon the success achieved in building collective defense capacity before an armed attack occurs, on the development of combined planning, and the situation as it develops in connection with such an attack. The French Government will nevertheless have noted various public statements made by high officials of the United States Government in this connection. For example, the Honorable Louis Johnson, Secretary of Defense, stated in a speech before the National War College on June 21:

‘Because the United States could not—without grave distress to the civilized world—abandon Western Europe to enemy occupation with the later promise of liberation, our long-term strategy—in the event of war—must rest in the containment and thereafter in the defeat of an aggressor’s land-army strength. To live in preparation for so onerous a wartime task, the Army must plan for the rapid mobilization of its mechanized manpower. And it must compensate for our numerical disadvantage both by the destructiveness of its firepower and the mobility of its maneuver.’

General Omar N. Bradley, Chief of Staff of the United States Army has also made various statements of a similar character.

With respect to future military organization under the North Atlantic Treaty, the United States Govt believes that it would be inappropriate for this question to be the subject of public statement before it has been discussed by the signatories and put into operation after the Treaty comes into force. However, as the Govt of the French Republic is aware, this Govt is fully conscious of the important part that France must play in that organization. The position of France in the organization would certainly be no less important than that of any other Party.

The Govt of the US would like to reiterate its belief that only by determined efforts on the part of all Parties can the objectives of the Treaty be achieved. In this connection, great importance attaches to the undertaking in Article 3 to maintain and develop collective de-

fensive capacity through 'continuous and effective self-help and mutual aid'. The Govt of the French Republic will recall that the President of the US has stated his intention to ask the Congress to provide legislation at this session authorizing this Govt to furnish military assistance to the other signatories of the North Atlantic Treaty and to certain other countries.

Questions asked by a number of Senators during the recent hearings on the Treaty indicate that the Senate's consideration of the Treaty, and to an even greater extent the Congress' consideration of military assistance legislation, will be materially influenced by the extent to which other signatories have shown, through action upon the Treaty, through public opinion as reflected in parliamentary debates upon ratification, and through other actions and statements relating to defense, that they are not merely interested in securing benefits for themselves under the Treaty and from the legislation but that they are truly determined to do their utmost to defend themselves and to contribute their full share to the security of the North Atlantic area as a whole."

ACHESON

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840.20/7-849 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, July 8, 1949—7 p. m.

2472. When I handed Bonnet reply to Schuman's *aide-mémoire* (Deptel 2471 July 8) I told him we expected Senate vote on Pact on July 12 or 13 and that MAP would be introduced immediately thereafter. I intimated French debate on Pact after July 14 rather than before would seem preferable. I stated I was slightly puzzled by Schuman's reference in last para of *aide-mémoire* to "assurances" he had received in Washington. I said we had then advised him of our intention to press for MAP at this session and that we contemplated French representation on whatever small military executive committee might be established but that certainly we had not and could not give any assurances covering strategy. Strategy must be worked out under the Pact.

Bonnet inquired whether seat of organization would be in Washington and expressed concern when I said we had reached no decision on location. He had apparently advised his government we strongly favored Washington and expressed belief we had reached a position and were now changing it. This is definitely not correct. We have reached no decision nor formulated any definite views on location either in Washington or elsewhere.

ACHESON

840.00/7-1449 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, July 14, 1949—7 p. m.

2754. 1. As Department aware US now has observers at all levels WU except Consultative Council and Permanent Commission. I feel time has now arrived when it may be desirable for us to have an observer at meetings of Permanent Commission when MAP affairs are under discussion, and when presence of US representative agreeable WU. This seems desirable because :

a. As MAP develops, we will undoubtedly have more and more matters of political nature on which we will wish to approach Brussels treaty powers as a unit. At present, we must make such an approach separately, in each of the WU capitals, or through the British, in effect asking the British to be our spokesman with the other members of WU. We have done the latter, for example, with respect to the relatively minor matter of the possible publication of a WU communiqué on defense. Both of these existing channels have obvious disadvantages.

b. Brussels treaty Foreign Ministers, at Consultative Council meeting June 17-18, agreed that Permanent Commission should play more active coordinating role particularly on matters of defense. Thus from purely informational point of view, it is important we have first-hand information on PC discussions re defense.

2. If you agree with above, I will take up the matter with Bevin in near future. Assuming WU agree that we should have observer at certain PC meetings, I believe that executive director of ECC, when appointed, might be appropriate person to represent us.

3. At some time in future, it seems desirable that, as Chairman of ECC, I should sit with Consultative Council when it is discussing matters of concern to us. However, I believe it would not be timely just now to raise this with Bevin and other members of Council and feel we should let this matter rest, perhaps until after passage MAP legislation.

4. The above suggestions are made, of course, without knowledge your thinking re Atlantic Pact organization and might need modification depending on evolution MAP machinery.

Sent Department 2754, repeated Paris 532 for Harriman.

DOUGLAS

840.20/7-1449: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, July 15, 1949—8 p. m.

2476. Dept fully concurs recommendation your 2754, July 14 (532 to Paris) that you should approach Bevin after Senate has completed action on Pact re obtaining agreement for US observers to attend mtgs Permanent Commission. Agreeable that observer be Executive Director ECC when appointed. In actual operation this will have to be handled so as not to give cause to non-WU Atlantic Pact countries for suspicion that we are minimizing their interest by concentration on WU activities. Believe this can be satisfactorily handled by relationship established between Executive Director of ECC, our Ambassadors and representatives of such countries.

Department concurs your paragraph 3 that at an appropriate time you should raise question of your sitting with Consultative Council when discussing matters of interest to US. Department agreeable to leaving timing to you.

ACHESON

840.20/7-1949

*Memorandum of Conversation, by the Assistant Chief of the Division of British Commonwealth Affairs (Snow)*

CONFIDENTIAL

[WASHINGTON,] July 19, 1949.

Participants: The Canadian Ambassador, Mr. Hume Wrong  
EUR—Mr. Achilles  
BC—Mr. Snow

Subject: Canada's Position in Regard to Military Assistance and Mutual Aid under Article III of the Atlantic Pact

The Canadian Ambassador came to the Department at his request to discuss the foregoing matter with Mr. Achilles and Mr. Snow. He said that on July 12 Mr. Snow had informally approached him again with regard to Canada's possible contribution and with particular regard to what might be said in congressional testimony in support of the Military Assistance Program. The Ambassador had agreed to refer the question to Ottawa. This had been done and he was now under instruction to reply essentially as follows:

Canada fully recognized its obligation under Article III of the Atlantic Pact. In fact, it did not agree with some of the proponents of the Pact who had been testifying in the Senate debate to the effect that the Pact and the Military Assistance Program were fully separate and distinct. The Canadian feeling was that, while one did not auto-

matically follow from the other, they were rather obviously related. In spite of this interpretation, however, the Canadian Government did not propose to announce any parallel program of interim aid at this time. It did not feel in a position to make commitments of this nature, at least until the Atlantic Pact had been ratified, the machinery under it set up, some form of over-all military plan put in shape and an allocation of responsibilities arrived at under such a plan. It was not seen by the Canadians how military aid could be intelligently distributed until that stage in the process had been reached.

Another point was that the U.S. program was at least in some measure based upon wider commitments than those embodied in the Atlantic Pact concept, as evidenced by public announcements of this **Government** over the past several years. In other words, the U.S. interim aid program would probably have had to be brought forward in consequence of these commitments without regard to the Pact. Canada had assumed no such commitments.

A further point was that the United States had relatively large stocks and supplies of military equipment upon which to draw in providing aid. Canada, on the other hand, had scarcely any such stocks.

In summary, the Canadian Government did not feel that it could come forward with any parallel program of military aid at this time and would not be in a position to agree to any testimony before the U.S. Congress which would do other than refer to Canada's acknowledgement in general of its obligation under Article III, its past record and its general reputation among nations. Mr. Snow pointed out that while it was true that the United States was planning aid for areas outside of the Atlantic Pact community, it was not doing so solely for its own benefit and that not only did Canada stand to gain by the implementation of such obligations but had shown a full comprehension of the necessity of bolstering up various areas in the world against Soviet Communist pressure. It could likewise be said that, although Canada might not have as large a reservoir of military matériel as the United States, certain other western countries who were in a somewhat similar position as Canada were willing to consider the contribution of raw materials and other non-finished products to the common endeavor. The Ambassador was apparently not in a position to comment upon these remarks. He had said at the beginning of the conversation that his instructions were derived from a conference between the Under Secretary for External Affairs and the Secretary for External Affairs, which is to say that they came from the Cabinet level, although not as a result of a full Cabinet meeting.

One other consideration mentioned by the Ambassador was the statement given in his Embassy's *Aide-Mémoire* of June 3, 1949,<sup>1</sup> to the effect that the policy of the Canadian Government was to pay for the military equipment and supplies it obtained from the United States. He emphasized this in making the point that, while Canada was not at present willing to make a direct contribution parallel to the MAP, it should be recognized that Canada was not seeking any grants-in-aid, as virtually all other countries were.

W. P. S[~~now~~]

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<sup>1</sup> Not printed.

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*Editorial Note*

On July 25, President Truman submitted to Congress the Mutual Defense Assistance Bill, after ratifying the North Atlantic Treaty earlier in the day.

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8/S-NSC Files, Lot 63D351, NSC 40 Series<sup>1</sup>

*Report by the Executive Secretary of the National Security Council  
(Souers) to the Council*

TOP SECRET  
NSC 40/1

WASHINGTON, July 29, 1949.

THE POSITION OF THE UNITED STATES WITH RESPECT TO UNITED STATES  
AND NORTH ATLANTIC SECURITY INTERESTS IN ICELAND

THE PROBLEM

1. To assess and appraise the position of the United States with respect to United States and North Atlantic security interests in Iceland, with particular reference to the threat of an internal communist *coup d'état* to obtain control of the Icelandic Government.

ANALYSIS

2. The National Security Council by NSC Action Number 10 confirmed the strategic importance of Iceland along with Greenland and the Azores.\*

3. During conversations in Washington in March 1949 between the

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<sup>1</sup> Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947-1961, as maintained by the Executive Secretariat of the Department of State.

\*NSC 2/1. [Footnote in the source text. NSC 2/1.]

Icelandic Foreign Ministers and representatives of the State Department and the National Military Establishment, it was agreed that the possibility of internal communist subversion presents the most immediate danger to Iceland. The extent of the danger is indicated by the communist riots during the debate on the North Atlantic Treaty in the Althing on March 31.

4. The Icelandic Government has made it clear that Iceland could not countenance the presence of foreign troops or military bases in Iceland during peace time. The United States Government has expressed its understanding and acceptance of this position.

5. According to recent information from Icelandic officials, the police force of Reykjavik, chiefly unarmed, amounts to only 150 men; the Government of Iceland desires to strengthen this force but is prevented by the cost; police protection is needed against communist riots; the Icelanders are averse to the use of force and most Icelanders do not believe that the communists would use force; it is difficult to educate the people and to change their habits of mind; and this is the greatest obstacle facing Icelandic Government leaders, who admit that the problem is one which Iceland must solve. Nevertheless, available evidence indicates that in the last six months there has been a considerable decline in relative communist strength.

6. An armed attack on Iceland by external forces would call for action under Article 5 of the North Atlantic Treaty as well as action in the United Nations.

7. A communist *coup d'état* or threat thereof would be legitimate grounds for consultations under the provisions of Article 4 of the North Atlantic Treaty and Article 6 of the Rio Treaty.

8. The North Atlantic Treaty is not yet in force. For some time after it comes into force and its organizations are set up, the group is unlikely to be prepared to take effective action on this problem.

9. In the event of an armed attack on or a Communist *coup d'état* in Iceland prior to the completion of the arrangements envisaged in the North Atlantic Treaty, it may become necessary for one or more of the signatories to act to protect the security of the North Atlantic area.

#### CONCLUSIONS <sup>2</sup>

10. The security of the United States and of the North Atlantic area requires that facilities in Iceland be available for use in the event of emergency by the military forces of the United States and its

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<sup>2</sup> President Truman approved these conclusions on August 5, 1949, and directed their implementation by all appropriate Executive Departments and Agencies of the United States Government under the coordination of the Secretary of State.

allies, and that Iceland continue to be denied to unfriendly or potentially hostile forces.

11. The Department of State should draw up and begin to implement at once a program designed to decrease the vulnerability of the Icelandic Government to communist seizure of power.

12. The National Military Establishment should make plans, including plans for possible deployment of United States forces to Iceland, to protect United States and North Atlantic security interests in Iceland in the event of emergency. The National Military Establishment, in consultation with the Department of State, should devise appropriate arrangements to make possible rapid implementation of these plans.

13. A governmental decision to implement the plans called for in paragraph 12 above would be taken only in accordance with the requirements of the political and military situation prevailing at the time of the emergency.

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840.20/8-349

*Memorandum of Conversation, by the Assistant Secretary of State  
for European Affairs (Perkins)*

TOP SECRET

[WASHINGTON,] August 3, 1949.

Participants: The Honorable Hume Wrong, Ambassador of Canada  
Mr. Perkins, EUR  
Mr. Thompson, EUR  
Mr. Galloway, WE

The Canadian Ambassador called this morning at his request and explained that he desired to discuss the Atlantic Pact organization in a preliminary fashion before leaving Washington this week end for a vacation of some two weeks.

The Ambassador said that he was generally familiar with the preliminary position taken by the United States Joint Chiefs of Staff on military organization under the Pact. He understood that suggestions had come from various quarters that within the military organization there should be constituted a Steering or Executive Group consisting of representatives of the United States, United Kingdom, France, and possibly Canada. The Canadian Government had taken the position that it would serve on such an executive group if an invitation were forthcoming, but that it would not of its own accord press for inclusion. He inquired if his understanding was correct that there had been no final decision on this point by the United States Government. In particular, he understood that the United States Joint Chiefs of Staff had not taken a final position.



The Ambassador was informed that it was true that the United States had not reached a position but that the Joint Chiefs were inclined toward an executive group consisting of only three nations. The Joint Chiefs' view was based entirely on military considerations with particular reference to effective functioning of such an executive group.

It was explained to the Ambassador that there were certain questions in our minds as to the procedure to be followed in securing the acceptance of the idea of an executive group. We thought it probable that there would be opposition from the nations not to be represented. Hence, it might be advisable not to propose initially the formation of an executive group, but rather to let the executive group be proposed later as a result of demonstrated need for its existence.

The Ambassador said that he, too, entertained certain misgivings as to the desirability of proposing an executive group at the outset and he thought personally that the better solution might be to let it come about through the natural course of events. The Ambassador was informed that it would be helpful to us to know before the return of the Joint Chiefs to the United States<sup>1</sup> if there were any further considerations on the part of the Canadian Government with respect to an executive group. He promised to keep this in mind during his conversations in Ottawa in the very near future, but doubted if there was anything more that his Government could say.

The Ambassador next spoke of the relationship between existing defense organizations and the Atlantic Pact organization. He thought that the work of the existing United States-Canadian Joint Defense Board should not be affected in any way by Atlantic Pact machinery. In other words, there should be no formal connection. There would, of course, be a necessity for certain informal liaison between the Atlantic Pact organization and the already existing organization. In short, his Government would be reluctant to see the existing arrangement for planning the defense of the North American Continent disturbed. He was informed that our thinking was exactly along those lines. We had envisaged the possibility of the creation of a United States-Canadian regional planning group within the Atlantic Pact, and although this group would probably be composed of the same personnel who constitute the existing military coordination committee, it would have a separate formal designation under the Atlantic Pact. Hence, there would be no official connection between the two, but the

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<sup>1</sup> The Joint Chiefs of Staff were scheduled to return August 9 or 10 from Europe where they had been conferring informally with military representatives of the Brussels Pact nations on questions concerning military organization (840.20/6-2949).

accomplishments of the existing organization would be utilized by the Pact organization.

The Ambassador then alluded to the question of location—in particular, as it concerned the main military organization under the Pact. He said that logically, United States and Canadian troops would form, for the most part, a reserve. It was the desire of the Canadian Government to maintain this concept and therefore they did not favor a location in Europe for the major military organization under the Pact. They were concerned lest such an arrangement would cause undue pressure on the United States and Canada for more extensive and exacting commitments as to the use of their troops on the continent of Europe. All things considered, the Canadian Government preferred Washington as the seat of the major military organization.

When the Ambassador asked about the timetable, we observed that the Joint Chiefs of Staff would return to the United States about August 10. A few days would be required for consultation between the National Military Establishment and the Department of State after the Joint Chiefs' return. We hoped that the working group could begin about August 15 and that its work could be completed in about three weeks' time. It might, therefore, be possible to have a meeting of the Council about the middle of September.

The Ambassador thought that this was a reasonable estimate and expressed the opinion that from the point of view of convenience to his own Government and in view of the fact that Mr. Bevin would be in Washington during that period, Washington would be the logical place for the Council to meet.

We informed the Ambassador that this confirmed our own thinking and made the observation, with which he agreed, that if the working group achieved satisfactory results, the meeting of the Council should be very brief.

GEORGE W. PERKINS

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### *Editorial Note*

From August 10 to September 9 the first meeting of the Consultative Assembly of the Council of Europe took place at Strasbourg. Paul-Henri Spaak of Belgium was unanimously elected President of the Assembly, which set up a permanent committee to preserve its existence between sessions. A statement by Secretary of State Acheson was released to the press on August 12. Expressing the gratification of the United States Government, Mr. Acheson said that "we welcome any development which promotes constructive international integration." The establishment of the Council of Europe "demonstrates that

measures which until recently were considered beyond the bounds of practical politics have come to be practical and have actually been taken." Mr. Acheson also stated that Mr. Spaak combined "exceptional breadth of vision with highly practical statesmanship." (Department of State *Bulletin*, August 22, 1949, page 269)

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840.00/8-1049 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

PRIORITY

WASHINGTON, August 10, 1949—4 p. m.

NIACT

2957. Pls have FonOff relay urgently following personal message to Schuman from me.

"Amb Bonnet has told me of his instructions that his deposit of French instrument of ratification of NAP shld be accompanied by a declaration based upon and transmitting July 27 resolution of Council of Republic.<sup>1</sup> I am of course familiar with that resolution and well know importance which your Govt attaches to receiving arms from US. I have received sympathetically Bonnet's repeated representations on this matter. I believe you realize importance which I attach to securing early passage of necessary legislation, efforts which I am making toward that end and extent to which I have frankly emphasized to Congress necessity for it from European point of view. There is of course no objection to your transmitting text of resolution but I must tell you frankly my conviction that neither the objective stated in resolution nor common interests of France and US would be served by making any declaration at time of deposit of ratification which might be construed as an attempt to bring pressure from abroad. Any such action in relation to matter under consideration by Congress wld be intensely resented in that body and seriously increase difficulty of legislation."

ACHESON

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<sup>1</sup> In a note of August 8, not printed, the French Embassy conveyed the text of a resolution of July 27 by the Council of the Republic calling upon the French Government to seek (a) the necessary guarantees from the other signatories of the North Atlantic Pact regarding the composition of subsidiary organisms and of the defense committee, and (b) modern arms and equipment from the United States Government to enable French forces to fulfill their obligations under the Pact. (840.50 Recovery/8-849)

840.20/8-1249: Telegram

*The Secretary of State to the Embassy in Italy*

TOP SECRET      PRIORITY      WASHINGTON, August 12, 1949—7 p. m.

1813. Today we talked with Ital Chargé Luciulli re organization to be established under NAP. Outlined proposed mil planning organization under Defense Comitè briefly as fol:

Mil Advisory Council (composed of a mil rep of each signatory) followed by a Steering and Executive Group which in turn is followed by Regional Planning Groups for Western Eur, North Atlantic Ocean, Northern Eur, Western Mediterranean, and Canada-US. This represents Plan "B"<sup>1</sup> discussed between US JCS and Ital CS Frankfurt and copies thereof being despatched from Gen Gruenther to Gen Marras<sup>2</sup> thru Harmony<sup>3</sup> who shld receive shortly.

Pointed out to Luciulli that main difference thinking Ital and US is on composition Steering and Exec Group. US prefers Steering and Exec Group of US UK and Fr while Ital are apparently strongly of opinion Ital shld be member. We emphasized we do not agree this idea because

(1) Membership of three considered largest consistent with insuring efficient operation Steering and Exec Group

(2) All nations will be represented Regional Planning Groups below Steering and Exec Group and on Mil Advisory Council above Steering and Exec Group. Hence no possibility any one country's interests not being adequately protected

(3) Steering and Exec Group would be expected consult with any nation not represented thereon when that nation's interests affected

(4) Steering and Exec Group merely coordinating body and question member thereof representing interests of non-member country does not arise

(5) We consider mil organization must be simple and streamlined to operate efficiently and that question national interests subservient overall objective maintaining and developing collective defense capacity North Atlantic area.

Pointed out our objection Ital membership Steering and Exec Group did not apply just to Ital. We believe Steering and Exec Group would be unworkable if enlarged. We did point out that for political reasons e.g. Ital Peace Treaty we thought it would be most unlikely for them be included Steering and Exec Group even if it were enlarged.

Foregoing for use in such manner as you deem appropriate in talking with Sforza. You shld impress on him impossibility obtaining Ital membership and express hope Ital will not press for this during

<sup>1</sup> Not identified in Department of State files.

<sup>2</sup> Gen. Efsio Luigi Marras, Italian Army Chief of Staff.

<sup>3</sup> Col. John W. Harmony, Military Attaché in Italy.

forthcoming informal working group discussions expected begin about Aug 22. Such procedure wld only serve confuse and delay progress working group.

ACHESON

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840.20/8-1549 : Telegram

*The Chargé in France (Bonbright) to the Secretary of State*

TOP SECRET

PARIS, August 15, 1949—1 p. m.

3389. For the Secretary. This morning I saw Couve de Murville who had just returned from Strasbourg.<sup>1</sup> He stressed fact that Schuman fully recognized validity of apprehensions expressed in your personal message (Deptel 2957 August 10) and was naturally anxious to avoid any action which would add to your difficulties with Congress. On the other hand Couve indicated that, as we knew, Schuman had formally committed himself before National Assembly to make some kind of declaration.

Schuman's suggested formula is that Bonnet deliver you a note which would begin by quoting text of motion adopted by Council of Republic and ending with two paragraphs of which following is hasty translation (French text follows in mytel 3390) :<sup>2</sup>

"In accordance with the mandate given it, the French Government has the honor to bring this text to the attention of the signatories of the treaty as representing the expression of the fundamental pre-occupations of the French Government and of its responsible leaders.

The motion responds to the profound conviction that the functioning of the assistance clauses of the treaty cannot be efficaciously assured except by the rapid and adequate implementation of military assistance on the one hand and of article 9 on the other."

It is intended that note should be addressed not only to our government but to all signatory governments. French feel that by so doing their note would merely be of an informative character and could not be regarded as an appeal directed solely to US.

BONBRIGHT

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<sup>1</sup> Maurice Couve de Murville, Director General of Political Affairs, French Foreign Office, had just returned from the first meeting of the Council of Europe.

<sup>2</sup> August 15, not printed.

840.20/8-1549 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET NIACT

WASHINGTON, August 17, 1949—1 p. m.

3046. Embtel 3389 Aug 15. I have studied carefully Mr. Schuman's suggested formula and hope that he will agree to modifying para two so that it will read as follows:

"The motion responds to the profound conviction that individual and collective self-defense cannot be efficaciously assured except by the rapid and adequate implementation of military assistance and by the earliest possible establishment of effective machinery under Art 9."

This change is suggested in order to remove some of implication that implementation of mil assistance and estab of effective machinery under Art 9 are dependent upon each other at this stage. There is a strong body of opinion in this country, particularly in Congress, which considers that there shld be only a minimum mil assistance program prior to formal operation of pact machinery.

Of equal importance is timing of delivery of note. Delivery of note simultaneously with deposit of instrument of ratification might well cause most deplorable reaction in US since it cld be interpreted as implying a reservation on part of Fr Govt to observe its commitments under Treaty. I realize that this is not Schuman's intention and I wld therefore hope that he wld agree to postponing delivery of note for at least a day or two following deposit of instrument of ratification.

Pls convey above urgently to FonMin Schuman with my own personal regards. Pls assure him that I am entirely sympathetic with his parliamentary problem but that I know he fully appreciates mine. I attach greatest possible importance to launching mil assistance program on as effective a basis as possible.<sup>1</sup>

ACHESON

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<sup>1</sup> In telegram No. 3425, August 18 from Paris, the Chargé advised that Schuman had agreed to accept the proposed wording and to postpone delivery of the note until a day or two following deposit of the instrument of ratification (840.20/8-1849).

840.20/8-3049 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, August 31, 1949—8 p. m.

3143. Agreement has been reached in Working Group that no political bodies other than Council should be formally established under Atlantic Pact at this time. (Reurtel 3452, Aug 30<sup>1</sup>) Informal political contact on treaty matters, between Council sessions, will be

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<sup>1</sup> Not printed.

maintained through Embs here. Defense Comte consisting of Defense Ministers, or persons of suitable authority representing them, expected convene here about Oct 5. Brit, Fr and other reps in general agreement with us concerning organizational details.

Kibler fully cognizant US thinking concerning military side of organization. Principal point of difference with Brit (and to some extent Continentals) concerns US membership in three regional planning groups. Brit and Continentals seek full US membership on three European regional planning groups. JCS position approved Aug 19 is: "Problem of extent of US participation in Western European Regional Planning Group (or in WU) is very complex one, implications of which have not yet been completely analyzed. Agreement on this feature is difficult because Brit Chiefs of Staff have stressed extreme importance of full US participation in all regional organizations, and in particular in Western European organization. For present, US position should be that full membership in either Western European Group or in WU is not advisable. However, extent of US participation should be increased over present observer status to point short of full membership, as described by term 'participation as appropriate'." Amplification JCS thinking has been communicated to Kibler. In addition to representations by Brit Emb here and Bevin's approach to Douglas, Brit have been pressing their views through military channels. US Govt position not yet completely finalized but any substantial deviation from JCS views unlikely.

Brit, Fr and most other reps agree Steering Cmte should include only US, UK and France, and that Italian and Netherlands efforts to secure seat must be rejected.

One point which has so far been only tentatively discussed is nature and location of Production and Supply Board. We envisage it as similar to WUMSB designed primarily to coordinate European production, and located in Europe. This surprised Brit and Continentals who had apparently envisaged it as working with Military Cmte on allocation MAP. That concept unacceptable to us.

ACHESON

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840.20/9-249

*The Secretary of Defense (Johnson) to the Secretary of State*

TOP SECRET

WASHINGTON, September 2, 1949.

DEAR MR. SECRETARY: In their memorandum dated 22 August 1949, the Joint Chiefs of Staff informed me that they had modified their previously expressed concept regarding the membership in the regional planning groups under the North Atlantic Treaty organization by indicating "participation as appropriate" for all nations not desig-

nated as full members of these groups. I give you herewith their further views concerning the proper meaning of this phrase.

Insofar as "participation as appropriate" is applicable to U.S. membership in regional groups, the Joint Chiefs of Staff have reached the following conclusion: The term "participation as appropriate" should not be rigidly defined at this time, but should remain in a flexible status in order to protect thoroughly U.S. interests. It can, however, be broadly interpreted as follows:

a. "Participation as appropriate" will be considered as tantamount to full U.S. military membership in military planning matters on which the U.S. position on policy is already clearly defined by J.C.S. or other action, such as, employment of U.S. occupation troops and implementation of the Military Aid Program.

b. In other matters relating to military planning for the defense of the North Atlantic area and, in particular, of the area composed of the nations signatory to the Brussels Pact, U.S. "participation as appropriate" will depend on U.S. interest in the subject matter under consideration and will be governed by policy established from time to time by the Joint Chiefs of Staff.

c. "Participation as appropriate" may be further interpreted as permitting increased participation in military planning at appropriate levels within the limitations indicated in paragraph a. above.

The Joint Chiefs of Staff consider that this interpretation of the term "participation as appropriate" is suitable and sufficient for guidance of the Department of State representatives in the current international discussions on the military organization under the North Atlantic Treaty.

Sincerely yours,

LOUIS JOHNSON

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840.20/9-349 : Telegram

*The Secretary of State to the Embassy in Italy*

TOP SECRET

WASHINGTON, September 3, 1949—5 p. m.

PRIORITY NIACT

2033. Embtel 2734 [2734-A], Sept. 2.<sup>1</sup> Believe advisable you see De Gasperi Sept 2 if possible before Sept 5 meeting <sup>2</sup> and go over with him substance Deptel 1946, Aug. 26.<sup>3</sup> Impress on him that Ital Govt

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<sup>1</sup> Not printed.

<sup>2</sup> Meeting of Italy's Supreme Council of Defense in Rome.

<sup>3</sup> In telegram 1946, not printed, Acheson reported that in the NAP working group meeting of August 25, the Italian representative had first questioned the need for a formal Steering and Executive Group in the NAP organization, and had then stated his belief that his government's position would be that Italy should participate in such a group if it were formed, and should also be an equal member of the proposed Western European Regional Planning Group. Acheson expressed his sympathy for the Italian viewpoint but requested Ambassador Dunn to impress upon Sforza the impracticality of the Italian representative's request and the danger of its antagonizing the other members of the organization. (840.20/8-2649)



must not instruct Sforza to assume adamant position in forthcoming Council meeting which would have effect of delaying establishment Pact organization. In view probable Congressional action making MAP contingent upon operation Pact machinery, it is imperative that Pact organization be established immediately and begin work forthwith.

All Pact members realize necessity Ital participation as appropriate in Western European Regional Planning Group but attitude of most Brussels Pact nations seems to us to place question of full membership for Italy in Western European Group without the realm of possibility. Therefore, Ital insistence on this point to extent of introducing delay in setting up organization might result in consequences onus of which would fall squarely on Italy and which other Pact members are certainly not prepared accept.<sup>4</sup>

ACHESON

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<sup>4</sup> Ambassador Dunn, in his answering telegram 2744 of September 5, not printed, reported that in conversation that morning De Gasperi had told him that he could understand the U.S. position but he hoped that a formula could be found which might prevent severe criticism from the political opposition in his country's approaching political campaign (840.20/9-549).

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840.20/9-749

*Memorandum on the Under Secretary's Meeting of September 7, 1949*

[Extract]

SECRET

[WASHINGTON,] undated.

1. North Atlantic Pact Organization (Secret) Mr. Perkins<sup>1</sup> reported on the current status of the North Atlantic Pact Organization discussions. He pointed out that the NME is particularly worried about the secretariat problem and, in particular, does not want an international secretariat. Although this problem is not settled, State is inclined to let the Defense Board work out its own secretariat problem. The British would like to have the Supply Board located in Washington but the United States prefers to have it in Europe. Mr. Perkins pointed out that NME would like to have the North Atlantic Pact Organization proposals put up to the NSC for approval but he is inclined at present to feel that it is unnecessary. Mr. Rusk pointed out that if State and the NME agree, there is no reason why it should go to the NSC unless the Military have a desire to freeze every aspect of the Pact Organization.

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<sup>1</sup> George W. Perkins, Assistant Secretary of State for European Affairs.

840.20/9-1449

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] September 14, 1949.

Participants: Mr. Bevin  
Sir Oliver Franks  
Sir Gladwyn Jebb  
Sir Roger Makins  
Mr. Barclay <sup>1</sup>  
Mr. Acheson  
Ambassador Jessup  
Mr. McGhee <sup>2</sup>  
Mr. Thompson <sup>3</sup>  
Mr. Achilles  
Mr. Satterthwaite

*1. Atlantic Pact*

Bevin opened by saying that the Working Group on the Atlantic Pact has almost made it unnecessary for him to stay in Washington for the council.

He thought that we should persuade Italy to withdraw its claim to be a member of the standing group. If Sforza made a speech pressing this claim, he might draw some curt replies from some of the other countries. I said we would do our best to prevent Sforza from raising this issue in the meeting. We see no reason why Italy should be in a standing group. We might change the name of the regional group to the "Southern European-Western Mediterranean Group" and give further assurances for full coordination between the groups, if that would help Sforza. Bevin repeated that from the British point of view, it was most important to keep Italy off the standing group. I agreed.

Bevin then said he had been perturbed about our unwillingness to be full members of the European regional groups. He would like us to be full partners in all their activities. He understood our military and political difficulties but hoped we would take as active a part as possible and be represented by high ranking officers who could speak authoritatively for the Joint Chiefs. The French had tried to get the British to make specific commitments on their contribution of ground forces. The British feared being caught between pressure from the French for commitments in advance of or outside the grand plan and our unwillingness to furnish information on our own plans adequate

<sup>1</sup> Roderick E. Barclay, Principal Private Secretary to the British Foreign Minister.

<sup>2</sup> George C. McGhee, Assistant Secretary of State for Near Eastern and African Affairs.

<sup>3</sup> Llewellyn E. Thompson, Jr., Deputy Assistant Secretary of State for European Affairs.

to enable the British to make theirs. The British, like us, must pay due attention to global strategy.

Bevin then stated that he understood from his advisers that, if he submitted two questions on our position he would receive an answer which, while not all that he would desire, would be the best we could give. He handed me the attached *Aide-Mémoire* and I handed him the attached reply.<sup>4</sup>

I went on to say that we also were pressed by various countries for specific commitments which we were not in a position to give. We realized the British problem but believed that such matters could be discussed bilaterally much better than in the regional groups. The Joint Chiefs of Staff could not be expected at this time either specifically to define "participation as appropriate" or to express complete views on the strategic conduct of a war. Our unwillingness to commit our forces on a piece-meal basis did not imply any dodging of responsibility.

Bevin then said that if Britain fully met the French desire for commitments on the continent, there would be no troops left for the Middle East. I said we could handle that between ourselves. He asked how much pressure the French had recently been exerting on us and was advised that the fact that the French were to be members of the Standing Group had temporarily reduced the pressure but that it would of course be renewed as soon as the organization began to function.

Bevin then referred to the Economic and Financial Committee. He said Cripps agreed that it was desirable to delay establishing it. I agreed.

Bevin suggested that there be an Economic and Financial Committee on the ministerial level as well as one on the expert level. I thought that it would be a mistake to have too many committees, a Financial and Economic Committee at a high level with whatever special assistance was necessary would do. Bevin agreed.

In reply to Bevin's inquiry as to whether the Council would finish on Saturday Mr. Achilles said the only problems remaining were those raised by Sforza and that the discussions should be finished Saturday.

I said that if the MAP passed Congress in its present form, a hundred million would be available immediately and four hundred million only when there was a plan. Achilles said we had reminded the other countries of this and hoped that following the October 5th

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<sup>4</sup> This arrangement was worked out by Achilles and Jebb and was approved by British authorities and by the Office of the Secretary of Defense after consultation with representatives of the Director of the Joint Staff. Acheson was briefed on the plan by a memorandum directed to him by Achilles on September 14; not printed (740.5/9-1450).

meeting and the military meeting immediately thereafter, planning would begin at once.

## Attachment A

## AIDE-MÉMOIRE

The Working Party is recommending the setting up under the Atlantic Pact of five regional groups to prepare detailed plans for possible war. Two of these groups, the North Atlantic Ocean Group and the United States-Canadian Group, are regions in which the United States is geographically located and the United States have announced their intention of playing a full part in all their activities. In the other three groups, the North European, the Western European, and the Western Mediterranean, which will probably be located in Europe, the United States provide for their participation in the following terms:—

“The United States have been requested and have agreed to participate actively in the defence planning as appropriate.”

The British Chiefs of Staff have not yet been able to find out from their United States colleagues what precise form of participation this formula is intended to embrace and we are therefore still somewhat in the dark. But we feel very strongly that the fullest United States participation in these groups is essential to the success of the Pact both from the military and the political points of view. The United States and British Chiefs of Staff are both agreed that the real work—the work which will make defence under the Atlantic Pact a reality—has got to be done in the regions. The idea that this important work should be carried out with anything less than the full cooperation of the United States seems to us to be quite out of tune with the whole Atlantic Pact conception.

As we see it the two essentials are:—

(a) that United States representatives be appointed to play an active role in the work of the three European Regional Planning Groups;

(b) that these representatives should be in a position authoritatively to represent the views of the United States Chiefs of Staff.

In our view, failure of the United States to associate themselves with the European Regions on the above basis will mean that the existing Western European Organisation will slowly die.

WASHINGTON, 14th September, 1949.

## Attachment B

## AIDE-MÉMOIRE

The United States will appoint representatives to play an active role in the work of the three European regional planning groups within the limits of the policy of the United States Joint Chiefs of Staff, and it is hoped that their work will lead to the further development of policy by the Joint Chiefs of Staff as may be necessary.

WASHINGTON, September 14, 1949.

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840.20/9-1449

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] September 14, 1949.

Participants: Count Sforza  
Ambassador Tarchiani  
Mr. Acheson  
Mr. Achilles  
Mr. Unger<sup>1</sup>  
Mr. Satterthwaite

Sforza began a long plea for a change in the military arrangements under the Atlantic Pact. He urged that Italy should be on the standing committee, but after I explained to him the difficulties in this regard he modified this to a request that Italy become a full member of the Western European Group, as well as a member of the Southern European Council. He said he thought that while there was no longer a direct danger of Italy's becoming communist, there are strong nationalist elements in Italy who alone or in league with the communists might cause trouble among the population. The Italian people fear that by Italy's not being responsible for the Western European defenses, it will find itself having no say whatever in the disposition of its own forces and military effort and unable to assure that its eastern land frontier would receive the same consideration as that of northwestern Europe. Mr. Achilles pointed out that UK, US, and France were vitally concerned with the defense of Italy and that this fact, plus Italy's membership in the Southern European-Western Mediterranean Group, would insure that their interests were taken care of. Sforza renewed his plea and urged that some formula be worked out which would reassure the Italian people that all of Italy will be defended. I said we could not come to a conclusion on this today. but that we would discuss it further with him, tomorrow.

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<sup>1</sup>Leonard Unger, Assistant Chief, Division of Southeast European Affairs.

840.20/9-1749 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*TOP SECRET      PRIORITY  
NIACT

ROME, September 17, 1949—1 p. m.

2882. I have just seen the Prime Minister. He found it necessary to come to Rome because he was threatened with a breakup of the government on the issue of Italian representation on the regional committees. He has, after great difficulty, now received cabinet approval, including all parties represented in the government, of the following formula which he is instructing Sforza to have accepted as this is as far as the cabinet will go in making a compromise on this subject.

I quote the formula as follows :

"It is recognized that there are problems which are strictly common to the defense which concerns the regional groups of the north, of the west, and the south and western Mediterranean.

"It is therefore important that understandings be taken to assure full cooperation between two or, if necessary, between the three above mentioned regional groups.

"To this end a military committee of coordination will be created to serve under the military committee of the Atlantic Pact and will be composed of representatives of the three regional groups".

He said he realized it was American insistence, notwithstanding opposition of some other governments, that brought Italy into the Pact, and he requested me to ask my government to use its best efforts to have this formula adopted, as in view of the strong feeling of the Socialist and Liberal members of the government he did not see anything that could be done if this formula or an equivalent form were not accepted.

He also said he had not been able to inform Count Sforza of the cabinet situation, and wished that to be kept entirely secret.

DUNN

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*Editorial Note*

The first session of the Council of the North Atlantic Treaty Organization was held in Washington on September 17, 1949. Iceland was represented by its Minister to the United States. The other nations, Belgium, Canada, Denmark, France, Italy, Luxembourg, the Netherlands, Norway, Portugal, the United Kingdom, and the United States were represented by their Foreign Ministers.

The principal action was establishment of a Defense Committee,

a Military Committee, five Regional Planning Groups, and a Standing Group composed of one representative each of France, the United Kingdom, and the United States.

A communiqué on this meeting was released by the Department of State on September 17, and is printed in the Department of State *Bulletin*, September 26, 1949, pages 469-472. A copy of the verbatim record of the meeting is in Department of State file 840.20/9-1749.

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740.5/2-1951

*Report of the Working Group on Organization, to the North Atlantic Council*<sup>1</sup>

CONFIDENTIAL

[WASHINGTON, undated.]

I

ORGANIZATION

The Council is the principal body in the North Atlantic Treaty Organization. In accordance with the Treaty, the Council is charged with the responsibility of considering all matters concerning the implementation of the provisions of the Treaty. Such subsidiary bodies as are set up under Article 9 of the Treaty are subordinate to the Council.

The organization established under the North Atlantic Treaty should be operated with as much flexibility as possible and be subject to review from time to time. The establishment of this machinery does not preclude the use of other means for consultation and cooperation between any or all of the Parties on matters relating to the Treaty.

II

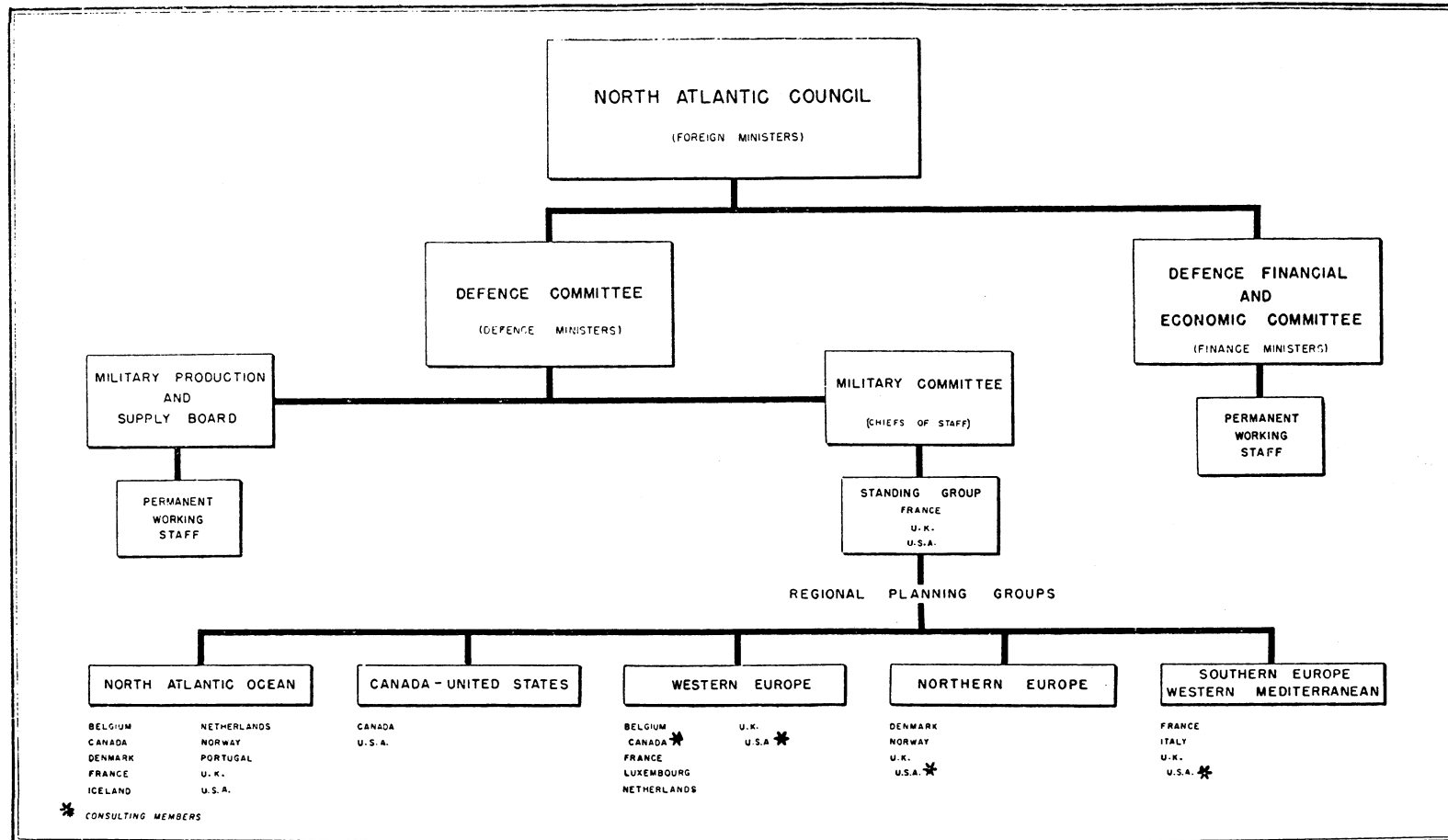
COUNCIL

As decided on April 2, the Council will normally be composed of Foreign Ministers. Should the latter be unable to attend, their places shall be taken by plenipotentiary representatives designated by the Parties. To enable the Council to meet promptly at any time the diplomatic representatives in Washington of the Parties shall be empowered to act as their Governments' representatives whenever necessary.

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<sup>1</sup> This report was submitted to the First Session of the North Atlantic Council on September 17, 1949, as Council Document D-1/1 of that date and was approved by the Council during the course of the meeting.

## THE ORGANIZATION IN DECEMBER 1949



SOURCE: Lord Ismay, Secretary General of the North Atlantic Treaty Organization,  
*NATO: The First Five Years, 1949-1954.*



*Terms of Reference*

The North Atlantic Treaty shall constitute the terms of reference of the Council.

*Time and Frequency of Sessions*

The Council shall be convened by the Chairman and shall meet in ordinary session annually and at such other times as may be deemed desirable by the majority of the Parties. Extraordinary sessions under Articles 4 and 5 of the Treaty may be called at the request of any Party invoking one of these Articles.

*Location of the Council Sessions*

The location of each session of the Council shall be determined by the Chairman after consultation with the other members of the Council. For general convenience the ordinary annual session should normally be held at about the same time and in the same general geographical area as the annual session of the General Assembly. Other ordinary sessions should whenever practicable be held at some convenient location in Europe.

*Nature of Sessions*

The Council shall meet in closed session unless it decides otherwise.

*Chairmanship*

Chairmanship shall be held in turn by the Parties according to the alphabetical order in the English language beginning with the United States. Each Party shall hold the office from the beginning of one ordinary annual session until the appointment of the new Chairman at the following ordinary annual session. If any Party does not wish to accept the Chairmanship, it shall pass to the next Party in alphabetical order.

*Languages*

English and French shall be the official languages for the entire North Atlantic Treaty Organization.

*Secretariat*

No formal international secretariat shall be established unless and until the need for one is demonstrated. For the present the United States, as the depository government, will furnish such administrative secretarial services as may be required in the United States.

*Budget*

No international budget for the organization is now considered necessary. Until other arrangements are made, each Party shall pay the expenses of such of its nationals as may be employed in any capacity by the organization.

*Permanent Coordination*

Additional political bodies shall not be established unless and until experience has demonstrated their need. However, the existing informal arrangement for consultation between representatives in Washington of the Parties shall be maintained.

### III

#### DEFENSE COMMITTEE

The Council shall establish a Defense Committee composed of one representative from each Party. These representatives shall normally be Defense Ministers. In any case where this is not possible, another representative may be designated.

*Terms of Reference*

The Defense Committee shall recommend measures for the implementation of Articles 3 and 5 in accordance with general policy guidance given by the Council.

*Time and Frequency of Sessions*

The Defense Committee shall be convened by the Chairman and shall meet in ordinary session annually and at such other times as it may be requested to meet by the Council or as may be deemed desirable by the majority of the members of the Defense Committee.

*Location*

The location of each session of the Defense Committee shall be determined by the Chairman in consultation with the members of the Committee.

*Nature of Sessions*

The Defense Committee shall meet in closed session unless it decides otherwise.

*Chairmanship*

Chairmanship shall be held in turn by the Parties according to the alphabetical order in the English language beginning with the United

States. Each Party shall hold the office from the beginning of one ordinary annual session until the appointment of the new Chairman at the following ordinary annual session. If any Party does not wish to accept the Chairmanship, it shall pass to the next Party in alphabetical order.

#### *Staff and Secretarial Services*

The Defense Committee and its subsidiary bodies shall each make such arrangements for their staff and secretarial services as they consider necessary, bearing in mind the desirability of restricting as far as possible the number of persons so employed.

#### *Security of Information*

The Defense Committee shall recommend for adoption appropriate regulations for the security of information for the entire North Atlantic Treaty Organization.

### IV

#### MILITARY COMMITTEE

The Defense Committee shall establish a Military Committee composed of one military representative from each Party. These representatives shall be Chiefs of Staff or their representatives. (Iceland, having no military establishment, may, if it so desires, be represented by a civilian official.)

#### *Terms of Reference*

The Military Committee shall :

- provide general policy guidance of a military nature to its Standing Group;

- advise the Defense Committee and other agencies on military matters as appropriate;

- recommend to the Defense Committee military measures for the unified defense of the North Atlantic area.

#### *Location*

The Military Committee shall normally meet in Washington.

#### *Nature of Sessions*

The Military Committee shall meet in closed session.

#### *Procedural Matters*

All other procedural and organizational questions shall be resolved by the Defense Committee or the Military Committee itself.

## V

## STANDING GROUP

In order to facilitate the rapid and efficient conduct of the work of the Military Committee, there shall be set up a sub-committee of that body to be known as the "Standing Group". The Standing Group shall be composed of one representative each of France, the United Kingdom, and the United States.

*Terms of Reference*

The Standing Group, in accordance with general policy guidance provided by the Military Committee, shall provide such specific policy guidance and information of a military nature to the Regional Planning Groups and any other bodies of the organization as is necessary for their work.

To achieve the unified defense of the North Atlantic area, the Standing Group shall coordinate and integrate the defense plans originating in the Regional Planning Groups, and shall make appropriate recommendations thereon to the Military Committee.

The Standing Group shall recommend to the Military Committee those matters on which the Standing Group should be authorized to take action in the name of the Military Committee within the framework of approved policy.

It is recognized that it is the responsibility of individual governments to provide for the implementation of plans to which they have agreed. It is further recognized that it is the primary responsibility of the Regional Planning Groups to prepare plans for the defense of their respective regions. Subject to these principles, it is understood that before the Standing Group makes recommendations on any plan or course of action involving the use of forces, facilities, or resources of a Party not represented on the Standing Group, going beyond or differing from arrangements previously agreed by the Party concerned, the Party shall have the right to participate in the Standing Group in the work of formulating such recommendations. It is also understood that when communicating their regional plans to the Standing Group, the Regional Planning Groups shall be entitled to have their plans presented and explained by any one of their members and not necessarily by a member of the Standing Group.

*Time and Frequency of Sessions*

The Standing Group shall be so organized as to function continuously.

*Location*

The permanent site of the Standing Group shall be in Washington.

*Permanent Representation*

In order to maintain close contact with the Standing Group, a Party not represented thereon may appoint a special representative to provide permanent liaison with the Standing Group.

## VI

## REGIONAL PLANNING GROUPS

The security of the whole North Atlantic area is of vital concern to all the Parties. It must, however, be recognized that some of the Parties are more directly interested in, or can make a greater contribution to, the defense of certain parts of the North Atlantic area than other parts. It would, therefore, seem that the speedy and efficient planning of the unified defense of the whole North Atlantic area would be facilitated by the setting up of certain Regional Planning Groups.

The question of which Parties should be members of which particular groups depends on geographical, political, and military considerations. While some parties are not only directly interested in but in a position to contribute to the defense of the whole North Atlantic area, the contribution which others can make must be restricted to the regions in which they are physically situated. In view of the difficulty of evaluating the political and military considerations involved, the membership of the different Regional Planning Groups shall be established on a geographical basis. At the same time, it is agreed that:

(1) before any Regional Planning Group makes any recommendations affecting the defense of the territory or involving the use of forces, facilities, or resources of any party not a member of the Group, that Party shall have the right to participate in the Group in the work of formulating such recommendations;

(2) any Group which considers that a Party not a member of the Group can contribute to the defense planning of that Group's region, can call upon that Party to join in the planning as appropriate.

*Composition**Northern European Regional Planning Group*

Denmark, Norway, and the United Kingdom.

The United States has been requested and has agreed to participate actively in the defense planning as appropriate.

Other Parties may participate under the provisions listed above.

*Western European Regional Planning Group*

Belgium, France, Luxembourg, the Netherlands, and the United Kingdom.

Canada and the United States have been requested and have agreed to participate actively in the defense planning as appropriate.

Other Parties may, and in particular Denmark and Italy will, participate under the provisions listed above.

*Southern European-Western Mediterranean Regional Planning Group*

France, Italy, and the United Kingdom.

The United States has been requested and has agreed to participate actively in the defense planning as appropriate.

Other Parties may participate under the provisions listed above.

It is recognized that there are problems which are clearly common to the defense of the areas covered by the three European regional groups. It is therefore important that arrangements be made by the Defense Committee, with a view to ensuring full cooperation between two, or if the need arises, all three groups.

*Canadian-United States Regional Planning Group*

Canada and the United States.

Other Parties may participate under the provisions listed above.

*North Atlantic Ocean Regional Planning Group*

Belgium, Canada, Denmark, France, Iceland, the Netherlands, Norway, Portugal, the United Kingdom, and the United States.

The responsibilities for planning the defenses in the North Atlantic Ocean cannot be shared equally by all members of the Group. On the other hand, these responsibilities can to some extent be divided along functional lines and allocated to those Parties who are best able to perform the respective defense functions. Therefore, the North Atlantic Ocean Regional Planning Group, when it meets, shall establish a series of planning sub-groups related to specific functions of defense. The Group shall determine on which sub-group or sub-groups each Party shall sit, and the arrangements necessary to ensure coordination between these sub-groups in the interest of speedy and effective planning.

*Terms of Reference*

Each Regional Planning Group shall:

develop and recommend to the Military Committee through the Standing Group plans for the defense of the region;

cooperate with the other Regional Planning Groups with a view to eliminating conflict in, and ensuring harmony among, the various regional plans.

*Location*

The Defense Committee shall consider the question of the location of the Regional Planning Groups.

*Procedural Matters*

All questions of procedure and organization shall be left to the decision of each individual Group.

## VII

The Council recognizes that the question of military production and supply is an integral part of the whole problem of the defense of the North Atlantic area. Consequently, there shall be established as soon as possible appropriate machinery to consider these matters. The details of organization of this machinery, terms of reference, etc., shall be studied forthwith by a working group which shall submit recommendations to the Defense Committee or to the Council.

## VIII

The Council recognizes the importance of economic and financial factors in the development and implementation of military plans for the defense of the North Atlantic area. Consequently, there shall be established as soon as possible appropriate machinery to consider these matters. The details of organization of this machinery, terms of reference, etc., shall be studied forthwith by a working group which shall submit recommendations to the Council.

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840.20/9-1749 : Telegram

*The Acting Secretary of State to the Embassy in Italy*

TOP SECRET

ROME, September 23, 1949—7 p. m.

2315. Half hour before mtg Sat <sup>1</sup> Guidotti brought in formula given urtel 2882 Sept 17 and asked if we thought it acceptable. We said frankly our mil would not accept it and we assumed other Europeans wld not. In reply question whether Sforza's instr contained any latitude he said third sentence cld be omitted provided second para changed to read "It is therefore important that arrangements be made by the Def Comite, with a view to ensuring full cooperation between two, or if the need arises, all three groups." Formula as amended was acceptable to everyone and adopted.

Guidotti warned however this wld merely postpone argument until Def Comite met, that mil were less used to resolving difficulties and that Pacciardi <sup>2</sup> had much less influence in Cabinet than Sforza. He and Sforza wld nevertheless recommend moderation and assist in working out solution.

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<sup>1</sup> First meeting of the NATO Council, September 17.

<sup>2</sup> Randolfo Pacciardi, Italian Minister of Defense.

We wld appreciate advice as to what if any public and press reaction there has been in Ital to communiqué. We wld also appreciate indication governmental opinion if you can obtain discreetly without giving impression matter not already settled. In absence any indication adverse reaction to communiqué we assume heat has gone out of this question and that provision by Def Comite for joint mtgs regional grps as indicated Deptel 2240 Sept 16<sup>3</sup> will finally settle it. Do you believe Itals will regard formal action by Def Comite this sense necessary at this time?

WEBB

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<sup>3</sup> Not printed.

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840.00/9-2649 : Telegram

*The Secretary of State to the Acting Secretary of State*

TOP SECRET

NEW YORK, September 26, 1949—1:30 p. m.

1188. For Acting Secretary and Mr. Rusk from Secretary. Mr. Schuman called on me at my request this morning at eleven o'clock and stayed about one-half hour. I told him that I had two matters which I should like to discuss with him.

[Here follows discussion on devaluation of the German mark.<sup>1</sup>]

The second matter which I wished to speak to Mr. Schuman about grew out of an apparent misunderstanding of something which Mr. Bonnet had understood me to say. I said that Mr. Wapler, the Counsellor of the Embassy, had arrived in Paris on Friday with a report from the Ambassador on our talks in Washington. The substance of this report had been communicated to our Ambassador, who reported to us that it had caused considerable concern in the Foreign Office and to the Prime Minister.

Mr. Bonnet apparently believed that a historical policy decision had been made in Washington to the effect that special relations would be established by the United States and the United Kingdom and the Commonwealth, and that the US relations with nations on the continent would now be altered, contrary to the principles of OEEC, the Atlantic Treaty, etc. I thought it probable that the Ambassador's view had grown out of an article by the Alsop Brothers<sup>2</sup> some days ago, in the light of which he had quite misinterpreted a statement which I had made regarding French leadership on the continent.

Mr. Schuman interrupted to say that he was quite at a loss to understand how anyone could have gotten such an idea; that Bonnet

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<sup>1</sup> For documentation on this subject, see vol. III, pp. 448 ff.

<sup>2</sup> Stewart J. O. Alsop and Joseph W. Alsop, Jr., coauthors of an American syndicated newspaper column.



had never expressed it to him; that he had never so interpreted it; and that he remembered well the remark in question which had been made by me to Mr. Bevin, Mr. Schuman and Senator Connally. It was to the effect that the future of Western Europe depended upon the establishment of understanding between the French and the Germans; that this could only be brought about by the French, and only as fast as the French were prepared to go; and that, therefore, the role of the US and UK in this matter was to advise and to assist the French and not put them in the position of being forced reluctantly to accept American or UK ideas.

I then said that I should like to be quite clear that we understood one another by going over this entire matter again. I pointed out the deep concern of the US in Europe, which had been increasingly manifested since the war and which culminated in the Marshall Plan, the NAP, and the MAP bill. These were certainly not steps looking toward the abandonment of France, but, on the contrary, were the increasing association of the US with the Atlantic community. Mr. Schuman agreed enthusiastically.

[The remainder of the telegram concerns economic matters.]

ACHESON

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840.00/9-2849: Telegram

*The Chargé in the United Kingdom (Holmes) to the  
Secretary of State*

TOP SECRET

LONDON, September 28, 1949—5 p. m.

3879. Recent conversations with Strang and Shuckburgh<sup>1</sup> indicate that Foreign Office is now reviewing and will probably shortly take important policy decisions concerning British attitude toward unification of Europe. British Foreign Minister must be prepared at November meeting of Committee of Ministers of Council of Europe to indicate British position on assembly recommendations which in turn entails more clear-cut delineation than heretofore of extent to which Britain willing to commit itself irrevocably on Continent in process of furthering unification.

Fundamental question of how far Britain willing to impair its own freedom of action and relationship with Commonwealth are factors which will have essential bearing on British position. In addition Shuckburgh indicated US policy would exercise important influence on British thinking, especially on two points: (1) strength of US

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<sup>1</sup> Sir William Strang, Permanent Under-Secretary of State for Foreign Affairs, and Charles A. E. Shuckburgh, Head of the Western Department, British Foreign Office.

desire for unification of Europe and how far US really wished it to go; and (2) to what extent US was interested in seeing UK irrevocably involved on Continent, particularly in view of special relationship between Canada, US and UK contemplated by provision in recent Washington talks <sup>2</sup> for continuing consultation. He likewise indicated that absence of more convincing information on these two subjects was a handicap.

In addition to main question of UK commitment Shuckburgh also stated attention would have to be given to question of relative merits of overlapping groups. For example, should OEEC or Council of Europe be primary instrument for furthering economic cooperation.

Shuckburgh stated that there was not so much difficulty on military side as Brussels Treaty and Atlantic Pact machinery would mesh easily (*sic*). He also stated categorically there was no thought of altering British obligation under Brussels Treaty. He added, however, British had no intention of stating in advance how many troops would be sent where, as for example, guaranteeing to send given number to Rhine might mean denuding Near East.

Massigli <sup>3</sup> has probably been told substantially same thing and it is possible he interpreted it as intention on part of British to seek revision Article IV Brussels Treaty (Paris 664).<sup>4</sup> If so, I do not believe Massigli's interpretation is correct.

British determination not to give advance commitment on troops for Continent has undoubtedly been strengthened by our non-participation as full members in European regional planning boards under AP.<sup>5</sup> British are not happy about what they call our chiefs-of-staff plan of peripheral defense.

Shuckburgh concluded his remarks by saying that conclusions reached in forthcoming study would probably be typically British and that it was too much to hope for clear-cut answers to questions under review.

Strang, in usual cautious mood, seemed perplexed by UK position resulting from three-way pull North Atlantic, Commonwealth and Europe.

Sent Department 3879; repeated Paris 734, Frankfort 103.

HOLMES

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<sup>2</sup> For documentation on these talks, September 7-12, concerning financial matters, see pp. 832 ff.

<sup>3</sup> René Massigli, French Ambassador to Great Britain.

<sup>4</sup> Telegram No. 664 from Paris to London, repeated to the Department of State as telegram No. 4014, September 27, not printed.

<sup>5</sup> Atlantic Pact.

*Editorial Note*

The Mutual Defense Assistance Act of 1949 was signed by President Truman on October 6. For text and accompanying statement by the President, see Department of State *Bulletin*, October 24, 1949, pages 603-608.

For information concerning the early development and global aspects of the Mutual Defense Assistance Program (MDAP), see *Foreign Relations*, 1949, Volume I, and 1950, Volume I, the compilations on National Security Policy.

For a comprehensive description of the central and field organization of the MDAP from its inception on October 6, 1949, to April 6, 1950, see House Document No. 613, 81st Cong., 2d session.

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840.20/10-749 : Telegram

*The Chargé in the United Kingdom (Holmes) to the  
Secretary of State*

SECRET

LONDON, October 7, 1949—11 a. m.

4023. For FACC from ECC.

1. In view urgency of initiating additional military production program in Europe, and in light of sections 101 and 102, Senate Bill 2388, reference "integrated defense NAT area", following comments are submitted:

2. It has not been possible, without definite knowledge of stocks to be made available by US, adequately to screen Western Union production program. Further, to our knowledge, WU production program has never been screened by US as a program to determine:

(a) Desirability of producing items from priority point of view. In other words, does production schedule proposed meet the highest priority of items in which WU deficient after deduction of US stocks to be made available, and of items probably to be procured from production in US?

(b) Items which can best be produced in Italy or by other non-WU European pact countries.

3. Distinction between overall program review, and individual project review should be kept clearly in mind. Project review, without overall production program review, can result only in piecemeal approach to problem.

4. Recognized, however, that work already accomplished by WU cannot be scrapped—that present proposed production schedules, in

spite of unsatisfactory nature in many respects, is a basis on which to build a better coordinated program for Europe.

5. Many projects within WU program clearly in line with military priorities (reference London's 3956,<sup>1</sup> repeated Paris 744) and project justification can proceed on these items looking toward their initiation at earliest possible moment.

6. Certain other items which represent production superimposed on existing military production, which are not of the highest priority, may have to be accepted by US within limits of program as probably the best WU can do in view of present capabilities. There may be some items, however, even in this area, unjustifiable on a priority or on economic basis. US must make clear will not give dollar support to individual projects which are non-essential and seem to be proposed on nationalist or non military basis.

7. Where projects require new tooling or represent entirely new production, careful consideration of a coordinated production program for Western Europe is in order.

8. Where certain production items are not acceptable to US as result of review suggested above, US should be in position to suggest others for consideration of WU countries, or request WU countries to initiate such suggestions themselves.

9. Consideration should be given in overall program review of the desirability of encouraging production for future requirements (including spare parts in Europe) of certain items presently available from US stocks to fill partial WU requirements. Such encouragement, subject to security considerations, would further the principle of self-help.

10. Request Washington advice on mechanics by which steps along lines mentioned above are to be performed, including integration of non-Western Union production capabilities and net deficiencies of all Western European pact countries.

Sent Department 4023, repeated Paris 763 (for Harriman).

HOLMES

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<sup>1</sup> Telegram 3956, October 3, not printed.

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840.00/10-2249 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET

PRIORITY

PARIS, October 22, 1949—9 p. m.

4422. For Secretary, Webb and Hoffman from Perkins. I have found complete unanimity of opinion of all conferees here <sup>1</sup> (Bruce, Douglas,

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<sup>1</sup> For the summary report of the meeting of U.S. Ambassadors at Paris, October 21-22, see pp. 469 ff.

Dunn, Harriman, Kirk, McCloy) that without the active participation of the UK, western European integration will have little if any value. In addition to the general economic advantages to western Europe which could result from integration, the problem of German integration into western Europe is particularly acute in the light of the strong threat of increased Soviet pressures on Germany through formation of eastern government and other measures. It was the conclusion that no effective integration of Europe would be possible without UK participation because of the belief (not without reason) held by western continental powers of potential German domination if such UK participation did not take place. It is not realistic to expect that France will take the leadership in bringing about western European integration without UK participation. This view negatives the implied suggestion contained in Deptel 4013, October 19<sup>2</sup> that French leadership might alone be sufficient to produce effective integration.

I will give you later the details of the discussions which were of an extremely high order and most helpful, but can now only emphasize the unanimity and strength of the conclusion reached that UK participation is essential if European integration is to have any chance of success.

There was also a strong and unanimous opinion that the British are holding back, especially on many vital economic aspects of their own involvement with western Europe and in some cases are actively endeavoring to restrain the continental powers in even the limited extent to which they are prepared to go.

The question of how far in the direction of economic integration the Europeans are now prepared to move was also carefully examined. It was agreed that we should press for all positive measures which could be taken step by step leading towards European integration even though at the present juncture such steps would not involve all of the members of the OEEC. It was also agreed that it would be unrealistic to attempt some new sweeping plan involving at this time extensive surrender of sovereignty and that it would be wiser and more effective to carry out the step by step measures within the framework of existing organizations such as the OEEC, Council of Europe, Western Union and NAT, keeping constantly alive the larger concept of European integration.

This would include encouragement of close integration such as Benelux and Franco-Italian-Belgian plan, but without abandoning the ultimate aim of a larger unification. The above considerations have led to the conclusion that we have therefore very urgently to re-examine our attitude towards the British, particularly their un-

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<sup>2</sup> *Post*, p. 469.

willingness to live up to their ECA commitments to further and not obstruct European cooperation and that we must devise intelligent and effective methods of inducing them to take the following minimum steps necessary for this purpose.

a. Cooperation in strengthening and revitalizing OEEC. The cardinal requirement is the selection of an outstanding European committed to western European unity to provide the essential leadership and direction. At the present time Spaak seems to be the individual who possesses these qualifications and who is immediately available. (Separate telegram follows.)<sup>3</sup>

b. Vigorous cooperation in taking the necessary steps, including fiscal measures, to avoid inflationary pressures arising from devaluation, specifically by holding as far as practicable intra-European prices at pre-devaluation levels, for instance coal.

c. Action in reducing these intra-European export prices which are now held above internal prices, so as to correct the discriminatory and uncooperative aspects of the dual price system.

d. Action to continue advances in the field of reducing trade restrictions.

e. Work with the continental nations and the United States in pushing—and not obstructing—the various closer economic arrangements between some groups of continental countries which are now developing, as for instance, the French, Italian, Belgian, Netherlands discussions.

f. Cooperation in the development of an effective clearing institution for intra-European payments (preferably through a European brand of the International Monetary Fund).

Sent Department 4422; repeated London 745 for Douglas, Frankfurt 101 for McCloy, Rome 157 for Dunn; Department pass Moscow 216 for Kirk. [Perkins.]

BRUCE

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<sup>3</sup> Telegram 4423 is summarized in footnote 2 to telegram 3820 to Paris, October 24, p. 434.

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840.00/10-2249: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      PRIORITY

LONDON, October 24, 1949—7 p. m.

3821. For Douglas and Perkins. Further re Paris 4422, October 22. Pending receipt more detailed report of your discussions (which please telegraph soonest) will not attempt extensive comment. However, following preliminary views on longer-term objectives supplement Deptel 3820:<sup>1</sup>

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<sup>1</sup> *Post*, p. 434.

1. Dept had not intended in its 4013<sup>2</sup> to Paris to suggest new sweeping plan involving at this time extensive surrender of sovereignty. We agree on step by step approach, always keeping in mind, however, the larger concept of European integration we hope ultimately can be achieved.

2. Particular steps listed Paris 4422 are aspects of step by step approach, within framework of and envisaged by OEEC Convention, but these do not appear to go far enough to deal effectively with the German problem.

3. The precise nature and scope of the more far reaching measures necessary to deal with the German problem are, and will continue to be, the subject of considerable debate. Such measures should, to the greatest extent possible, be developed by the Europeans. This was one of important reasons for emphasizing necessity for French leadership. We agree with you, however, that France alone cannot lead European powers to the solution and that British influence and assistance is also essential. However, we had believed that France and other continental powers would be willing to go farther along road to integration (including Western Germany) than would the British, and we would not wish to see this progress retarded by British reluctance.

4. In this connection, not clear to us from Paris 4422 whether the British "participation" therein envisaged means British participation on equal footing with continental powers or whether could be some lesser degree of participation. We judge from step "E" of 4422 that the latter was intended, but in view of the stress on "active participation" in the opening part of ref tel, we should welcome your further comment on this point.

ACHESON

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<sup>2</sup> Post, p. 469.

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840.20/10-2449 : Telegram

*The Secretary of State to the Embassy in Italy*

SECRET

WASHINGTON, October 24, 1949—7 p. m.

2630. NAT Defense Comite left open location Southern Europe-Western Medit regional planning group as Brit proposed London French Paris and Italians Rome. We have regarded question as primarily one for those three Govts but are interested from point view successful operation of Pact machinery and also from viewpoint real Ital interests.

There is no chance Northern or Western groups being anywhere but London. Highest caliber US personnel in this field very limited and will be concentrated Wash and London. If Southern group located elsewhere it will have second string US representation. We recognize importance Italians attach to some prestige gesture but consider their interest in coordination between three regional groups, particularly

Western and Southern groups, far more important and meritorious. Real coordination can only be achieved if groups located in same place and probably composed largely same personnel. We foresee little coordination if Southern group located Paris or Rome. We are mindful your reports current anti-Brit feeling in Italy but feel real Italian interests best served by location London and Ital Govt shld handle public presentation accordingly.

Foregoing discussed with Gen Marras on eve his departure. He stated he had personally suggested to Brit and Fr Mil Reps three regional groups be located in London but that additional command org similar to Fontainebleau be establd in Italy. We advised him no relationship between Pact org and Fontainebleau had yet been considered and currently impossible estimate when Pact org might reach point considering any command org.

In your discretion pls discuss foregoing with Italians. Sent Rome as 2630, rptd London as 3817 and Paris as 4060.

ACHESON

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840.50 Recovery/10-2649

*The Minister in the British Embassy (Hoyer Millar) to the Secretary of State*

SECRET

WASHINGTON, October 26, 1949.

DEAR MR. SECRETARY: Just after the Ambassador had left for California yesterday evening we got a telegram from the Foreign Office instructing us to communicate to you a personal message from Mr Bevin on the subject of European economic collaboration.

A series of meetings begins in Paris this week of the Consultative Group of the O.E.E.C., the Ministerial Council of O.E.E.C., the Council of Ministers (European Assembly) and the Consultative Council of the Brussels Treaty. It is likely that at all of these meetings the question of European collaboration will come up in one form or another, and it has, therefore, been thought desirable to consider the attitude which the United Kingdom Government should adopt in such an event.

The line which the Chancellor of the Exchequer and Mr Bevin have decided to recommend for adoption at the forthcoming meetings in Paris, and the reasons for it, are set out in the form of the personal message for yourself from Mr Bevin enclosed herein. We have been asked to explain that it has not yet been possible for Mr Bevin and Sir Stafford Cripps to show this message to the full Cabinet in London,



though they hope to do so to-morrow.<sup>1</sup> Should any change of substance be made thereafter we will at once inform you.

It is not the intention of the United Kingdom Ministers to make any formal statement of this kind during the meetings in Paris, though their general attitude will be based on the policy set out in the message in considering any proposals which may be put forward.

Yours sincerely,

F. R. HOYER MILLAR

[Enclosure]

PERSONAL MESSAGE TO THE SECRETARY OF STATE FROM MR. BEVIN DATED  
25TH OCTOBER, 1949

In preparation for the forthcoming meeting in Paris of the O.E.E.C. Council of Ministers, the European Assembly and the Consultative Council of the Brussels Treaty, His Majesty's Government have reviewed their general attitude towards proposals for closer European union or unification which may be put forward.

In the first place, His Majesty's Government re-affirm the obligations which they have assumed under the Convention for European Economic Co-operation, the Statute of the Council of Europe, the Brussels Treaty and the Bilateral Agreement between the United States and the United Kingdom.

In accordance with these obligations His Majesty's Government have participated fully in the O.E.E.C. and other European bodies and have taken the lead in the elaboration of the practical steps which have been taken, notably the Intra-European Payments Agreements and measures for liberalisation of trade. They have been prepared to go a long way and indeed to take considerable risks in order to promote these and similar measures of co-operation. Proposals may now be put forward which if they were to be accepted by His Majesty's Government might involve some degree of merging or integration of the United Kingdom economy with the economies of Western European countries. Although no actual proposals have been formulated, or at least communicated to the United Kingdom, we have considered the general principles involved. We must have regard to the position of the United Kingdom as a power with world wide responsibilities for administration and defence and as the leading member of the British Commonwealth and sterling area as well as to the general responsibilities which we have assumed under the North Atlantic Pact, and the similar obligations under the Brussels Treaty. Finally, we wish to do nothing which is incompatible with the objectives of

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<sup>1</sup> The message was approved by the Cabinet on October 27 (840.50 Recovery/10-2849).

the communiqué issued after the Anglo-American-Canadian economic talks in Washington in September.<sup>2</sup>

In summary, the principal objective of our policy is to reconcile our position as a world power, as a member of the British Commonwealth, and as a member of the European community. We believe that we can effect this reconciliation but that if we are to do so, we cannot accept obligations in relation to Western Europe which would prevent or restrict the implementation of our responsibilities elsewhere.

In these circumstances, if proposals are put forward for closer economic groupings in Europe or otherwise for the lowering of tariffs in Europe and for the freeing of exchange and other financial controls and restrictions in Europe we will examine them sympathetically. We are in principle in favour of such groupings if their establishment can be proved to be in the general interest of European recovery. But we naturally expect that these proposals should be clearly formulated and discussed with us so that we can judge how they will affect our interests and can define our attitude towards them. The decision whether we could support them generally must depend on their nature and their possible effect on us and on our wider responsibilities. We have neither the desire nor the intention to impede any sound scheme of closer European union.

We believe that this general attitude coincides with that of the United States Government and we hope that we may look to them for their general support.

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<sup>2</sup> For the text of the communiqué, and related documentation, see pp. 833 ff.

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840.00/10-2849: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, October 28, 1949—8 p. m.

3892. Personal for the Ambassador. Statement<sup>1</sup> contained in Depts tel 3848 Oct 26<sup>2</sup> was sent by Brit Chargé to Secy as personal message from Bevin. Subsequently third from last word in penultimate para of quoted message "close" was corrected to "closer".

Pls deliver to Bevin following personal answer from Secy: "I appreciate receiving your views on the important problem of closer union in Europe, and I am pleased to note the reaffirmation of your government's whole-hearted participation in the organizations designed to bring this about. Frankly, however, I am troubled by one aspect of your message which deals with further steps along this line. It appears to me to imply the negative attitude of giving sympathetic

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<sup>1</sup> *Supra.*

<sup>2</sup> Not printed.

consideration to proposals that might be put forward by others. I would hope that your government could indicate a more positive role. There is a growing conviction here that greater and more rapid progress toward our joint objective of promoting European unity is essential. We are convinced that there can be no unity of Europe, or among groups of European countries, effective enough to move matters forward without the strong support and, to the greatest extent possible, participation of the UK, backed by the rest of the Commonwealth. I am sure that you will not misunderstand this candid expression of my views as I am so mindful of the leadership you yourself took in the early days of the ERP and the Brussels Pact.

I realize that the UK cannot mesh its economy as fully into that of the continent as we believe it essential that the continentals do among themselves. On the other hand the touchstone of unity on the continent is the extent to which the UK and US are prepared not only to exert leadership but to participate as fully as the situation of each makes possible.

You refer in your message to the necessity of your actions in Europe being consistent with the objectives of the communiqué issued after the September talks. I do not see how those objectives could be considered incompatible with any steps toward closer European unity. On the contrary, we feel strongly that the common effort envisaged in the communiqué and the strengthening and deepening of European unity are mutually supporting and interdependent.

It is clear that the positions of our two countries will be decisive in this matter. It is as important that we see eye to eye in this case as it is in other fields which also directly affect our security and our future.

ACHESON

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840.50 Recovery/11-249 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

SECRET

ROME, November 2, 1949—1 p. m.

3491. For Foster ECA. In their recent private conversations with Senatorial and Congressional visitors both De Gasperi and Sforza have spoken in frank terms along following lines:

In present world situation Europe must either unite politically and economically or perish. Italian Government is fully aware of this fact and is prepared to go the whole road. Italian backing for Council of Europe, Customs Union with France, exchange convertibility between France, Italy and Benelux, is example of Italian initiative along general direction. De Gasperi is convinced that present pace of progress towards European unity is too slow to succeed in time. He appeals

to US in belief US is only nation in position to convince individual sovereign powers that they must act. He says we should not hesitate to use our present economic aid and future military aid to persuade each of the 16 nations into closer cooperation with each other. De Gasperi fully realizes English dilemma between its responsibilities to other members of Commonwealth and as member of West Europe, but is convinced that if the other nations in Western Europe are brought together economically and politically, England will also take the step in order to maintain leadership. Western Europe is today still keenly sensitive to the influence of UK and Union would not work without British participation. Union must include Germany and he feels also eventually Spain. He appeals to US to exert its full influence before it is too late.

Sent Department; repeated Paris 363 for Hoffman and Harriman, London 230, Frankfurt 80 for McCloy.

DUNN

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840.20/11-249 : Telegram

*The Secretary of State to the Embassy in France*

SECRET

WASHINGTON, November 2, 1949—9 p. m.

4202. Pass Harriman. Question of treating export-control<sup>1</sup> in NAT framework raised yesterday with British, French, Canadians, Italians and Norwegians preparatory to intel working group meeting today. Reaction of all except Italians rather cool. British felt handling in NAT framework wld make dealings with Swedes and Swiss more difficult, mentioned possible criticism that Pact whose purely defensive nature had been widely emphasized was being used for economic warfare against particular group of states, belief that Dutch and Belgians were progressing favorably and that nothing shld be done which might prejudice Nov. 14 meeting. Canadians and French ignorant of subj and inclined share British fear concerning economic warfare criticism. French suggested reps at Nov 14 meeting informally impress on Belgians and Dutch common security interest under Pact. Italians said they had already made representations Brussels and Hague.

Working group today were accordingly merely requested invite their respective govts to consider how this problem of common security interest to all Pact members cld best be handled on as nearly as possible identical lines by all Pact govts with hope of obtaining similar action by non-Pact govts and told we wld like further discussion of this subj in working group in near future. All agreed advise their

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<sup>1</sup> Documentation on U.S. policy respecting trade with Eastern Europe and the Soviet Union is scheduled for publication in volume v.

govts. British suggested further consideration be deferred pending outcome Nov 14 meeting.

Advise Martin.<sup>2</sup>

Sent Paris, repeated London, Rome, Brussels and Hague, Oslo and Copenhagen.

ACHESON

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<sup>2</sup> Presumably Edwin M. Martin, Director of the Office of European Regional Affairs, who attended the meeting at Paris on November 14, documentation concerning which is included in the compilation on U.S. policy on trade with Eastern Europe and the Soviet Union, scheduled for publication in volume v.

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*Editorial Note*

On November 9 Acting Secretary of State Webb announced that representatives of the Department of State and the Department of Defense would leave for Europe on the following day to conduct further discussions concerning the suitability of proposed mutual defense assistance programs to the specific requirements of recipient countries. For the text of the statement, which also gave information on the current status of the MDAP, see Department of State *Bulletin*, November 21, 1949, page 791.

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840.20/11-1849 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>

SECRET      PRIORITY

WASHINGTON, November 18, 1949—noon.

4159. Dept has advised missions 8 Atlantic Pact countries sched receive mil assistance importance bilateral agreements be signed prior mtg Defense Comite Paris Dec. 1.<sup>2</sup> Dept pointed out if Defense Comite approves plan for integrated defense Pact area and this receives quick approval Council and Pres, under terms MDAP leg full \$1 bil will be available for expenditure for mil assistance Pact countries. If bilaterals have not been negotiated prior that time and therefore no assistance cld be made available under terms leg reaction here will be most unfavorable. Accordingly, if you perceive no objection, Dept would appreciate if you cld stress to FonOff urgency concluding negots and sig[ning] bilaterals prior to Defense Comite mtg. In this connection you might point out that failure to proceed quickly on

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<sup>1</sup> Repeated to Paris as 4457, The Hague 1040, Brussels 1352, Luxembourg 60, Oslo 563, Copenhagen 564, and Rome 2937.

<sup>2</sup> The recipient countries of the NAT were at this time studying the terms of a draft bilateral agreement on Mutual Defense Assistance dated November 2, 1949. A copy of the draft, not printed, is in Department of State file No. 840.20/12-1449.

bilaterals will necessarily become known to press and apparent apathy European countries to move quickly in taking advantage US assistance in strengthening common defense of area will be most unfortunate. Also point out Dept officials available at any time to discuss terms bilaterals in Wash.

ACHESON

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*Editorial Note*

The second session of the Council of the North Atlantic Treaty Organization was held in Washington on November 18 under the chairmanship of Secretary of State Acheson. The Council approved a report of the Working Group which proposed the creation of a Defense Financial and Economic Committee and took note of a Defense Committee directive which established a Military Production and Supply Board. The purpose of the Defense Financial and Economic Committee, which was composed of a representative on the ministerial level from each signatory country and which was located in London, was to advise the Council and the Military Committee on all relevant economic and financial matters affecting the defense programs of member nations. The Military Production and Supply Board, composed of subministerial representatives from each signatory country, was formed to advise the Defense Committee in London concerning military production and procurement and their relationship to the defense efforts which were required for the defense of Western Europe. Both the report and the directive approved by the Council are printed in the Department of State *Bulletin*, November 28, 1949, pp. 819-821.

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840.20/12-149

*Note by the Secretary of the North Atlantic Defense Committee  
(Donnelly) to the Committee*

TOP SECRET  
D.C. 6/1

[PARIS,] 1 December 1949.

The enclosed report is a revision of DC 6<sup>1</sup> as approved by the North Atlantic Defense Committee at its meeting on 1 December 1949.

C. H. DONNELLY  
Colonel, USA

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<sup>1</sup> Not printed.

## Enclosure

## STRATEGIC CONCEPT FOR THE DEFENSE OF THE NORTH ATLANTIC AREA

## I

## PREAMBLE

1. The attainment of the objectives of the North Atlantic Treaty requires the integration by the parties to the Treaty of those political, economic, and psychological, as well as purely military means, which are essential to the defense of the North Atlantic area. Of particular significance is the requirement that the objectives of the North Atlantic Treaty be accomplished in accordance with the purposes and principles of the Charter of the United Nations. The parties to the Atlantic Treaty have declared:

"They are determined to safeguard the freedom, common heritage, and civilization of their peoples, founded on the principles of democracy, individual liberty, and the rule of law.

"They seek to promote stability and well-being in the North Atlantic Area.

"They are resolved to unite their efforts for collective defense and for the preservation of peace and security."

2. For the purpose of, first, preventing war, and, second, insuring in the event of war the effective application of the military and industrial strength of the Treaty nations in a common defense, the military means available to the nations of the North Atlantic Treaty must be effectively coordinated. As a basis for such coordination a common strategic concept for the defense of the North Atlantic area must serve as the keystone for the plans of the Military Committee and the Regional Planning Groups. It is the purpose of this document to outline a broad concept for the over-all defense of the North Atlantic area.

3. This broad concept is built on considerations of geographic position, industrial capacity, and financial resources of the population, and the military capabilities of the Treaty nations, and recognizing that each nation's contributions should be in proportion to these considerations. The objective is adequate military strength accompanied by economy of effort, resources and manpower. It is desirable that each nation develop its military strength to the maximum extent consistent with over-all strategic plans in order to provide for its own defense and to participate in the common defense.

4. This concept is the initial step in the initiation of realistic, vital and productive defense planning aimed at securing peace and lessening the possibility of aggression. It is aimed at providing the basic

strategic guidance needed by the regional planning groups in order to assure coordinated planning in consonance with the principles set forth in Title II below. The measures required to implement this concept will require constant review.

## II

### NORTH ATLANTIC TREATY DEFENSE PRINCIPLES

5. Certain general principles are recognized as underlying the North Atlantic Treaty defensive organizations. These principles are accepted as fundamental to the successful functioning of the organization and the development of a common defense program. As such, those applicable to defense planning are set out in the following paragraphs as an integral part of the basic guidance for regional planning groups.

*a.* The main principle is common action in defense against armed attack through self-help and mutual aid. The immediate objective is the achievement of arrangements for collective self-defense among the Atlantic Treaty nations.

*b.* In accordance with the general objective of Article 3 of the North Atlantic Treaty, each nation will contribute in the most effective form, consistent with its situation, responsibilities and resources, such aid as can reasonably be expected of it.

*c.* In developing their military strength consistent with over-all strategic plans the participating nations should bear in mind that economic recovery and the attainment of economic stability constitute important elements of their security.

*d.* The armed forces of those nations so located as to permit mutual support in the event of aggression should be developed on a coordinated basis in order that they can operate most economically and efficiently in accordance with a common strategic plan.

*e.* A successful defense of the North Atlantic Treaty nations through maximum efficiency of their armed forces, with the minimum necessary expenditures of manpower, money and materials, is the goal of defense planning.

*f.* A basic principle of North Atlantic Treaty planning should be that each nation should undertake the task, or tasks, for which it is best suited. Certain nations, because of the geographic location or because of their capabilities, will be prepared to undertake appropriate specific missions.

## III

### OBJECTIVES OF THE NORTH ATLANTIC TREATY DEFENSIVE CONCEPT

6. The purpose of the North Atlantic Treaty defensive organization is to unite the strength of the North Atlantic Treaty nations in order to promote the preservation of peace and to provide for the security of the North Atlantic area. The general objectives of the defensive concept are:



a. To coordinate, in time of peace, our military and economic strength with a view to creating a powerful deterrent to any nation or group of nations threatening the peace, independence and stability of the North Atlantic family of nations.

b. To develop plans, for use in the event of war, which will provide for the combined employment of military forces available to the North Atlantic nations to counter enemy threats, to defend and maintain the peoples and home territories of the North Atlantic Treaty nations and the security of the North Atlantic Treaty area.

#### IV

##### MILITARY MEASURES TO IMPLEMENT DEFENSE CONCEPT

##### *Basic Undertakings*

7. Over-all defense plans must provide in advance of war emergency, specifically for the following basic undertakings in furtherance of the common objective to defend the North Atlantic area. The successful conduct of these undertakings should be assured by close coordination of military action as set forth in over-all plans.

a. Insure the ability to carry out strategic bombing promptly by all means possible with all types of weapons, without exception. This is primarily a U.S. responsibility assisted as practicable by other nations.

b. Arrest and counter as soon as practicable the enemy offensives against North Atlantic Treaty powers by all means available, including air, naval, land and psychological operations. Initially, the hard core of ground forces will come from the European nations. Other nations will give aid with the least possible delay and in accordance with over-all plans.

c. Neutralize as soon as practicable enemy air operations against North Atlantic Treaty powers. In this undertaking the European nations should initially provide the bulk of the tactical air support and air defense, other nations aiding with the least possible delay in accordance with over-all plans.

d. Secure and control sea and air lines of communication, and ports and harbors, essential to the implementation of common defense plans. The defense and control of sea and air LOC's will be performed through common cooperation in accordance with each nation's capabilities and agreed responsibilities. In this regard it is recognized that the United States and United Kingdom will be primarily responsible for the organization and control of ocean lines of communication. Other nations will secure and maintain their own harbor defenses and coastal LOC's and participate in the organization and control of vital LOC's to their territories as may be indicated in over-all plans.

e. Secure, maintain and defend such main support areas, air bases, naval bases and other facilities as are essential to the successful accomplishment of the basic undertaking. These undertakings will be a responsibility of the nations having sovereignty over these essential bases, areas and facilities, aided as necessary and to the extent set forth in collective defense plans.

f. Mobilize and expand the over-all power of the Treaty nations in accordance with their planned contribution to later offensive operations designed to maintain security of the North Atlantic Treaty area.

*Cooperative Measures*

8. The essence of our over-all concept is to develop a maximum of strength through collective defense planning. As a prerequisite to the successful implementation of common plans, it is recognized that certain cooperative measures must be undertaken in advance. These measures are:

a. Standardization, insofar as practicable, of military doctrines and procedures.

b. Conduct of combined training exercises, when deemed desirable.

c. Compilation and exchange of intelligence information and data peculiar to the conduct of contemplated Atlantic Treaty organization defense planning and operations resulting therefrom.

d. Cooperation in the construction, maintenance, and operation of military installations of mutual concern, in conformity with the agreements between the interested countries.

e. Standardization of maintenance, repair, and service facilities which will be of mutual concern in the event contemplated defense plans have to be implemented.

f. Standardization, insofar as practicable, of military material and equipment for use in operations as developed by common defense plans.

g. Collective cooperation in arranging for military operating arrangements mutually agreed between countries in peacetime, in furtherance of common defense requirements.

h. Cooperation, within the legal limitations and administrative restrictions of each country, in research and development of new weapons and in the development of new methods of warfare.

i. Cooperation, insofar as is practicable, in planning for the conduct of psychological and other special operations.

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840.20/12-349

*Memorandum of Conversation, by the Deputy Director of the Office of European Affairs (MacArthur)*

TOP SECRET

[WASHINGTON,] December 3, 1949.

Participants: Assistant Secretary Perkins  
Mr. N. E. Halaby, Department of Defense  
Mr. Thompson, EUR  
Mr. Achilles, WE  
Mr. Martin, RA  
Mr. Sheppard, S  
Mr. MacArthur, RA

Mr. Halaby called this morning to go over briefly the highlights of the Defense Ministers' meeting in Paris on December 1. He said that

the general atmosphere at the meeting was one of harmony with a general impression of greater solidarity among the Defense Ministers than in their first meeting on October 5.

Upon arrival in Paris, Secretary Johnson<sup>1</sup> was confronted with the following three problems on which there were divergent views:

1. *Section 7-a of the Strategic Concept, which contains the sentence "Insure the ability to carry out strategic bombing including the prompt delivery of the atomic bomb."*<sup>2</sup>

When the Military Committee met on November 29,<sup>3</sup> the Danish representative made it clear that Denmark was strongly opposed to the above sentence and therefore proposed that the phrase "including prompt delivery of the atomic bomb" should be eliminated. The Danes apparently advanced a number of reasons including the fact that if the Concept paper should leak, the USSR might, upon the outbreak of war, use this phrase as a pretext for dropping an A-bomb on Copenhagen. General Bradley, Chairman of the Military Committee, overcame the objection of the Danish Chief of Staff in the meeting and the sentence was therefore not changed prior to consideration by the Defense Committee. Shortly after Secretary Johnson's arrival in Paris the Norwegian Defense Minister informed him that if the reference to the A-bomb was not omitted a serious contretemps might arise in the Defense Ministers' meeting since the Danish Minister was under categorical Cabinet instructions from his Government not to agree to the reference to the atomic bomb.

In view of this, Secretary Johnson devised a formula whereby he proposed to agree to the elimination of the phrase but to the inclusion in the minutes of a definite statement that strategic bombing included the use of the atom bomb. This formula was finally accepted by the Danish representative, but when Secretary Johnson proposed it in the Defense Ministers' meeting the Belgians, followed by the Italians and Dutch, objected to the dropping of the phrase about the atom bomb on the basis that fear of the A-bomb was one of the greatest contributing factors to preventing a Russian attack, and in the event of hostilities its use would be necessary to allied strategy. After about forty minutes of discussion, the Defense Committee finally agreed to accept Secretary Johnson's formula with the reference to the atomic bomb being replaced by some new and general language. Mr. Halaby did not have the language but felt that it might conceivably meet with objections on the score that it might imply bacteriological and other forms of warfare. While Mr. Halaby had no definite ideas as to whether or not we might wish to take up this subject with the North Atlantic

<sup>1</sup> Louis Johnson, Secretary of Defense.

<sup>2</sup> This version of Section 7-a is in an early draft, not printed. For the revised wording, see p. 355.

<sup>3</sup> The North Atlantic Military Committee met in Paris under the chairmanship of Gen. Omar N. Bradley, Chairman of the United States Joint Chiefs of Staff, in conjunction with the meeting of the Defense Committee. It was the Military Committee and its standing group that developed the "Strategic Concept" under reference here. For information concerning the Military Committee and its membership, see the communiqué released to the press in Paris on December 1 by the Defense Committee, Department of State *Bulletin*, December 19, 1949, p. 948.

Council when it meets to approve the Concept, he felt that we should give full consideration to the matter.

*2. Section 7-d of the Strategic Concept, relating to control of sea communications.*

The French desired to include in this section a specific statement that France should assume predominant responsibility for the lines of communications linking their African and metropolitan territories. In the United States view this raised a series of problems including the question of sea command in the Mediterranean, the possibility that France might endeavor to increase her Navy at the expense of her ground forces, and other considerations. When this subject came up in the meeting of the Military Committee, General Bradley was able to overcome the opposition of the French Chief of Staff. Mr. Plevén,<sup>4</sup> however, was under Cabinet instructions to raise this matter in the Defense Ministers' meeting. When Secretary Johnson learned of this fact he spoke to British Defense Minister Alexander, and it was agreed that they would both approach Plevén along the lines that this question was a planning matter which needed the most careful study by the military planners before it could be considered. Therefore, it was proposed to defer consideration of this question by the Defense Ministers until their next meeting, it being understood that in the interim period it would be thoroughly gone into by the planners.

*3. Norwegian desire to have the strategic guidance for regional planning communicated to all representatives of the liaison group attached to the Standing Group prior to finalization of the paper.*

The Norwegian Defense Minister, seconded by the Canadian, made known to Secretary Johnson the very strong view of his Government that the paper which is now being worked on by the Standing Group (which contains "strategic guidance for regional planning")<sup>5</sup> should be communicated to liaison representatives attached to the Standing Group for comment by their respective governments prior to its final consideration by the Military Committee. Despite the unhappiness of some of the United States military people, this proposal was agreed to by Secretary Johnson since it was obviously impossible to refuse. This, however, may make final approval of the paper more difficult since in addition to the Standing Group, the nine other governments will probably come up with thoughts or suggestions which will take time to discuss.

In addition to the three questions listed above, Mr. Halaby made the following additional observations:

[Here follow a list of United States delegates to the Paris meeting of the Defense Committee and observations by Halaby on the Committee's discussion of ocean shipping, budgetary expenses, possible conflict of instructions between NATO and the Brussels Pact, and tentative plans for the next meeting.]

<sup>4</sup> René Plevén, French Minister of Defense.

<sup>5</sup> Not identified in Department of State files.

840.20/12-549

*Memorandum of Conversation, by the Deputy Under Secretary  
of State (Rusk)*

SECRET

[WASHINGTON,] December 5, 1949.

Participants: Turkish Ambassador  
Dean Rusk, Deputy Under Secretary  
NEA: John D. Jernegan

The Ambassador called, at his request, to ask whether I could tell him anything about the security relationships produced by the linking of Great Britain and the United States in the North Atlantic Pact while Britain was in turn linked to Turkey by the Anglo-French-Turkish Treaty of Alliance of 1939. He recalled that he had raised this question with me some time ago.

I said that we had been giving considerable study to the whole problem of these interlocking relationships around the world. Right in our own back yard, for example, we had the question of the Rio Pact and the effect on its members of United States participation in the North Atlantic Treaty. However, there appeared to be many ramifications and it was proving extremely difficult and might even be impossible to arrive at a clear-cut juridical picture. Very possibly, we would never be able to give a positive statement as to what automatic obligations would arise out of the various commitments we and our associates had made. This was true even as between the members of the North Atlantic Treaty itself. So much would depend upon the way in which a concrete case might arise, that is, under the circumstances in which we and our associates might be called upon to consider what we should do in the light of our security obligations.

We were continuing our studies and, I said, I would be glad to talk to the Ambassador again from time to time as our thinking developed. For the moment, it seemed to me that the adherence of Great Britain to the North Atlantic Treaty, taken in conjunction with the existing UK-Turkish Treaty, had had a positive effect on Turkey's security position, but I could not say more than that. I could not define precisely what this effect had been in terms of a direct relationship between Turkey and members of the North Atlantic Treaty other than Britain.

I asked the Ambassador how he viewed Turkey's present situation and the attitude of the Turkish people toward security questions. Mr. Erkin said that while there had been no new developments in Turkey's relationship with the USSR and her international position was therefore relatively calm, he could not say that the Turkish people were satisfied with the existing security arrangements. They were conscious of the lack of any commitment on the part of the United

States to assist Turkey if she were attacked. Until Turkish-American relations were "clarified" by means of a formal mutual defense arrangement the Turkish people would never feel fully satisfied with their international situation.

I remarked that Turkey's Treaty with Great Britain did not obligate Turkey to do anything which might involve her in a war with the Soviet Union. In any new arrangements which she might make with the Western Powers, would Turkey be willing to omit that reservation? The Ambassador hastened to say that conditions had changed since the Treaty of 1939 was drawn up. It was obvious that any aggression at the present time could only come from the USSR. Consequently, Turkey would be quite willing to omit any reservation with regard to the Soviet Union. He added that he understood the British Government did not want at this time to revise the 1939 Treaty, since to do so would be provocative to the Russians.

In commenting on a remark of mine, which he appeared to misunderstand, Ambassador Erkin remarked that if the attitudes of the other members of the North Atlantic Treaty should be a stumbling-block in the way of a defense arrangement between Turkey, Great Britain, France and the United States, he was sure the Turkish Government would be willing to make special provision to the effect that the obligations undertaken by the three Western Powers with respect to Turkey would not in any way involve the other NAP members despite their common association with the US-UK and France in the North Atlantic group. I made it clear that I was not suggesting any new arrangements but was merely trying to explore the interlocking effects of the present arrangements.

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840.20/12-1549 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      PRIORITY

WASHINGTON, December 15, 1949—8 p. m.

4490. For Holmes.

1. Amb Franks called on Sec Dec 14 re proposed MDAP bilateral and assistance program. Stated Brit Cabinet deeply concerned. Franks left long confusing document outlining Brit position copy of which is being pouched to Emb.<sup>1</sup> Brit worries appear to be primarily on three points: (a) what further expenditures will we ask or expect Brit to undertake under concept of mutual aid; (b) amount of materials (as distinguished from finished equipment) which Brit expect to receive

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<sup>1</sup> Not printed.

much less than anticipated earlier; (c) specific clauses of draft bilateral<sup>2</sup> raised difficulties.

2. Re point (a), Brit point out they have, since end of war, made substantial contributions to defense potential of Western European countries, and in particular have undertaken a Western Union production program, primarily for benefit of other countries, which represents limit of additional Brit production. Alleged that U.S. air forces in UK now cost Brit about one million pounds a year, excluding capital costs. Brit unwilling to enter into any general commitment re mutual aid, including possible aid to U.S. under bilateral as they are now doing the maximum possible.

3. Re point (b) Brit originally believed that US aid toward additional production program of Western Union countries wld be in neighborhood of one-third of total cost of \$300,000,000 to \$350,000,000. Recomputation of Western Union program indicated dollar costs of about 25 per cent. Present Brit computation of dollar cost of UK share in Western Union production program revised down to about \$25,000,000 or 11 per cent. Doubtful whether US aid under MDAP cld cover these costs due to fact that dollar materials have already been drawn from Brit stocks for this program and rebuilding of stocks apparently not permitted under MDAP. Furthermore, some of additional materials needed in production program obtainable from Belgium and Brit advised US cannot therefore supply even though Brit might have to pay gold or dollars to Belgium in settlement of account. Accordingly, it seems to Brit that they will receive very little assistance under program.

4. Re point (c) most important is clause in first draft relating to exports of equipment identifiable as having been fabricated with U.S. assistance or similar to equipment furnished by US. Reference was made to unhappy experiences under Lend-Lease. In addition, concern was expressed re provision for meeting of administrative expenses since it was pointed out that Brit will have no counterpart funds to use and Parliament wld have to vote funds for this purpose. Objection also expressed to provisions relating to stockpiling strategic materials and patent arrangements.

5. Franks stated he had no authority to negotiate bilateral but had been instructed to expound general Brit position. Sec pointed out requirements of MDA Act, stated no intention to request greater aid than Brit cld afford, pointing to provision in Act which states principle that economic recovery shld have priority over additional military production. Further, Sec expressed view that provisions re transfer of material should not go beyond Sec 402 (b) of Act. Sec expressed

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<sup>2</sup> See telegram 4159, November 18, footnote 2, p. 351.

view it wld be most unfortunate if bilateral with UK was not worked out and we wld consider what we cld do to meet Brit points.

6. In negotiations with Fr, Itals, Danes, and Norwegians, number of changes in original draft have been agreed, including a restriction of the transfer clause to the language of the Act. These concessions have undoubtedly been known to Brit Emb and will of course be offered to Brit. Believed possible also that more acceptable language for Art 1 relating to mutual aid can be drafted.

7. Long memo which Franks left is a confused document. While its principal pts seem to be concern about future requests under mutual aid, and disappointment at amount of assistance to be received, it is not clear what the heart of the difficulty is. We may be able to redraft Art 1 so as to play down possibility of its being interpreted as an indefinite commitment to give further aid to NAT countries, including US and we may be able to work out some scheme by which quantity of aid to be received by UK will be increased. This latter point is very uncertain and shld not be mentioned.

8. We wld much appreciate ur urgent estimate of what is worrying Brit and what line wld be best calculated to resolve difficulties. While we are aware of pre-election pressure on Brit Govt and of their disappointment that MDA Act forbids use of assistance to compensate for loss of exports resulting from additional military production, we feel it is essential to success and continuance of military assistance program that Brit sign a satisfactory bilateral, and fear that difficulties in this field wld have most unfortunate repercussions in renewal of ERP.

ACHESON

840.20/12-1649

*Memorandum of Conversation, by the Secretary of State*

TOP SECRET

[WASHINGTON,] December 16, 1949.

This morning I called on Secretary Johnson<sup>1</sup> at my request. I had with me the decisions reached by the Defense Ministers at their Paris meeting<sup>2</sup> on the strategic concept for the defense of the North Atlantic area. I also had the transcript of the record of their proceedings.<sup>3</sup> I said to Mr. Johnson that some uncertainty existed in the

<sup>1</sup> Louis Johnson, Secretary of Defense.

<sup>2</sup> For communiqué released to the press in Paris by the North Atlantic Defense Committee on the close of its second meeting, see Department of State *Bulletin*, December 19, 1949, p. 948. The communiqué included information on the November meetings of the Military Committee and the Military Production and Supply Board.

<sup>3</sup> Not found in Department of State files.



minds of some of my colleagues as to what was meant by some of his statements in regard to Paragraph 7(a) having to do with strategic bombing. I told him that the meaning of his statements seemed clear to me but that I wanted to be absolutely sure about it for the reasons which I would give him.

I then read him the original text presented by the Military Committee on the subject and also the final text adopted by the Ministers.<sup>3</sup> I said that both texts seemed to be clear and seemed to mean solely that one of the tasks assigned by the concept and assigned to the United States was to insure the delivery in strategic bombing of all weapons. I pointed out that the text did not deal with what weapons should be delivered but provided for the ability to deliver any and all kinds. Mr. Johnson agreed that this was correct.

I then went over the transcript with him. I said that putting myself in his position and thinking over the problem which arose when the Danish Defense Minister presented his amendment to the original text, which had referred specifically to atomic weapons, it seemed plain that if the Danish amendment had been accepted without comment it might have been implied that the change in the text carried with it the implication that by this change a decision was being made not to use a particular type of weapon. Obviously, no such decision was being made nor was the question before the Ministers. Mr. Johnson had made this clear. It was not my understanding from reading the transcript that Mr. Johnson had gone further than this or intended to go further than this. I asked him whether I was right and whether it was his impression that his colleagues had so understood. He said I was right and that he was sure that all present had so understood the discussion.

I said that it was most important that he and I should understand the situation in exactly the same way because of at least two possibilities which might occur. One such possibility was that at the meeting of the North Atlantic Council called to approve the Ministers' decisions, someone might ask whether the transcript carried with it the implication that a decision had been made or a commitment had been made to use a particular type of weapon. To that my answer would be no—that the sole decision made had been that one of the tasks in the strategic concept and the task assigned primarily to the United States was to insure the ability to deliver any and all weapons. I asked whether Mr. Johnson would [*was?*] clear that my answer was right. He said that he was entirely clear that it was right.

I then said that at some time on the Hill some member of the Congress might ask whether there was any commitment, expressed or implied, moral or otherwise, to use any particular type of weapon in strategic bombing. To that I would reply no—that we had scrupulously

observed the provisions of the North Atlantic Treaty and had not gone beyond its provisions in committing either the Executive Branch or the Congress. Mr. Johnson was also clear that I was entirely right in making such a statement.

During the conversation, I thought that Mr. Johnson had said something which meant that one of the tasks assigned to the United States had been the manufacture of all possible types of weapons. I returned to this matter in order to be quite sure that he was not under the impression that the recommendations of the Committee to which the President had recently appointed him and me were in any way prejudiced.<sup>4</sup> He made it quite clear that I had misunderstood him and that this matter was in no way prejudiced.

At another point in the conversation he made it quite clear that while in the normal conduct of hostilities the Military decided, of course under the overriding authority of the Commander in Chief, what weapons were appropriate to a particular military task, this was not true in the case of atomic weapons where the decision could be made only by the President.

I told Mr. Johnson that the conversation had been most satisfactory to me and that I was quite prepared to recommend to the Council the approval of the report of the Defense Ministers without further discussion on my part of any item.

D[EAN] A[CHESON]

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<sup>4</sup> On November 19, 1949, the President created a committee of the Secretary of State, the Secretary of Defense, and the Chairman of the United States Atomic Energy Commission to consider various questions including the possibility of developing the hydrogen bomb. Documentation on this matter is scheduled for publication in volume I.

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840.20/12-1949: Telegram

*The Chargé in the United Kingdom (Holmes) to the  
Secretary of State*

SECRET      PRIORITY

LONDON, December 19, 1949—6 p. m.

5039. Embtel 5012.<sup>1</sup> Conversations over weekend and this morning result in following conclusions:

1. We have determined that there has been no change in basic British policy; that the most important consideration for UK is close, friendly and productive cooperation with US, this relationship being given first priority, even ahead of relations with Commonwealth.

2. Unfavorable reactions to bilateral draft result of combination of factors and circumstances. The proposal came just as the Cabinet was with great difficulty reducing budgetary expenses and had been obliged to make cuts in defense budget in order to get agreement on other reductions, notably health services. The apparent open-end com-

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<sup>1</sup> Telegram No. 5012, December 16, not printed.

mitments for additional expenditure under draft bilateral agreement without specific understanding as to amounts was political dynamite. There was also, I believe, a feeling by some in Cabinet that UK under continuing pressure from US on various matters, particularly European integration, was being pushed too hard and too fast. Some individuals apparently took exception to the tone of first draft as being peremptory and rigid. Another factor was the absence of Bevin, who although often capable of sharp irritation, usually exhibits final good judgment, which comes to his rescue. As we have reported previously, the impending elections hang like a London fog over every action of this government.

3. Since the receipt this morning of Franks' reports of his conversations with Secretary,<sup>2</sup> atmosphere has substantially changed. Bevin was pleased with Secretary's statements to Franks. The feeling is that most of the UK's objections have been answered; and I think we can confidently expect instructions to go forward to Franks to begin negotiations on remaining details before Christmas. Jebb is having a meeting of a special committee comprising representatives of Foreign Office, Chiefs of Staff, Defense Ministry and Treasury this afternoon and expects to lay recommendations before Bevin by tomorrow.

4. During conversation this morning with Jebb I emphasized bad effects on public opinion both in US and abroad caused by UK attitude and resulting delay saying that publicity and press speculation were especially harmful. I said that we were concerned that US opinion, both Congressional and public, would interpret as apathy on this side with resulting ill effects in future US contribution to joint effort under NAT and even ERP. Jebb said he would convey foregoing to Bevin.<sup>3</sup>

HOLMES.

<sup>2</sup> In addition to the conversation of December 14 described in telegram 4490 to London, December 15, p. 360, a second conversation took place on December 17 (memorandum by Acheson, drafted by Surrey, not printed, 840.20/12-1749).

<sup>3</sup> In a memorandum of a conversation with the President, dated December 20, 1949, not printed, Acheson referred to British-United States relationships as follows: "I reviewed this somewhat uneasy situation and the President agreed that for some time it would continue in this state. I told him about the difficulty on the bilateral agreement and our hope that this would shortly be cleared up. He approved the idea that the Department should try to supervise all requests made by this Government to the British with a view to getting some idea of priority and proportion into our relationships." (840.20/12-2049)

840.20/12-2949: Circular telegram

*The Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

SECRET

WASHINGTON, December 29, 1949—8 a. m.

NAT Council will meet Jan 6 consider recommendations Dec 1 Paris mtg of Defense Comite.

<sup>1</sup> Sent to the Embassies at London, Paris, Rome, Brussels (repeated to Luxembourg), The Hague, Copenhagen, Oslo, Lisbon, Ottawa, and to the Legation at Reykjavik.

Secy will chair mtg with Washington Ambs representing other member countries.

Most important item on Agenda is Strategic concept for Defense of North Atlantic area which shld be approved since individual member govts have already agreed to it. (Approval of concept by Council is necessary before President can consider it in connection with release of nine hundred million MDAP appropriation.)

[Here follow comments on five other items on the agenda of the January 6 meeting of the NAT Council.]

ACHESON

INTEREST OF THE UNITED STATES IN THE ECONOMIC  
RECOVERY OF WESTERN EUROPE: EFFORTS TO  
STRENGTHEN THE ORGANIZATION FOR EUROPEAN  
ECONOMIC COOPERATION; THE QUESTIONS OF  
LIBERALIZATION OF TRADE AND INTRA-EUROPEAN  
PAYMENTS <sup>1</sup>

ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Administrator of the Economic Cooperation Administration  
(Hoffman) to the United States Special Representative in Europe  
(Harriman), at Paris*

SECRET

WASHINGTON, January 8, 1949—6 p. m.

Torep 2750. Following are preliminary views with regard to the maintenance of proper relation between military and economic recovery programs in areas or countries where both are envisaged:

I. Basic problem for ECA in maintaining proper relation between military and economic recovery programs in areas or countries where both are envisaged is to maintain a clear distinction between aid necessary to achieve economic recovery and supplementary economic aid made necessary by increased use of a participating country's own limited resources for military purposes.

a) Increase in military budget of a participating country can only have effect of retarding recovery. For example, in case of Great Britain, for every one hundred thousand men retained in armed forces or added to production of military materiel, the income available for civilian consumption requirements, for other forms of governmental activity or for capital investment goes down about two hundred million dollars. This is approximate equivalent of hoped-for reduction in ECA aid for UK in 49/50 as compared to 48/49.

b) Europe, with exception of few areas such as Italy, is suffering from acute manpower shortage. Military usually draws on highly skilled and more able portion of manpower pool. Actual impingement on recovery is more drastic than statistical computation above might indicate.

II. Supplementary economic aid to offset drag of rearmament program on European recovery should be separate appropriation earmarked for that purpose.

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<sup>1</sup> For previous documentation see *Foreign Relations*, 1948, vol. III, pp. 352 ff.

a) ECA, however, should administer these funds since kind of economic assistance required will be indistinguishable from that presently administered by ECA. For the moment this division may be of little practical importance. It might even be possible to meet load by maintaining ECA funds at unchanged level for another yr. But by third year of program supplementary aid figure may become very large relative to aid needed to carry out original ERP program. To begin with, by that time ERP aid should be markedly less than it was first yr. In second place, there is no way of telling how much rearmament program may have to grow. ECA's operations will become hopelessly blurred unless impact of rearmament program is clearly separated out from beginning. European countries will tend to blame any shortcoming on rearmament described in general terms. ECA itself will become confused between its mission of promoting recovery and of supporting US foreign policy in matter of rearmament.

III. ECA should not administer any part of program for exports of military equipment and munitions.

a) Politically and otherwise this would have unfortunate repercussions both abroad and at home.

b) Certain items which are readily identifiable as military items such as high octane gas for military planes and tanks, packaged army rations, uniforms, boots and such finished goods clearly of military end use nature should be included on military equipment and munitions list.

c) However, other items and raw materials which might be destined for military end use but are interchangeable and almost indistinguishable from items administered by ECA, should be treated as supplemental economic aid under II. Such items would include fuel oil, ordinary gasoline, fibers, leather, steel mill products, etc.

IV. Third agency should have responsibility of ruling on priorities assigned to exports for European recovery as such and for rearmament.

a) In particular, ECA may require protection for ERP exports under a system of voluntary allocations. If voluntary allocations continue, draft law provision with reference to priorities for US military purposes should not be extended to cover Foreign Military Aid Program.

V. Program Coord. Div. of ECA must work in close cooperation with and have access to all information bearing on concepts and plans of those responsible for creating military assistance programs.

a) As necessary corollary, ECA must assure that those responsible for military assistance programs are provided with all data needed to evaluate European economic recovery as a defense measure in and of itself.

ECA Telegram Files, FRC Acc. No. 53A278  
Paris Repto : Telegram

*The United States Special Representative in Europe (Harriman) to  
the Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, January 9, 1949—5 p. m.

Repto 2210. For Hoffman and Lovett<sup>1</sup> from Harriman. In course of long conversation which I had with Spaak<sup>2</sup> in Brussels January 8, he rehearsed recent OEEC developments and expressed hope that announcement might be made within current month as to meeting of OEEC council at ministerial level to consider report on long-term program around February 10 with simultaneous meeting of Committee of Nine appointed last October to recommend strengthening OEEC structure.

Spaak said he had been highly incensed at British attitude<sup>3</sup> which resulted in decision to approve interim long-term report at delegate level without ministerial meeting and to take no action for present to call together Committee of Nine. He expressed his feeling forcibly to British Ambassador Brussels<sup>4</sup> going to extent of stating that his own continued association with OEEC was at stake. As result, Cripps<sup>5</sup> sent Makins<sup>6</sup> to see Spaak January 7. Makins described British attitude to Spaak as follows:

1. British favor meetings at ministerial level, but feel that, in this case, delay in completing long-term report coupled with exigencies of timetable date for making it available to ECA meant that ministerial meeting if held could have done no more than give rubber stamp approval and hence have been futile gesture (Spaak and I agree that this argument has merit though Spaak feels British delegate was to some extent responsible for delay). British propose ministerial meeting soon after January 31 when new proposals based on long-term report are due.

2. British desire to go slowly in effecting changes in OEEC structure. Cripps does not favor the giving of executive authority to single political personality along lines suggested by Spaak; he thinks that personality on leaving national post would lose political influence (neither Spaak nor I agree on this: if personality of suitable stature were chosen his influence would grow in international position).

<sup>1</sup> Robert A. Lovett, Acting Secretary of State.

<sup>2</sup> Paul-Henri Spaak, Prime Minister and Minister for Foreign Affairs of Belgium; President of the Council of the Organization for European Economic Cooperation.

<sup>3</sup> On January 7 Ambassador Kirk had reported from Brussels that Spaak felt that the British did not understand that the Marshall Plan concerned the needs of Europe as a whole and not merely the restoration of the British economy. (Telegram 31, not printed, 840.50 Recovery/1-749)

<sup>4</sup> Sir George William Rendel.

<sup>5</sup> Sir Stafford Cripps, British Chancellor of the Exchequer.

<sup>6</sup> Roger Mellor Makins, Deputy Under-Secretary of State in the British Foreign Office.

Cripps' thinking, in order to get political direction which he agrees council should have, runs along line of creating high-level committee composed of perhaps Spaak (chairman), Cripps and Schuman <sup>7</sup> (with perhaps one or two others), pledged to meet in Paris regularly and frequently.

Spaak feels encouraged at these evidences of British constructive thinking. Cripps in recent conversation with Finletter <sup>8</sup> confirms this and gives reassurance of continued determination of Cripps to strengthen OEEC, but only after thorough consideration of means promising most effective results. Spaak plans to talk with Cripps at time of meeting next Western Union council in London January 20-26. He plans to call ministerial level OEEC meeting early in February. He will draft a scheme to discuss with Schuman and Cripps, and if they concur, to lay before Committee of Nine incorporating Cripps thought of a small political committee meeting frequently, including however, permanent representative of that committee to follow through on decisions at Paris. He will send me copy of his draft.

I told Spaak that, as I had often said before, the method by which political direction is brought into OEEC is a matter for European decision. But I emphasized in the strongest terms my agreement with him on the need for such direction on a continuing, energetic basis and described the embarrassing and potentially dangerous situation in which ECA would be placed vis-à-vis Congress in forthcoming presentation if obliged to report absence of progress in this vital field. Both Spaak and I agreed that payments scheme and long-term report were illustrations of ability of technicians to reach agreements on language which do not solve but only conceal temporarily wide political and therefore fundamental divergencies.

I am seeing Schuman January 10 and Cripps in course this week at both their requests.<sup>9</sup> Cripps is coming to Paris January 20 to discuss with French ministers economic relations and attempt compose present divergent approach to solution European recovery problems.

I found Spaak in fine form and feel much encouraged at prospects of British cooperation.

HARRIMAN

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<sup>7</sup> Robert Schuman, French Minister of Foreign Affairs.

<sup>8</sup> Thomas K. Finletter, Chief of the ECA Mission in the United Kingdom.

<sup>9</sup> In telegram Repto 2226 from Paris, January 10, not printed, Harriman reported that Schuman was "emphatically of the opinion that OEEC must be strengthened through supplying of direction at political level" and that Schuman planned to discuss the matter with Spaak, Foreign Secretary Bevin, and Cripps at the Western Union council meetings later in the month. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)



*Editorial Note*

On January 12 Bevin and Cripps told Harriman that they agreed that OEEC operations should be strengthened at the ministerial level. Bevin supported a proposal by Cripps for executive direction by five ministers (Spaak as chairman, and vice chairmen from the United Kingdom, France, Italy, and one of the Scandinavian countries), with preliminary steps to be taken in London looking toward a ministerial meeting in mid-February. Harriman concluded that the British favored a stronger political structure for the OEEC but still had reservations concerning the operating organization. (Telegram Repto 2285 from Paris, January 14, not printed, ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)

For additional information on the structure and activities of the OEEC, see its various publications and reports, including *The Organisation for European Economic Co-operation: Two Years of Economic Co-operation* (Paris, 1950).

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840:00/2-849: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

CONFIDENTIAL      URGENT      LONDON, February 8, 1949—midnight.

493. Re Satterthwaite BC phone call.<sup>1</sup> General British attitude toward European federation realistic. They refuse to give idea lip service or enter into commitments which UK unable carry out or to be stampeded into impractical expedients which would prove unworkable and end in disillusionment. Immediate creation sovereign federal body rejected as impossible in diversified Europe, and British themselves not prepared surrender independence or jeopardize commonwealth relations for unreal objective. They are convinced that at this stage more can be accomplished by closer cooperation among existing governments working on specific mutual problems step by step. British appreciate importance such collaboration and believe possible to achieve success. With return her own self-confidence, UK assuming more and more responsibility toward Europe and has contributed by many specific actions to establishment of closer working relationship between free nations of Europe.

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<sup>1</sup> Livingston L. Satterthwaite, Chief of the Division of British Commonwealth Affairs; no memorandum of this telephone conversation has been found.

In political sphere, following points emphasize British contribution :

(1) Bevin made first move toward political unity in the West by January 22, 1948 proposal of Western Union.<sup>2</sup>

(2) Great Britain took leadership in negotiation of Brussels Pact and has worked effectively with other signatories in organizations established under it.

(3) British and other four Brussels Pact powers are now arranging conference to establish Council of Europe to consist of Ministerial Committee and Consultative Assembly.

Decisions announced January 28 and February 5 in this connection have been received with enthusiasm by British press and public. General feeling is that real progress is being made in laying foundation for political organization. Although Assembly initially to have no constituent or legislative power it will nevertheless provide forum for discussion of common problems, furnish mechanism for expression of European public opinion and bring into being organization capable of growth and development.

British contribution to economic collaboration mostly via OEEC. Bevin acted promptly on suggestion in Marshall's Harvard speech<sup>3</sup> recognizing European economic recovery as essential not only for its own sake but as vital to Western defense. By end 1948, UK taking lead in OEEC to great practical effect, made major contributions to its functioning, largely responsible for devising and implementing intra-European payments plan. UK occupying position of most senior or [*toward?*] junior partners in ERP, playing dual role as beneficiary of US dollar aid and contributor of British sterling aid to Europe. Leadership among MP countries now accomplished fact, British influence and inspiration apparent in many attitudes and policies developed by OEEC and sets the pace in carrying out ECA policies, some of which contracting nations accept with reserve. British imprint evident in sections long-term program which insist on budgetary and fiscal reforms, concentration on essential production and promotion of exports at expense of domestic consumption, which is UK own pattern for recovery.

Outside of OEEC, British recognize that there is scope for economic collaboration promising more than sum of efforts of individual nations. Now taking active and serious interest in preliminary customs union studies, in reconciliation of European export-import programs, and in developing resources within Europe and colonial dependencies.

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<sup>2</sup> For text of this speech, see *Parliamentary Debates*, House of Commons, 5th series, vol. 446, col. 383.

<sup>3</sup> Speech by Secretary of State George C. Marshall at Harvard University, June 5, 1947. For the text, see *Foreign Relations*, 1947, vol. III, p. 237, or Department of State *Bulletin*, June 15, 1947, p. 1159.

Nevertheless, no disposition to resort to autarchy as solution. British long-term objective is multilateral trade and freely convertible currencies for general benefit UK, sterling area and Western Europe.

British approach has, therefore, been characteristically practical and specific rather than general and theoretical. It must be remembered, however, that throughout dominant motivation has been consideration of vital interests of the UK.

DOUGLAS.

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*Editorial Note*

On February 15 the Committee of Nine of the OEEC met to discuss proposals for strengthening the Organization, and on the following day it approved proposals (a) to authorize the President of the Council to call executive ministerial meetings of the OEEC as often as he felt necessary, and (b) to improve the working procedures of the OEEC and its Secretariat. These proposals were adopted by the OEEC Council on February 17 and announced at a press conference. The Office of the U.S. Special Representative in Europe (Harriman) reported extensively on the various documents and discussions in these meetings; the reports are in ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto Series.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto : Telegram.

*The United States Special Representative in Europe (Harriman) to the Economic Cooperation Administrator (Hoffman)*

SECRET

PARIS, March 4, 1949—3 p. m.

Repto 2915. Reference Repto 2914<sup>1</sup> replying to Torep 3548 March 2.<sup>2</sup>

1. OSR plans shift major emphasis work of OSR and OEEC to creative aspects of ECA job. These include achievement fiscal and financial stability, expansion and multilateralization European trade and payments as described paragraph 3, development of new cycles trade and private investment based on development dependent overseas territories, coordination of European private and public investment projects, and production plans with particular reference to implications for both intra-European and Western Hemisphere trade, pro-

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<sup>1</sup> Not printed.

<sup>2</sup> Not printed; it reported that careful consideration was being given to the formulation of U.S. policy concerning a European payments plan and exchange rates. Systematic discussions were being held among ECA, the Departments of State and Treasury, the Federal Reserve Board, and the Executive Director of the International Monetary Fund. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep)

ductivity and marketing method, problem of surplus population in certain parts Europe, and constant review consumption levels to avoid drastic and sudden reduction when ERP ends. Division of dollar aid in annual programs must take proper place in context this larger creative job. We will keep you fully and currently informed.

2. This shift will involve reorientation OSR, OEEC and country missions, and may involve corresponding reorganization and reassignments personnel where necessary. Letter to Hoffman on this subject follows.<sup>3</sup>

3. In regard objective maximum practicability freedom of European trade and transferability of European currencies, discussions now actively in process in OSR policy board concerning ways and means translate objective into concrete course of action. Discussions include inquiry into relationship investment programs and production plans of participating countries to internal disequilibrium in Europe, removal restrictions on trade, relative prices and exchange rates, and further development intra-European payments system. Have also begun exploratory conversations this subject with Secretariat OEEC. In view sensitiveness and difficulty exchange rates question, delighted learn of interdepartmental discussions described Torep 3548 and look forward development US Government position to guide us. Pending such policy, we will naturally proceed with great care and reserve. To gain maximum advantage from these discussions and avoid crossing wires, we feel sure you appreciate need keep OSR fully informed and channel all communications on these matters through OSR.

HARRIMAN

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<sup>3</sup> Not printed.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto : Telegram

*The United States Special Representative in Europe (Harriman) to the Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, March 12, 1949—6 p.m.

Repto 3068. Eyes only for Hoffman and Secretary of State. Purpose this message is to give fuller report promised in Repto 2994, March 8<sup>1</sup> regarding meeting of ministers forming consultative group of OEEC held March 4-8. It should be stressed that no minutes are kept of these meetings and that documents prepared to serve as basis of discussion are considered top secret for personal use of participating ministers, and are destroyed after decisions have been reached. Discus-

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<sup>1</sup> Not printed.

sion centered upon means of implementing principles approved by Council at February 17 meeting embodying organization's plan of action for 1949-50 (REPTO 2759, February 18<sup>1</sup> and document C(49) 12<sup>2</sup>).

I believe discussions brought out very clearly importance both from substantive point of view and from that of avoiding duplication of debate that American views on questions at issue be taken into account by group before formalizing its own views. Fact is that prior to my presentation of our point of view as described below, Cripps had been able, in spite of partially successful opposition from Belgians, French and perhaps others, to secure in considerable measure adoption by group of British point of view based notably upon need for drastic nonselective reduction of dollar imports and development, more or less regardless of cost factors, of new sources of supply in nondollar areas of goods normally imported from dollar area. I believe that this experience may lead group to favor even closer and more constant participating by United States representative in its future discussions.

Final document approved by consultative group and given to press is contained in REPTO 2983, March 8<sup>3</sup> (CGM(49)8 revised). Executive Committee is entrusted with initiating action in accordance with document and submitting proposals for necessary supplementary decisions to Council.

This document reflects my own participation in discussions of consultative group on March 7 and 8 as well as participation at expert level of OSR representatives (Katz, Bonsal and Livermore). Before detailing extent to which document reflects our thinking, I will summarize ideas which I set forth to group.

I said that I believed document which was before group at time I was invited to participate in debates was extremely dangerous in its potential effects on (a) very important segment of American public opinion desiring sound trade relationship between United States and Europe to be achieved through Marshall Plan, and (b) less important but vocal elements of American public opinion which were opposed to Marshall Plan and would gladly misinterpret OEEC attitude.

I said that our objective for 1952 of a Europe independent of extraordinary outside aid involved important adjustments on part, not only of recipients of such aid but also of givers; namely, United States. It is, therefore, important that we must fully participate in formulation of OEEC policies. As supporters of ITO Charter and of progressive lowering of trade barriers leading to expanded world trade, we are

<sup>2</sup> Not printed. For further information on the meeting and the "Plan of Action" adopted there, see *Keesing's Contemporary Archives*, June 11-18, 1949, p. 10037.

<sup>3</sup> Not printed.

opposed to restrictive policies and especially to creation of autarchic Europe which might result from literal application of principles contained in document then before group.

I stressed fact that United States productivity per inhabitant was three or four times that of Europe and that a basic new approach to problem of European productivity and hence of European contribution to world trade was essential. I emphasized dynamic expansive possibilities. I recognized that, of course, restrictions in dollar imports were necessary but I said that these should be studied on highly selective basis and that to base a policy for a future which we hoped would be one of expanded world trade on a multilateral basis, upon the necessities of today might well be disastrous both in substance and in its effect upon American public opinion. I added that the enthusiastic support of a majority of that public opinion was, of course, essential to continuation of Marshall Plan aid.

I laid particular emphasis upon need for realistic examination of European costs and pricing policies. I said we could not accept thesis apparently advocated by Cripps to effect that new non-dollar sources of supply should be developed regardless of cost or effect on trade with dollar area. Cripps pointed out in this connection that interim long-term report left no doubt of fact that there would be still important dollar deficit in 1952 and that consequently drastic measures would be needed. It was, however, sense of meeting that these drastic measures should not be autarchic in nature. I made it as clear as possible by reference to preamble of foreign assistance act that our congress and people expected they would by 1952 have contributed to creation of world trade conditions and particularly European trade conditions considerably less restrictive than those existing at time [ERP?] was initiated.

At my suggestion, Secretary General was requested by group to prepare for its May meeting a report on conditions which should exist and measures which might be taken to promote flow of private and government capital.

With regard to colonial and backward area development, I said emphasis should be on developing new sources of exports to increase dollar earnings rather than on finding substitute sources of supply to avoid dollar spending.

Following is summary of important changes introduced in published document referred to above as result OSR intervention.

Preamble was strengthened in direction of more constructive action and emphasis on expansion of world trade.

In proposal 2(A) "measures to increase productivity to reduce or eliminate trade barriers" were added. Paragraph (E) on costs was

originally a separate Swedish proposed resolution which at our suggestion was introduced here with scope widened to include reference to prices.

Proposal 3. In paragraph (A) we secured addition of phrase "after taking account of all available dollar resources and will take all necessary measures to achieve this end." Paragraph (E) reflects our emphasis upon "the re-establishment of multilateral world trade on an expanding basis" and the importance of "lowest possible prices and least possible disturbance of traditional channels of trade". In paragraph (H) we added coal as one of the products to which special attention should be given.

Proposal 4. In proposal 4 we successfully advocated emphasis on multilateral concept of trade in paragraph (A) and (C).

In the case of proposals 5 and 6, we introduced in paragraph (B) concept that resources available should be used "on an economic basis". At our suggestion paragraph (D) was added which asks Executive Committee to review agricultural development plans of participants in addition to certain industrial categories. Paragraph (F) also reflects our emphasis upon eventual goal; namely, "conditions of expanding multilateral world trade". Similarly, paragraph (G) was added because of our interest in development in dependent overseas territories of "materials which are in world short supply or may be expected to be in world short supply under conditions of expanding economic activity". This concept is in contrast to original concept which placed emphasis on development in these territories of substitute sources of supply for goods now obtained in dollar area.

HARRIMAN

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the United States Special Representative in Europe (Harriman), at Paris*

SECRET U.S. URGENT

WASHINGTON, March 17, 1949—8 p. m.

Torep 3893. From Bissell.<sup>1</sup> As promised in Torep 3775<sup>2</sup> the following are our views about European exchange rates. We are strongly convinced that positive action should be taken in near future towards reaching realistic rates among participating countries and between participating countries and US.

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<sup>1</sup> Richard M. Bissell, Jr., Assistant Deputy Administrator for Program of ECA.

<sup>2</sup> Not printed; it transmitted ECA's tentative views on the existing intra-European payments plan. (ECA Telegram Files, FRC Acc. No. 53A278. Paris Torep)

1. Call your attention to cables 212 and 247 to SecState from Vienna and also Toeca 353 from Vienna.<sup>3</sup> Agree in general that problem of devaluing Austrian schilling should be approached circumspectly, but circumspection must not be made an excuse for delay.

2. Greater expansion of exports of ERP countries to soft currency areas than to dollar area underscores fact that European currencies are seriously overvalued in relation to dollar. Such overvaluation provides incentives that work against basic ECA objectives. Imports from the dollar area are made cheap and European exports to soft currency areas tend to yield higher local currency prices than exports to dollar area. Although exports may in certain cases be directed properly by Government exhortation, the chief incentives where private trading exists are provided by the price mechanism. In the case of imports more realistic exchange rates would reduce the burden of administrative controls and would remove the necessity of discriminatory practices toward the U.S.

3. The political repercussions in the U.S.A. of trade discriminations against American business are becoming progressively more serious. Even though depreciation of European currencies would generally deter American exports to Europe, the effects would be less arbitrary.

4. Unrealistic exchange rates are also harmful in promoting misdirection of resources. With gross capital formation in Western Europe now running approximately 20 percent of gross national product, it is particularly important that price incentives be used to direct capital formation into industries best calculated to solve long-range dollar problem of Europe. A major part of decision on direction of investments remains in hands of private business in Europe and therefore tends to follow direction indicated by highest local currency price of products. Even in case of public investment misdirection may result from present overvaluation of European currencies. Administrative action seeking to prevent a misdirection of resources extremely difficult.

5. Since end of war Executive Branch of our Government has taken position that Europe should be allowed a breathing spell before adoption of realistic exchange rates. Expansion of European exports has been considered secondary to demands of large investment programs and improved consumption programs. Important to note however that production in Europe now restored to prewar level and in view of sharply declining schedule of ECA assistance we must prepare participating nations for greater efforts toward balancing their own dollar accounts.

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<sup>3</sup> None printed.



6. While concurring in general that every consideration should be given to delicate problems of internal financial stability prior to exchange rate devaluation, delay on this score becoming less tenable. Most of participating nations, with important exception of France, dependent on dollar area for grain. For this reason many observers have argued against European currency devaluation in relation to dollar on ground that bread prices would be substantially increased, that the distribution of real incomes within the participating area would be distorted in a manner prejudicial to low income groups and therefore that it would be impossible to hold the wage line. To meet these arguments any exchange rate action should be developed in the context of necessary internal fiscal policies which are best calculated to prevent undesirable effects of exchange devaluation. Methods of compensating low income groups in part for the price they must pay are sufficiently obvious to make elaboration here unnecessary and in any case are separable from the problems raised in this cable. The recent decline in prices of agricultural products, of course, eases this problem. Pending appropriate fiscal adjustments, release of counterpart funds might cushion effect of the gap between dollar value and internal price of ECA-imported commodities. If absolutely required to remove last obstacle to attainment valid rate of exchange, we might even consider exceptionally use of counterpart to subsidize temporarily non-ECA imports.

7. Our efforts toward bringing about exchange rate adjustments have been delayed by doubts concerning internal stability in France. In view of the internal progress that has been made in France in recent weeks<sup>4</sup> we now feel immediate consideration important. First direct step being taken by U.S. Government is concerned with Austrian schilling with which you are familiar. Our view, for which there is increasing support, is that sterling problem must be examined at once as the possible focal point for a broad revaluation of European currencies both in relation to one another and in relation to the U.S. dollar. It is realized that any discussion on this matter with British will be extremely difficult and delicate. As very strong objections may be encountered from British, discussions may take considerable time.<sup>5</sup>

8. Whenever it appears that exchange rate action is necessary and timely and after adequate bilateral exploration between the U.S. Government and the country concerned, the general procedure, as agreed with NAC, would be that participants who are members of the IMF would be asked to take up their exchange rate problems with the Fund.

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<sup>4</sup> For documentation relating to the political and economic situation in France, see pp. 626 ff.

<sup>5</sup> For documentation relating to the United States concern over the British financial crisis, see pp. 781 ff.

Since in each Bilateral Agreement the participating countries have agreed to establish and maintain valid exchange rates, we are keenly aware of our responsibility. Await your views.<sup>6</sup> [Bissell.]

HOFFMAN

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<sup>6</sup> In Repto 3391 from Paris, March 30, not printed, OSR indicated its general agreement with the positions stated in this telegram (ECA Telegram Files, FRO Acc. No. 53A278, Paris Repto). They were also endorsed by the meeting of ECA finance officers in Paris, April 4-6 (840.50/4-1949).

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840.50 Recovery/ 3-2949

*Memorandum From the Coordinator of Foreign Aid and Assistance  
(Labouisse) to the Secretary of State*

CONFIDENTIAL

[WASHINGTON,] March 29, 1949.

During their stay in Washington, one of the visiting Foreign Ministers<sup>1</sup> may refer to recent developments concerning the Organization for European Economic Cooperation (OEEC). These developments, which are summarized briefly below, were reported in a series of telegrams from Mr. Harriman, the most important of which was marked for you personally.

1. As you know, the Department, ECA and Mr. Harriman have felt for some time that, if it is to serve as a real instrument for European economic cooperation, the OEEC must receive political guidance from cabinet-rank officials in the participating countries. Mr. Harriman has had a number of conversations, particularly with Mr. Spaak and Sir Stafford Cripps, on this problem. Mr. Spaak has taken the lead in proposing various means by which the organization might be strengthened.

2. The arrangement finally decided upon by the OEEC Council in February provides that:

(a) the chairman of the Council, Mr. Spaak, may call together, as required, a consultative group consisting of ministers designated by the governments of those countries which are members of the Executive Committee, i.e., United Kingdom, France, Netherlands, Sweden, Switzerland, Italy and Turkey. (The individuals who sit regularly on the Executive Committee are high ranking civil servants, not of cabinet rank. This Committee meets very frequently, is elected annually, and gives continuing guidance to the work both of the technical committees and the Secretariat.)

(b) the Council itself will meet more frequently at the ministerial level than it has previously, and in any case, at least four times a year.

3. The reports which we have received from Mr. Harriman indicate that he believes the Consultative Group of Ministers can provide

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<sup>1</sup> For documentation on the conference of Foreign Ministers at Washington in connection with the signature of the North Atlantic Treaty, April 4, see pp. 271 ff.

the high level policy guidance to the organization which he has felt has been lacking heretofore.

4. The Consultative Group met early in March and adopted a program for the year 1949-50. The program is an elaboration of a set of general objectives agreed to by the Council. It is particularly noteworthy for (a) the emphasis which is laid on the necessity for making 1949 a year of financial and monetary stabilization in Europe and (b) its direction to the Executive Committee to pay particular attention to the coordination of the national investment programs of the participating countries.

5. Mr. Harriman met with the Consultative Group a number of times. He feels that the program at one stage was in danger of laying too much emphasis on a drastic but non-selective reduction of dollar imports and upon the development, more or less regardless of cost factors, of new sources of supply in non-dollar areas of goods normally imported from the dollar area. He feels that Sir Stafford Cripps in particular had emphasized this approach. Mr. Harriman stated to the group that as supporters of the ITO, the progressive lowering of trade barriers and expanded world trade, we were opposed to restrictive policies and to the creation of an autarchic Europe which he feared might result if this principle were rigidly applied. He said that he realized that the objective of a Europe which would be independent of extraordinary outside assistance in 1952 involved important adjustments both on the part of the US and the participating countries. He recognized that restrictions in dollar imports were necessary but felt that they should be studied on a highly selective basis and pointed out that to base the policy for the future on the necessities of today might be disastrous both substantively and in its effect on American public opinion. Mr. Harriman feels that as a result of his participation in the discussions of the Consultative Group the program as finally agreed was considerably more constructive than might otherwise have been the case, particularly with respect to the statement of the trade relation with the dollar area.

6. He feels that as a result of the experience in these meetings the Consultative Group may favor even closer and more constant participation by the US representative in their future discussions. He, himself, is convinced that it is important for American views to be taken into account during the formative stage of the OEEC programs.

840.50 Recovery/4-1249: Circular telegram

*The Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

TOP SECRET

WASHINGTON, April 12, 1949—6 p. m.

From State and Treasury for eyes only Ambassadors, Ministers and Treasury Representatives. For your info only. Executive Board of IMF concluded extensive discussion of Western European exchange rates with agreement in principle that a review of the exchange structure of Western Europe is advisable. Procedure anticipated is that Managing Director<sup>2</sup> of IMF will shortly undertake series of conversations with Western European members IMF in Europe. Basic feeling is that situation has changed since 1946 and now appropriate for review of rates in consultation with Fund.

US Executive Director<sup>3</sup> Fund, after consultation NAC agencies, strongly supported this approach to problem. Position taken US Director summarized briefly as follows:

Important surge postwar recovery concluded and further improvements likely to require stronger efforts. Progress toward internal financial stability now adequate to permit consideration of exchange adjustments. Extremely important avoid development of "price isolation" of European price structure from dollar price structure at higher level for European prices. Fund objective requires effective unity in world price structure. Promotion of European exports to Western Hemisphere becoming more difficult as sellers' market relaxes in that area. Pressure on cross rates increasing among countries desiring to increase dollar earnings without undue increase in cost of imports from European and related currency areas.

US Executive Director cited statement of Secretary Snyder<sup>4</sup> before committee of Congress indicating US Government intent review exchange question with "a number of European countries" with view to suggestion that member countries propose adjustment to IMF, if adjustment is indicated by such review.

He added that Fund should at this time not engage in premature detailed discussion of individual exchange rates but rather seek information and general discussion of desirability of early review existing exchange parities of Western European countries as a group. Canadian Director spoke strongly in expressing largely identical views, sounded particular caution with respect to intra-European payments plans as unduly favoring trade within sterling area and Europe and tending to incorporate high prices into the cost structure of Europe. British, French and Belgian Directors insisted on right of members to hold initiative on exchange rate matters and also stressed danger of speculation should news of Fund review leak. Fund not empowered to

<sup>1</sup> Sent to the diplomatic missions in London, Paris, Brussels, Stockholm, Rome, Cairo, The Hague, Oslo, Copenhagen, Lisbon, Bern, and Vienna.

<sup>2</sup> Camille Gutt, of Belgium.

<sup>3</sup> Frank A. Southard, Jr.

<sup>4</sup> John W. Snyder, Secretary of the Treasury.

require exchange rate adjustment by member countries but right of Fund to initiate such discussions not likely to be successfully challenged.

Emphasize need for utmost discretion in handling foregoing info.

ACHESON

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the United States Special Representative in Europe (Harriman), at Paris*

SECRET

WASHINGTON, April 21, 1949—7 p. m.

Torep 4720. Re Repto 3753 April 20<sup>1</sup> and Torep 4696<sup>2</sup> following is our summary U.S. views on revision of payments plan and approach to negotiations by ECA. This is fully consistent with reftels and your discussions with Bissell and McCullough.<sup>3</sup> We are sending it to you in hope that it will prove useful for you to have full statement U.S. position.

1. We must insist that substantial further progress towards multi-lateralization should be made. It would be out of the question for us to accept the point of view that for the second year of a four-year program nothing better than the original payments plan was feasible.

2. Our first alternative is full convertibility of drawing rights at debtor's option into currency of any member of scheme or into dollars. This alternative would offer all the advantages of offshore procurement with full dollar area competition and would not involve the difficulties of dollar invoicing in intra-European trade.

3. We are afraid, however, that this alternative without modification would be too strong a medicine for Europe to take at the present time. It would in effect require general convertibility of European currencies into each other and into dollars in respect of part of European trade at a time when general convertibility is far from being attained. Europe must adjust itself to full dollar area competition

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<sup>1</sup> Not printed; it transmitted the position of the OSR Policy Board on a new payments agreement designed to (a) continue efforts to expand intra-European trade and restore its equilibrium, (b) contribute to the maximum practicable competition in European markets, and (c) provide incentives for Europeans to earn dollars through exports to the Western Hemisphere. This would require maximum transferability of drawing rights within Europe and a substantial amount of convertibility into dollars. (ECA Telegram Files, FRC Acc. No. 53A-278, Paris Repto)

<sup>2</sup> Not printed; it stated that the ECA approved the positions outlined in Repto 3753 subject to certain minor clarifications. (*ibid.*, Box 47)

<sup>3</sup> James A. McCullough, Director of the Fiscal and Trade Policy Division of ECA.

at the earliest possible date but we do not want to press this objective too vigorously at the present time.

4. An acceptable modification of the first alternative would be to permit the conversion of drawing rights into dollars only as an administrative decision by ECA. The countries would be required to submit evidence to ECA that the goods they needed could not be obtained at reasonable prices in Europe and could be obtained at lower prices in the United States. ECA would then consider the question from the point of view both of debtor and creditor countries.

5. Our second alternative is transferability of drawing rights at the debtor's option with no convertibility into dollars. We would support full transferability of drawing rights but may have to settle for transferability only of a substantial part of them. In the latter event we feel that a uniform percentage of the drawing rights extended by all creditors should be transferable rather than separate negotiated percentages for individual creditors. It seems to us that once we begin to admit negotiation on an individual country basis there is serious danger of the substance of the proposal being whittled away.

6. It is unlikely that creditors would agree to accept transferability without some dollar compensation. We believe this compensation should be kept as low as possible and should not exceed 50 percent of value of transferred drawing rights.

7. We believe that there would be crippling delay and argument if the compensation to be paid to one creditor had to be obtained by reducing funds already allocated to other European countries. Consequently some ECA dollar funds should be retained unallocated and should be used during the year to make compensations.

8. Dollar compensation could where necessary be supplemented with intra-European credits but the aggregate compensation to creditors in all currencies need not be 100 percent of the value of transferred drawing rights. The most convenient method would possibly be an undertaking by the countries to hold each others currencies, but this could usefully be supplemented by negotiated long-term credits. In particular we believe that it would be highly desirable for countries that are overall creditors, such as Belgium, to agree to an extension of long-term credits unassociated with any dollar compensation. We must emphasize that these matters must be settled in the Payments Agreement itself, and thereafter the system should work automatically. Otherwise administrative delays could make transferability little more than a fiction.

9. Any provision for partial convertibility of drawing rights into dollars that could be agreed upon would of course be an improvement of the second alternative.

10. We have tried to set out these requirements in general terms. We refer you to the staff suggestion already discussed with you as an illustration of a scheme that is worked out in detail, but are not in any way committed to that particular scheme. All proposals for mechanisms should be left to OEEC initiative.

HOFFMAN

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto : Telegram

*The Acting United States Special Representative in Europe (Foster)  
to the Administrator for Economic Cooperation (Hoffman)*

CONFIDENTIAL U.S. URGENT

PARIS, April 29, 1949—9 p. m.

Repto 3920. Further to our Repto 3810.<sup>1</sup>

1. (a) Payments Committee reconvened April 26 for discussion referred to paragraph 5 Repto 3810.<sup>2</sup> Chairman Ansiaux opened with long review of existing agreement, burden of which was substantially as in paragraph 2 Repto 3810.<sup>3</sup>

(b) His statement of advantages of present system proved especially significant, in view of extent to which it was echoed in subsequent statements of various delegations. Among advantages he cited were (1) has maintained or even created un hoped for level trade in Europe; (2) treatment of conditional aid prevented uncertainty which would have interfered with execution coordinated programs by participating countries; (3) maintained European trade in traditional pattern (in discussing this point, he said that free competition cannot be truly effective until all other conditions are equal and would risk distorting basic pattern).

2. He said following objectives should be borne in mind during present negotiations: (1) sound expansion of trade in Europe consistent with reduction of dollar deficit; (2) progressive development of mechanism independent of American aid (closely related is harmonization of bilateral payments agreements, which would tend to facilitate functioning of compensations and prepare for future multilateralization of payments); (3) greatest possible adjustment of commercial policies toward freedom of purchase on basis of price

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<sup>1</sup> Not printed; it reported on the opening meeting of the OEEC Payments Committee on April 21. The Chairman, Hubert Ansiaux of Belgium, had spoken in favor of continuing the existing payments agreement, and the position of the United States (as indicated in footnote 1 to telegram Torep 4720, *supra*) had been read and distributed to the Committee as an *aide-memoire*. (ECA Telegram Files ERC Acc. No. 53A278, Paris Repto)

<sup>2</sup> Paragraph 5 indicated that the delegates had been reluctant to express their views on the American *aide-memoire* at that time.

<sup>3</sup> Paragraph 2 reported on Ansiaux's remarks in favor of the existing arrangements.

competition and other market considerations, and less rigidity in the division of US aid.

3. He concluded with a statement of four topics which constituted the most fruitful area in which the committee could work in devising a new agreement: (1) new incentives; (2) flexibility of drawing rights (citing possibility of transferability between debtors as well as between creditors); (3) gross vs. net system and bilateral vs. multilateral; (4) fate of unused drawing rights (Article 24 unjust in some cases and not in accord with reality).

4. The British led off with praise for Ansiaux's "masterly summary". UK statement stressed importance of retaining known advantages of present scheme in seeking improvement.

5. The Swiss expressed concern at reluctance of committee to move toward multilateralization, stated favorable results attributed by Ansiaux to payments agreement were in fact results of American aid, and advocated ECA *aide-mémoire* as basis for consideration of new agreement.

6. Replying to Swiss, Ansiaux said he thought he spoke for the committee in thanking ECA for its clear expression, but did not suppose ECA wished to abandon its practice of leaving OEEC to decide on preference. He proposed that committee develop own principles first and then see if they fit ECA objectives.

7. Bizone stressed importance restoring competition and showing sufficient progress in other directions to insure continuance of aid. France stressed fear that ECA proposals would reduce intra-European trade and pointed out that council principle three requiring substitution non-dollar sources where products obtainable implies maintenance intra-European trade. Also ECA proposals would impose too great uncertainty re dollar aid on creditors who would reduce imports from Oboe PC's,<sup>4</sup> particularly of non-essentials. Sweden, Denmark, Portugal thought discussions should be based on present agreement in an effort to improve it rather than introduce an essentially new system. Netherlands saw danger of diminishing trade but while advocating caution, thought the risk should not be feared, pointing out that their delegation had always favored advance toward multilateralization. Italy was inclined to support the chairman's statement but reserved their position. Greece thought new agreement should provide assurance to debtors of ability to execute their imports program. Austria and Norway interested in ECA proposals but did not take position, Norway expressing "some fear of going too far". Turkey made no statement.

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<sup>4</sup> Oboe PC's, presumably OPC's, overseas participating countries.



8. ECA observer then made statement to following effect: ECA did not wish improve any system; thus *aide-mémoire* did not refer to mechanics. However ECA had responsibility re best use dollars achieve objectives for which OEEC requested aid, and which give promise progress toward multilateralization trade and towards free convertibility of currencies. Therefore had submitted *aide-mémoire* to make committee aware of objectives which must be accomplished to justify use dollars for intra-European trade. ECA position rests upon concern for matters far broader than operation intra-European payments agreement. ECA strongly of opinion that there must be unrelaxing drive toward achievement conditions trade and production which must prevail in 1952 if viability to be attained. Such conditions include competitive structures and multilateral payments system. Must also be movement away from present rigidities bilateral trade arrangements. Reminded members of multilateral principles subscribed to by many of the PC's as well as US in ITO, GATT and IMF. Committee should be aware therefore that ECA cannot finance any payments scheme that does not show radical improvement over present agreement in terms of real and effect[ive?] transferability of drawing rights. Regarding points raised by delegations, stated that emphasis should be on sound rather than mere expansion of intra-European trade, that artificially protected expansion worse than smaller volume and sometime it may be more important to expand trade outside of Europe than within Europe. Objective ECA proposal to reduce restrictions in intra-European trade and bring terms trade more into line with [garble] competitive terms, and widen area competition. Furthermore, although aware reduction dollar imports called for by OEEC principles, nevertheless since ultimate goal is dollar competition, desirable now to establish it on even limited basis suggested by ECA so that it may have salutary effect costs and prices.<sup>5</sup>

9. Ansiaux in sharp reaction to this statement said that if we were not prepared to accept any other system than that proposed in *aide-mémoire* that there would be no purpose in further meeting of the payments committee. ECA observer expressed surprise at this statement and said that we did not intend to cut off discussion but that our proposals were fundamental and had been most seriously considered and presented. Ansiaux thereupon replied that the committee could proceed with its work. Our appraisal (and subsequent developments confirm) that we have not come to impasse.

FOSTER

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<sup>5</sup> OSR had been instructed to "vigorously support our position in opposition to Ansiaux statement" and to stress that the basic objective of the American proposal was to reduce restrictions on intra-European trade by widening the area of competition and bringing the terms of trade more nearly into line with normal competitive terms. (Torep 4763, April 23; ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep)

ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Acting Administrator for Economic Cooperation (Bruce)<sup>1</sup> to the United States Special Representative in Europe (Harriman), at Paris*

SECRET

WASHINGTON, April 29, 1949—10 p. m.

Torep 4928. 1. Pressures increasing from different industries for ECA to channel dollar purchases by participating countries into US market. We have already been urged by lumber interests to insist that UK make ECA and non-ECA dollar purchases in US if US prices equal to those in other dollar markets. Similar requests may be expected from other quarters. At the extreme these groups argue that US taxpayer makes possible all dollar purchases by participants and therefore US suppliers should get the business if they quote as good a price. They complain that instead Europeans discriminate against US suppliers even refusing to let them bid.

2. We consider that ECA should not pressure participating countries in their non-ECA dollar purchases to discriminate against outside suppliers in favor of US suppliers. We also feel ECA cannot sanction uneconomic dollar purchasing practices especially when these discriminate against US suppliers as mentioned Ecato Rome 691 April 8 and Ecato Rome 732 April 22.<sup>2</sup> The following statement of trade policy subscribed to by all divisions and offices concerned here is submitted for your consideration and comment.

"In order to be consistent with the U.S. policy of non-discrimination and in line with the general policy of ECA which is to encourage participating countries to be economical in the use of their resources and particularly their dollar resources, ECA will request participating countries (when using non-ECA dollars) (a) to make dollar purchases in the cheapest source, (b) to canvass all possible dollar sources, including US sources, in order to ensure they are obtaining the lowest possible bids, and (c) certainly not to pay more from any dollar source than US suppliers quote. ECA recognizes that current market prices are not the sole consideration in the placing of purchase contracts. Where participating countries find that exceptional circumstances warrant paying higher prices with non-ECA dollars from certain dollar sources than prevail in others, they should be prepared to submit reasonable justification for such action to ECA."

3. If you approve statement please circulate to all missions. Please advise your action or comment promptly as we wish inform foreign missions here.<sup>3</sup>

BRUCE

<sup>1</sup> Howard Bruce.

<sup>2</sup> Neither printed.

<sup>3</sup> In Repto 3959 and Repto 4074, April 30 and May 7, neither printed, OSR stated its view that the policy would restrict the participating countries' use of

ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto : Telegram.

*The Acting United States Special Representative in Europe (Foster)  
to the ECA Missions in Europe*

CONFIDENTIAL

PARIS, April 30, 1949—8 p. m.

Repto circular 190. To clear up confusion that seems to exist in some participating countries it seems wise to reaffirm and clarify the policy regarding use of ECA funds for military purchases.

1. While military expenditures are part of the normal economy of nations, the essential purposes of American assistance to European recovery, as set out in the Economic Cooperation Act of 1948, are the promotion of industrial and agricultural production, restoration of sound finance and promotion of international trade. The achievement of these purposes may, of course, indirectly promote military strength, but ECA assistance should not be used for strictly military purposes.

2. Authorizations for ECA financed importations should not be used for procurement of obviously military items such as munitions, military aircraft, etc.

3. In the case of items which have both military and civilian uses, or raw materials which may be processed into either civilian or military end products, the use of ECA authorizations for imports which are clearly identified as being for military purposes should be avoided to the extent that such identification is practicable and consistent with normal procurement methods. Even where such identification is not practicable, total ECA authorized imports for any item should not exceed the total expected civilian use of that item. It is recognized that participating nations will finance basic military problems [*programs?*] with their own foreign exchange resources to extent that these programs were contemplated in balance of payments estimates on which ECA assistance based. Only incremental military programs to be covered by MAP assistance.

4. An exception to the policy stated in paragraph 3 is that there is no objection to the use of ECA assistance for items such as food, medical supplies, fuel for barracks or other items which are necessary for the comfort of personnel but bear no other relation to military activities.

Please see that government is informed above policy to extent you deem necessary to effect compliance.

Sent Frankfurt for Collisson.<sup>1</sup>

FOSTER

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free dollars, and it recommended that no such statement be issued. OSR suggested instead that each specific complaint from an American industry would serve as an additional instrument in ECA's program to reduce trade barriers. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto, and London Embassy Files, Lot 58F47, 500 Marshall Plan)

<sup>1</sup> Norman H. Collisson, Chief of the ECA Mission at Frankfurt.

London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Chief of the ECA Mission in the United Kingdom (Finletter)  
to the United States Special Representative in Europe (Harriman),  
at Paris*

SECRET

LONDON, May 13, 1949—5 p. m.

Torep 951.<sup>1</sup> Ref Ecato 968, rptd Paris Torep 4928,<sup>2</sup> and Repto 4074, rptd London 525.<sup>3</sup>

1. Reference cable was subject of full discussion Mission Chief and all Division Chiefs. Meeting called by Finletter after Killen, Labor Division, raised question of impact of proposed policy on attitude of peoples participating countries toward Marshall Plan generally.

2. Killen made following points:

a. Communist Party "line" charges U.S. seeking to use ECA as device for establishing firm control over economies of participating countries, thereby "enslaving" people of Western Europe and providing "dumping ground" for U.S. surpluses. This line vigorously pushed by Communist Party from Moscow, in CP press and by CP elements in trade unions.

b. British trade unions and other groups have consistently denied and opposed CP charges re America's motives in ERP. They have on the other hand repeatedly voiced their satisfaction at absence of attempts by U.S. to exercise undue influence on their Government in determining national policies.

c. If ECA Washington proposals re ECA control of non-ECA dollar expenditures adopted, non-CP and pro-US majority in British Labor movement will find themselves in difficult position and may themselves begin to doubt sincerity of U.S. professions.

d. If this is situation in U.K., there is little reason to believe same reactions will not occur elsewhere.

3. UK Mission recognizes pressures to which ECA Washington is subjected. At same time we cannot disregard vital importance of maintaining and strengthening non-Communist support for the Recovery Program among the great mass of European peoples, and the effect proposed policy might have on such support.

4. The problem as we see it may be stated thus: Should ECA indicate, as in Ecato 968, rptd Paris 4928, that U.S. is moving toward firm control of a participating country's entire economy in order to effect what U.S. considers to be the maximum efficient utilization of that country's resources, thereby necessarily limiting the country's freedom of choice in its trade relationships; or should ECA attempt to exercise direct control only over expenditure of ECA monies, leav-

<sup>1</sup> Repeated to Washington as Toeca 1050.

<sup>2</sup> *Ante*, p. 388.

<sup>3</sup> Not printed, but see footnote 3, p. 388.

ing participating countries maximum freedom in running their own economies subject only to moral suasion and such self-imposed rules as may be agreed to by all participating nations?

5. The latter course may involve possible inefficiencies or isolated instances of discriminations in the trade relationships of these countries, but, on the other hand, it will avoid the very real danger of far-reaching and politically explosive charges that U.S. seeks to use ECA as means for domination of European nations.

6. We fully concur in the views expressed in Repto 4074, rptd London Repto 525, but because of the foregoing reasons, we believe particular attention should be paid to the social and political implications of the proposed policy and the dangers of internal reactions in Europe.

FINLETTER

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560.AL/5-1849 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

SECRET

LONDON, May 18, 1949—5 p. m.

1953. For Department only. Following comments arising out of Annecy 96<sup>1</sup> and other discussions of devaluation problem submitted in response Deptel 1164, May 13.<sup>2</sup> Sent Department only, but we have no objection limited distribution Treasury, ECA and Annecy in Department's discretion.

1. UK perennially conscious of inability compete with US in US market but British believe they can in the long run compete on a non-discriminatory basis in most third markets. Certainly if UK unable to do so it is inconceivable that other European countries could be induced indefinitely or even for very long to maintain high price area in the UK interest. We feel that high price area is probably temporary phenomenon arising out of circumstances other than deliberate policy of mutual price protection.

2. European costs and prices for decades have been at such a level and European output is even now of such a nature as to preclude balance with US in any bilateral pattern. Undoubtedly there is basic need for reduction European costs and prices and we believe considerable water can be squeezed out of them as they stand. The developing buyer's market may go far to bring this about. We have already ex-

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<sup>1</sup> Not printed; in it the Chairman of the U.S. Delegation at the Third Session of the Contracting Parties to the General Agreement on Tariffs and Trade (Willoughby) reported on various views attributed to British officials (London Embassy Files, Lot 58F47, 510.1 ITO). Documentation on the GATT conference at Annecy, France, is scheduled for publication in volume 1.

<sup>2</sup> Not printed.

pressed the view that any pressure we can exert to this end should be maintained. Currency devaluation at this time would nullify such pressures for it would tend to support existing European cost and price structure.

3. On the other hand we agree that progress toward conditions permitting reduction in discriminatory controls is disappointingly slow. British and others clearly not immediately concerned to eliminate controls with maximum speed. The problem as they see it is rather to work first toward conditions which will make controls unnecessary. Foremost objective is achievement of dollar balance soonest possible by exporting maximum for dollars and cutting dollar imports. The latter necessarily involves a degree of discrimination. ECA pressure to attain dollar viability in three years practically enforces this.

4. As far as UK is concerned, and to extent that UK policies have produced a sterling trading area, we feel that it is probably the cumulative product of many different *ad hoc* arrangements devised as expedients to meet given situations. A review of British international economic policy in the last two years supports this interpretation. At various times, as necessity dictated, UK has adopted measures to cut its own dollar expenditure, to eliminate Palestine and Egypt from sterling area, to cut South African dollar drain, to pledge Dominions to stronger dollar conservation, to control flow of capital to sterling area, to line up cross-rates, to limit use of cheap sterling. Mingled with these have been a hundred shifts of policy on minor matters affecting security switches, gold points, tourist allowances, transferable accounts, etc. Even if all these are regarded as fitting into a larger pattern it is not the result of a deliberate long-range policy and the pattern itself is not immutable. It shifted radically from 1947 to 1948, and in 1949 it is still flexible and adjustable.

5. In short British are feeling their way and working in terms of immediate emergencies. We doubt that Cripps or any other British official under present conditions feels that he can see more than six months ahead. Certainly none of them has a clear idea of what economic pattern will emerge in UK or in Europe or in the world in 1952. Nor can it be said that UK is working toward any specific goal by that time, unless a strong determination to be free of dependence on the US can be so regarded. In these circumstances UK commitment to support multilateralism and non-discrimination becomes a goal to be achieved when economic conditions which make it attainable are more clearly apparent. British do not believe that non-discrimination at this time will of itself create those conditions, and feel it might indeed have retarding effects.

6. From the US viewpoint the question arises whether currency adjustments at this time, presumably by widespread devaluations against the dollar, would contribute to our immediate objectives as well as our long-term objectives or would possibly compromise the long-term in the interest of the short-term. Answer depends on a number of nice judgments as between alternatives. We must ask ourselves:

*a.* Is the balance of advantage in favor of leaving most exchange rates as they are for a while longer, in order to maintain pressure on Europe to keep down costs and reduce prices (in the interest of longer term trade position)? Or is it in favor of widespread devaluation against the dollar to make European exports more competitive in the US at least temporarily (in the hope that the dollar gap can be reduced by an expansion of exports rather than by the administrative import restrictions threatened by OEEC)?

*b.* The balance of advantage must also be weighed in terms of our objectives as between progress toward non-discrimination and progress toward European recovery. Presumably devaluation is intended to eliminate or at least reduce necessity for discriminations against dollar imports by correcting price disparities, thereby using prices mechanism to discourage imports from US. However, unless European production radically increased as a direct consequence of devaluation (which is dubious) effect of devaluation would be to narrow the dollar gap rapidly and necessarily reduce commodity availabilities in Europe to the disadvantage of recovery.

*c.* Another comparison is necessary as between advantage to US export trade of at least partial removal of administrative restrictions against dollar imports and disadvantage to US exports of the generalized price barrier resulting from devaluation. While we agree with the goal of non-discrimination it must be appreciated that approach to this goal through the device of devaluation does not provide the answer for US exporters currently complaining of discrimination. For one thing we could not expect immediate removal of all restrictions, and many significant trade barriers would remain. For another the price obstacle would automatically apply to the whole range of US exports and many US products now acceptable might be priced out of the foreign market.

*d.* The timing of a general revaluation of currencies involves the nicest judgment of all. We agree that the sooner the better if the US is taking the initiative and the responsibility right now, while we still command the leverage of ECA and before politically powerful US groups representing both protectionist and export elements develop resistance in their own interests. However, US initiative at this time involves moral responsibility of our government before the world to refrain from subsequent compensating adjustments of the dollar and to resist the increasing pressures in this direction which will inevitably develop if we suffer protracted economic recession.

*e.* The question of timing also involves an appraisal of relative advantage. Pressures for immediate action seem to come from US export interests impatient in the face of trade restrictions, but we have suggested in (c) above that immediate gains from removal of

trade barriers may be nullified or outweighed if achieved via devaluation. While we agree that postponement of action may tend to solidify the present pattern, establish vested interests and perpetuate bilateral arrangements, we doubt that the entrenchment would be so solid as to make the eventual achievement of multilateralism and non-discrimination significantly more difficult. On the other hand postponement might do much to help consolidate the recovery gains already recorded and contribute to a better climate in which to attack the problem of discriminatory trade barriers.

In conclusion, as the questions we have raised indicate, we are far from certain that the balance of advantage is right now in favor of widespread currency adjustments. We would be inclined to push economic recovery along more fundamental lines and await developments. Particularly we would want to see more clearly the pattern in which east-west trade<sup>3</sup> develops in Europe, and to have a firmer basis for judgment as to economic recovery in Germany and the manner in which the German economy will fit into the European picture.

DOUGLAS

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<sup>3</sup> Documentation on this subject is included in the compilation on U.S. policy on trade with Eastern Europe and the Soviet Union, scheduled for publication in volume v.

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841.5151/5-2049 : Telegram

*The United States Special Representative in Europe (Harriman) to the Secretary of State*

SECRET      PRIORITY

PARIS, May 20, 1949—8 p. m.

Repsec 27. Eyes only for Secretary of the Treasury Snyder from Harriman. Cripps has sent me message asking me to come to London to see him one day next week. From bearer of message, I gather that British Treasury and Bank of England are quietly studying exchange rate question; also, that British Government is considering making new proposal to OEEC consultative group which meets June 3 for introduction of competition in intra-European payments plan, and other steps to break present rigid bilateralism in trade and payments. I further gather that although Cripps inclined to support such latter proposal, there is division within Cabinet, and outcome not yet clear.

Cripps will undoubtedly discuss these matters with me frankly, and also your proposed visit to London. British Treasury view is that your conversations with Cripps are of the utmost importance, as there is a growing realization they must come to an understanding with US Government, which they appreciate can only be done in direct conversations between you and Cripps personally. There is some opinion in Treasury that since events are moving so fast that the earlier your



meeting takes place, the better. Do not know whether Cripps shares this view.

Developments in British thinking are probably influenced by a series of causes: first, position you have taken in Washington; second, discussions with OEEC beginning last March, in which we here have consistently taken strong position on prompt action to free trade and payments; third, growing continental opinion that constructive steps must be taken promptly and recognition by British that they must go along to maintain leadership; fourth, fall of American prices; fifth, realization discriminatory trade policies will become increasingly difficult to maintain and would result in retaliation by US and elsewhere.

Since all this is extremely tentative, I am sending this message eyes only to you. I will discuss the situation with Dean when he arrives here.<sup>1</sup> Because of the important implications, do you think the President would be interested even at this preliminary stage? I hope to be able to give you a clearer picture next week.<sup>2</sup>

HARRIMAN

<sup>1</sup> Secretary Acheson arrived in Paris on May 21 to attend the Sixth Session of the Council of Foreign Ministers, documentation on which is in volume III, chapter VI.

<sup>2</sup> Harriman and Milton Katz, general counsel of OSR, discussed the European payments problem on May 27 with Cripps and various British Treasury officials, who proposed a variety of general licensing arrangements to open British domestic markets to continental competition. Harriman limited his remarks on these proposals to repeating the desirability of competition with the dollar area. He also reported that on May 26 the British had made similar proposals to Spaak and Ansiaux, who received them coldly but took them under advisement. (Repto 4434 from Paris, May 28, not printed; ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)

ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the United States Special Representative in Europe (Harriman), at Paris*

SECRET

WASHINGTON, May 23, 1949—9 p. m.

Torep 5418. We have given extensive thought to all arguments on new Payments Plan. Following are our general proposals which appear to be in close agreement with your own carefully prepared recommendations:

1. We feel that Western Europe is still not ready for full impact of dollar competition and that any attempt to impose full dollar competition at this juncture would probably lead to a complex system of bilateral deals seeking to circumvent effects of our proposals.

2. Impressed by arguments in favor of a combination of bilateral and multilateral drawing rights with marginal convertibility into

dollars. We feel strongly however that multilateral and convertible drawing rights be established on gross basis to insure dollar pool of substantial proportions. If multilateral drawing rights placed on net basis dollar pool might be so small that there would be little uncertainty on part of large creditors concerning ultimate dollar receipts from ECA through working of Plan.

3. As to distribution of drawing rights among categories, we suggest that not more than 50 percent of total should be purely bilateral. Of the balance, we suggest half should be freely convertible into dollars at the option of the debtor and the remainder should be convertible with ECA approval under condition specified Para 5 below.

4. As to administration, our suggestions are as follows. Bilateral drawing rights should be set up through same procedure as followed last year with provision only for administrative changes. Specified amounts of multilateral drawing rights would be assigned to every gross debtor (which would include almost all countries). Against these multilateral drawing rights ECA would create on its books a payments plan dollar pool. Debtor would be allowed to assign any part of its share of this pool to any other participating country in exchange for drawing rights received from that country. Debtor would also have right to convert into direct dollar aid up to one-half (or other agreed convertible portion) of its share of pool. Debtor could convert additional amounts to direct aid subject to Para 5 below.

5. We suggest that part of any such arrangement should be an agreed statement of principles covering the conditions in which any country will take advantage of convertibility provision. We believe basic principle should be that participating countries will give preference to European or Sterling Area sources of supply over dollar sources where goods are available from both on equally favorable terms or even where they are available on slightly more favorable terms from dollar source. On the other hand, countries will take advantage of convertible provisions to use dollar sources in preference to European and Sterling Area sources where goods are available on decidedly better terms from former. Our suggestion is that, in accepting this principle, participating countries would agree not to convert into direct aid full permitted portion of multilateral drawing rights unless prices or availabilities require. Conversely, ECA should agree to permit conversion into direct aid of more than permitted portion of multilateral drawing rights in case of any country experiencing demonstrable difficulty with prices or availabilities of goods from non-dollar sources.

6. Sincerely hope Payments Committee of OEEC will soon come to an agreement on principles of scheme along lines you have developed possibly with amendment suggested Para 5 preceding. In any case

we must insist that estimates of bilateral surpluses and deficits be prepared to meet June 15 deadline in advance of agreement and on distribution of dollar aid.

7. In unfortunate event that Payments Committee cannot agree on new principles we will reluctantly take unilateral action to set up scheme along above lines. If participating countries would not co-operate in using shares of payments plan pool to purchase drawing rights, we would seriously consider earmarking pool for offshore purchases. Must warn you there would be considerable Executive Branch support for a thoroughgoing offshore procurement plan event OEEC fails to produce a plan consistent our major objectives.

3. There is no objection to letting our views on subject be known if this should prove useful in hastening negotiations.

HOFFMAN

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*Editorial Note*

On May 24, after three weeks of consideration of various proposals, a working group submitted to the OEEC Payments Committee a report on the current status of efforts to revise existing arrangements. After further discussions the Committee decided at the end of May to inform the OEEC Council that there was disagreement in principle in the Committee on the problem of automatic flexibility (mixed bilateral and multilateral drawing rights with the unused drawing rights convertible into dollars). Belgium, Luxembourg, Greece, the Netherlands, Switzerland, Austria, and the combined United States-United Kingdom zones of Germany favored automatic flexibility, while the United Kingdom, Norway, and France opposed it. Other delegations were absent or reserved their positions. OSR reported on these developments in telegrams Repto 4105 and Repto 4258 and in Repto circulars 200, 206, 213, and 218, not printed (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto).

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841.5151/5-1149 : Telegram

*The Acting Secretary of State to the Embassy in the  
United Kingdom*

TOP SECRET

WASHINGTON, May 28, 1949—1 p. m.

1867. Urtel 1842, May 11.<sup>1</sup> Exchange rate problem, especially question of sterling, under intensive consideration. Reur para numbered 1. Pursuant to IMF res reported in circotel April 12, Gutt, on way back

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<sup>1</sup> Not printed; in it Douglas expressed concern at the way the exchange rate problem was developing. In the numbered paragraphs he asked (1) what action

Footnote continued on following page.

from So Afr, expected visit various Eur countries ascertain views of Govts. Will probably be joined by members IMF Research Staff.

Reur para numbered 2. No firm position yet reached in any agency. Tentative positions in agencies mentioned subj thorough exploration of matter in NAC and adoption final Administration decision in that body.

Reur para 3. Departmental meeting May 17 reached tentative consensus fol points:

(1) Economic conditions hitherto justifying maintenance admittedly unrealistic Eur rate structure no longer obtain or appear to be rapidly disappearing. Declining price trend US strengthens case for general readjustment.

(2) Perpetuation present artificial rate structure wld stultify efforts achieve return to multilateral trade and convertible currencies. On other hand, more realistic rates during life ERP likely reduce burden US assistance to Europe.

(3) Sterling focal point in whole problem not only because of own importance but because most Western Eur countries will be exceedingly reluctant to move until they know definitively what will happen to sterling. Thus clear and generally acceptable decision on sterling by UK in consultation with other Eur countries, US and IMF appears to be prerequisite orderly readjustment world's currencies to accord more nearly with present and prospective conditions and needs.

(4) Because of numerous unknown factors involved, precise quantitative measure present "true value" sterling will probably be impossible achieve. Available evidence points to overpricing of certain important UK exports such as cotton textiles and carbon steel in dol markets. Price comparisons also suggest that dol exports miscellaneous Brit manufactures in both consumers and capital goods categories might be increased with lower prices. Study made in Dept concludes that moderate devaluation sterling wld result in proportionately much smaller rise in UK price level and wld not be likely set off inflationary spiral. Desirability of continuing pressure on Eur costs still factor to be considered. Final US view as to when, whether, and how much sterling shld be devalued will necessarily be based in part on best collective judgment regarding future price trends, demand elasticities, etc.

(5) In view present strong Brit opposition to devaluation and implied US commitment to await outcome of Fund review, "high pressure" or any action which wld force hands of Brit Govt wld be deeply resented, strain relations, and possibly jeopardize cooperation other issues. Hence shld be avoided. For this reason among others Dept strongly favors maintenance cross rates at least until question sterling rate has received further consideration, including discussion with Brit.

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Footnote continued from preceding page.

was being taken on an IMF resolution calling for a study of possible changes in exchange rates among the countries of the OEEC, (2) what was the latest thinking on the subject in ECA, the Treasury, and the Department of State, and (3) whether a memorandum of April 28 from Labouisse to Assistant Secretary of State Willard L. Thorp had produced any results. (841.5151/5-1149) The memorandum of April 28 has not been found in Department of State files.

(6) High level exchange of views between US-UK this subj urgently necessary. In such discussions US representatives wld advance general considerations favoring readjustment Western Eur rate structure; stress key position sterling; and set forth for Brit reaction our tentative conclusions as to whether and within what range it wld be desirable to devalue sterling. (It is of course assumed interested agencies will have reached agreed position on latter point.) We wld hope to elicit full and frank statement of Brit views to which we cld then give consideration before deciding further steps.

WEBB.

840.50 Recovery/6-249 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

SECRET      NIACT

BRUSSELS, June 2, 1949—1 p. m.

806. For Harriman. Spaak told us this morning that things were going badly in OEEC. He said this was due directly to British attitude toward Harriman proposal that 10 percent of this year's Marshall Plan money be placed in a pool for multilateral use. Spaak thought Harriman's suggestion was sound in principle since it pointed way to return toward more normal methods of trade as contrasted with strict bilateralism which he characterized as a retrograde step. He professed to feel, however, some embarrassment in sustaining Harriman's proposal because it was obvious that should 10 percent pool be established Belgium would be principal beneficiary thereof. He said experts calculated that this year Belgium would be able to take advantage of perhaps half of the \$400,000,000 in pool.

Later in conversation in criticizing British reluctance to see reestablishment of "more normal" trade relations involving direct competition between US and Europe Prime Minister expressed belief that such a return to competitive commerce would on whole be beneficial. This may or may not reflect his acceptance of transferability in proposed 10 percent pool and realization Belgian industry would also have to meet direct US competition. Spaak was speaking this morning more as statesman than as a Belgian politician.

Spaak said quite frankly that British were doing utmost to defeat Harriman's position and that he did not at all share Cripps' view nor believe that British argument was other than specious. British in effect were claiming that adoption of pool proposal would force them to increase purchases in gold or dollars. He did not believe facts of case bore out this assertion although it was true that if pool was adopted there would be that much less money available for bilateral use.

Spaak criticized Cripps' attitude at recent OEEC session when UK had insisted that European Govts consult prior to meeting Harriman

and present US with *fait accompli*. This, said Spaak, placed European powers in ridiculous position of trying to defend an agreed proposal against subsequent US criticism which was well founded instead of participating openly with US in working out a joint position in which all would share responsibility for its formulation.

Spaak said he was meeting Cripps tomorrow in Paris at 9 a. m., and left clear implication he would endeavor to reason with him but was not sanguine as to prospects of altering Cripps' attitude.

Sent Paris 138, repeated Department 806, London 88.

MILLARD

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Acting Chief of the ECA Mission in France (Reed) to the Administrator for Economic Cooperation (Hoffman)*

SECRET      PRIORITY

PARIS, June 4, 1949—3 p. m.

Toeca 994. Re Toeca 975 and Toeca 993.<sup>1</sup> Statement by Petsche<sup>2</sup> at meeting of OEEC ministers was mainly in defense of French proposal concerning liberalization of intra-European trade and payments as compared with British proposals on this subject. Four main points summarized as follows:

1. British thesis appears to be that the freeing of trade will by itself make it possible for European countries to achieve "viability" by 1952. In French view, to achieve "viability" requires certain fundamental adjustments in economic, financial and monetary (exchange rate) structures of European countries, and no one can now foresee at what moment the conditions making these adjustments possible will be fulfilled. A certain liberalization of trade is measured which can be taken without waiting for these adjustments to be completed and which will aid in achieving them.

2. French proposal is (a) that participating countries should undertake gradual elimination of all quantitative trade barriers, which elimination should be completed no later than July 1, 1951; (b) that liberalization effort should be carried out mainly upon multi-

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<sup>1</sup> Neither printed. The former transmitted the tentative proposals of the French Government for the eventual removal of all obstacles to the exchange of goods and services and all restrictions on current payments between participating countries. The latter reported that the principal features of the French proposal on liberalization of intra-European trade and payments, as submitted on June 3 to the OEEC ministers' meeting, were (a) progressive elimination of quantitative trade restrictions, (b) periodic agreement on list of products to be freed by common action, (c) supplementary lists to be adopted by participating countries that could accept them, and (d) invitation to participating countries to take unilateral action on quantitative restrictions to the extent permitted by their economies. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

<sup>2</sup> Maurice Petsche, French Minister of Finance and Economic Affairs.

lateral rather than unilateral or bilateral basis; and, (c) that for time being efforts at liberalization should be confined to trade among the participating countries rather than being extended to other soft currency areas. (Petsche made it clear that since liberalization was possible only because of ERP aid, in his view, British should have raised exception for Article 9<sup>3</sup> only insofar as Europe is concerned.)

3. French Government does not favor linking, in way British proposal does, problem of liberalizing trade and that of system of intra-European payments and its relationship to gold and dollar payments and distribution of US aid. Participating countries should examine separately question of trade barriers in order to determine how far they can go in breaking down these barriers and reestablishing conditions of completion [*competition?*] among nations.

4. System of intra-European payments which will best promote their aims in commercial field should they [*then?*] be drawn up. To achieve this purpose it is opinion of French Government that compromise can and must be found between two opposing views which have arisen in OEEC payments committee concerning the role of dollar in intra-European payments.

Pass to State and Treasury.

REED

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<sup>3</sup> The reference is to section 9 of the Financial Agreement between the Governments of the United States and the United Kingdom, signed at Washington, December 6, 1945, effective July 15, 1946, which provided, among other things, that any quantitative import restrictions imposed by either country should be administered "on a basis which does not discriminate against imports from the other country . . . ." For the text of the agreement, see Department of State Treaties and Other International Acts Series No. 1545, or 60 Stat. (pt. 2) 1841. The bearing of this provision upon British plans for a system of open general licensing was discussed in telegram Torep 5654 to Paris, June 3, not printed. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep)

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London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The United States Special Representative in Europe (Harriman) to the Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, June 5, 1949—6 p. m.

[Repto 4533.]<sup>1</sup> Consultative group of OEEC concluded two-day meeting yesterday evening. Spaak presided over group which included ministerial representatives Executive Committee (Cripps, Petsche, Stikker plus economic ministers from Italy, Norway and Portugal<sup>2</sup>).

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<sup>1</sup> The text printed here is from telegram Repto 593 to London, a repetition of Repto 4533 to the Department of State, other copies of which were sent to Brussels and The Hague.

<sup>2</sup> Dirk U. Stikker, Netherlands Minister of Foreign Affairs and Permanent Representative at the OEEC; Ezio Vanoni, Italian Minister of Finance; Olav Meisdalshagen, Norwegian Minister of Finance; João Pinto da Costa Leite, Portuguese Minister of Finance.

I was present throughout. Results were twofold:

*a.* Agreement on principles and proposals for liberalization intra-European trade. Text given in following telegram.<sup>3</sup> This document is to be kept confidential for present. It will be circulated to participating governments and will be on agenda of meeting of OEEC council at ministerial level to be held between June 27 and June 30. Publication of document may be expected, therefore, around June 20 when papers for meeting are circulated. These proposals, if implemented vigorously, represent important initial attack on vital European problem. I will report more fully on discussions.

*b.* Agreement on certain steps designed to lead to approval of payments plan for year beginning July 1.

Yesterday morning prior to first meeting of group, Spaak, Cripps, Petsche and myself had long discussion in which it was agreed that way should first be found to solve problem of Belgian surplus in intra-European trade and thereafter it might well be possible to resolve other points of difference. We specifically agreed that experts representing the four of us would continue discussions promptly in hope that agreement could be reached between us or at least issues defined for decision at higher level. In these negotiations we will follow lines previously indicated in series of cables between OSR and ECA/W. Dickinson<sup>4</sup> will bring further details.

On basis report our four experts, payments committee is to re-examine problem of payments agreement. If they are unsuccessful in reaching agreement after 15 days, it will be necessary again to convoke ministerial representatives of four mentioned countries and perhaps also consultative group. However, this was left to Spaak to decide. Procedure accepted by consultative group.

It was made clear by several delegations that their acceptance of trade liberalization proposals was based on assumption of reaching satisfactory payments agreement.

HARRIMAN

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<sup>3</sup> Repto 4534, June 5, not printed. The proposed agreement provided (a) that participating states would take immediate steps to eliminate quantitative import restrictions, (b) that they would do so unilaterally as far as possible, (c) that they would report actions taken or anticipated to the OEEC by October, at which time the steps would be examined to see if each country was making a contribution appropriate to its economic position, (d) that lists of agreed products would be consolidated, (e) that other international agreements would be taken into account in the process, (f) that creditor countries would relax their quantitative restrictions as far as possible to debtor countries, and (g) that, should the policies of any participating country be considered inhibiting to the liberalization of trade, representations could be made to the OEEC and discussions would take place between the countries concerned. (London Embassy Files, File, Lot 58F47, 500 Marshall Plan).

<sup>4</sup> Edward T. Dickinson, Director of the Program Coordination Division of ECA.



ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Circular telegram

*The United States Special Representative in Europe (Harriman) to  
the ECA Missions in Europe*

SECRET      PRIORITY

PARIS, June 25, 1949—6 p. m.

Repto circular 232. 1. Purpose of this message is to bring you up to date on issues which have arisen between British on one hand and French, Belgians and ourselves on other in connection with preparation intra-European payments system for 1949-50. These issues will be submitted to OEEC council meeting at ministerial level on Wednesday afternoon June 29.

2. Consultative group of OEEC Ministers (executive committee members presided over by Spaak) met in Paris June 3 and 4. Unable reach agreement, group asked Ministers of UK, France, Belgium together with US representatives endeavor reach agreement on payments scheme which would (a) take care of special Belgian situation and (b) resolve disagreement which developed in payments committee as to transferability of drawing rights and conditional aid as well as convertibility into dollars of unused drawing rights. (Document ECE (49) 109.<sup>1</sup>)

3. Belgian problem arises from fact Belgian deficit with Western Hemisphere is estimated for 1949-50 at between 200 and 250 million dollars while Belgian trade surplus with participating countries for same period is estimated at 400 or more million dollars. On basis transferability of conditional aid and drawing rights, Belgians are willing to grant credits in Belgian francs to certain debtors up to equivalent 80 million dollars and perhaps up to 100 million on understanding they will be permitted earn dollars in excess of Western Hemisphere deficit to an amount equal to credits. This represents considerable progress in Belgian position and in our view would eliminate factors distorting competition and make possible fair competition basis prices and quality.

4. Most important issue, however, is transferability of drawing rights and hence of conditional aid. We believe such transferability of part of drawing rights and conditional aid—preferably at least 50 percent—essential in order permit intra-European trade break out of rigid bilateralism and for European prices and costs to feel salutary effects of competition.

5. UK continues oppose any payments scheme involving any element transferability of any part of conditional aid, claiming requirement of absolute certainty of dollar program including conditional aid. We feel marginal risk dollar loans to UK in proposal along lines of that

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<sup>1</sup> Not found in Department of State files.

made by French (see Paragraph 9) (estimated by OSR not to exceed \$50 million at worst), is not unreasonable in return for development of Europe-wide market, competition and multilateral trade; especially since UK along with other creditors may gain rather than lose dollars by transferability.

6. UK willing accept transferability drawing rights only if such transfers involve no transfer of conditional aid. This seems to us unrealistic since it supposes countries willing accumulate sterling and other European currencies substantially without limit. Since they do not in fact appear prepared to do so, we feel such system would result in stringent exchange restrictions which would nullify any beneficial effects of elimination of quantitative restrictions. Also and more particularly it provides no incentives to cost-price competition.

7. We feel continuation present agreement would consolidate present rigid bilateralism and consequent trend toward increased self-sufficiency of participating countries. Unless this trend is checked investment and production planning will to a considerable extent merely add to vested interests protected by bilateralism and trade-discrimination. Effect will be not only adverse to development of wide multilateral trading area with reduced barriers as among participating countries themselves but will also tend to bring about wider gap in productivity and costs and prices between dollar and non-dollar areas at end of ERP than at present.

8. A new agreement along lines UK proposal if feasible at all would involve similar dangers. To extent individual countries accepted implications such arrangement it would mean in effect development closed, high cost sterling area extended to include participating countries with self-perpetuating tendencies and widening gap between it and dollar area similar Paragraph 7.

9. Without commitment as to figures we are ready support arrangement along general lines French proposal which provides 60 percent bilateral drawing rights subject to change only by mutual agreement and 40 percent transferable with corresponding conditional aid dollars also transferable. Also provides for periodic review and revisions if necessary. Contains guaranty that participants would not impose more trade restrictions; in fact we would continue press for concurrent liberalization quantitative restrictions. Although French proposal provides for partial convertibility of unused drawing rights into dollars we have indicated willingness for present withdraw our insistence on this point to ease UK position but in such case require at least 50 percent drawing rights to be transferable.<sup>2</sup>

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<sup>2</sup>The full texts of the British and French proposals that were submitted on June 24 to the Committee of Four were transmitted in Repto 4882 and Repto 4884, from Paris, June 24, not printed (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto).

10. Issue is clearly of major importance. Although OEEC convention precludes OEEC action without unanimous vote, overwhelming majority support for principles of proposal along lines [garble] on Wednesday would be most helpful to permit us proceed along lines of that proposal unilaterally and at same time maintain substance as well as appearance of voluntary cooperation by Europeans. In fact if French proposal or something similar receives support of large majority council this would enable us to state that we are placing in effect our proposal pending what we hope will be early reaching of unanimity on part of participating countries.

11. In view of urgency of issues and timing involved, please arrange immediately discuss this situation with Minister who will represent your country at OEEC and impress upon him seriousness of situation and firmness of our position and report his reactions and views immediately.

Sent Washington, Paris, Brussels and London information only; action all other addressees.

HARRIMAN

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto : Circular telegram

*The United States Special Representative in Europe (Harriman) to the ECA Missions in Europe*

SECRET      PRIORITY

PARIS, July 1, 1949—10 p. m.

Repto circular 239. Reference Repto circular 232 June 25. Following are principal features of agreement reached early morning July 1 by OEEC Council on, (a) principles intra-European payments system for 1949-50 involving special Belgian situation and transferability of drawing rights<sup>1</sup> and (b) Plan for liberalization of trade.

*Special Belgian situation.*

Estimated 400 million Belgian surplus intra-European trade covered by drawing rights and credits applied as follows, on assumption \$200 million conditional aid for Belgium on account Belgium Western hemisphere deficit:

(a) Next \$125 million of Belgian trade surplus (above \$200 million) covered  $\frac{1}{2}$  by dollars to be earned by Belgium through operations payments plan and  $\frac{1}{2}$  Belgian long term credits (probably to be distributed among UK, Netherlands and France) at interest and amortization rates and other terms similar ECA loans.

(b) Next \$75 million of surplus to be covered  $\frac{2}{3}$  by dollars earned as aforesaid and  $\frac{1}{3}$  by credits extended by Belgium.

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<sup>1</sup> The full text of the OEEC agreement with respect to the new intra-European payments scheme was transmitted in Repto 5038 from Paris, July 2, not printed (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto).

Thus Belgium estimated surplus in Europe in excess of Belgium's assumed Western Hemisphere deficit would be financed by 112,500,000 ECA dollars to be earned by Belgium and \$87,500,000 Belgium credits.

(c) Limitation of aggregate drawing rights which might be transferred to Belgium as result transferability provision described below, computed on net basis, to \$40 million.

*Transferability of drawing rights.*

(a) It was agreed that feature of convertibility would be abandoned for present.

(b) Drawing rights granted are to be 75 percent bilateral and 25 percent transferable i.e. debtor may choose to transfer this 25 percent away from "original" creditor at debtor's option. When drawing rights transferred, corresponding conditional aid dollars also transferred.

(c) Limitation of aggregate drawing rights which might be transferred to Belgium as result transferability provision, computed on net basis, to \$40 million.

(d) Provision is made for OEEC supervision over workings of plan as well as for appeals to OEEC in case of complaints against restrictive practices.

*Liberalization of Trade*—Council adopted document provisionally approved by consultative group on June 4 regarding liberalization of trade through removal of quantitative restrictions and other barriers. (CGM 49-15<sup>2</sup>). We consider this to represent definite commitment to action.

We here are pleased at results and feel that they represent real achievement for OEEC. Agreement reached after process of frank, arduous discussion is definite advance toward breaking rigid bilateralism and increasing competition. It paves way for progressive liberalization and multilateralization of trade. Belgium willingness to extend equivalent \$87.5 [million] credits at ECA terms represents highly important contribution and should be viewed in light of probability Belgium will have to make substantial further credit effort in connection with Benelux. Belgium, by agreeing to limit amount of drawing rights transferable to them, facilitates British acceptance of plan.

British made significant contributions by withdrawing from their long maintained stand that transferability of drawing rights with movement of conditional aid dollars was totally unacceptable to them. In so doing, they permitted organization to accept unanimously principle which, while not applicable for present as broadly as eventually

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<sup>2</sup> This document has not been found in Department of State files, but for a summary of the agreement on liberalization of trade, see telegram Repto 4533 from Paris, June 5, and footnote 3 thereto, p. 401.

desirable, is vital first step toward liberalization intra-European trade and payments and introduction real competition.

French delegation led by Finance Minister Petsche adhered throughout to principle of transferability of both drawing rights and conditional aid and showed courage, initiative and ingenuity in finding conciliatory solutions and in exercising at all times helpful influence.

Dutch and Swedish delegations also contributed to clarification of issues.

In conclusion, we here believe that ECA has reason for real satisfaction with progress achieved by OEEC and we wish to express our thanks to mission chiefs and other mission personnel who by explaining our position and objectives in accordance with Repto circular 232 June 25 have contributed to result achieved.<sup>3</sup>

Sent Frankfurt for Collisson.

HARRIMAN

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<sup>3</sup> Repto circular 240, July 4, not printed, listed the following advantages of the new payments plan: (a) effective transferability was provided by the creation of a multilateral purchasing power pool, (b) movement of full conditional aid would increase competition among the participating countries since additional dollars were the prize for successful competition, (c) the United States had accordingly attained many of the benefits that would have resulted from partial transferability, (d) new purchasing power on a multilateral basis had been introduced and would provide for a basic attack on bilateralism among the participating countries, and (e) the provision for periodic examination and review made possible a further degree of flexibility in the operation of the system. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)

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### *Editorial Note*

On July 7 the ECA released to the press a statement that the Council of the OEEC on July 2 had reached unanimous agreement on the principles on which the intra-European payments system for 1949-1950 should be based. The statement outlined the principal features of the new agreement and stated that Mr. Harriman had participated in the deliberations leading to it. The ECA also released on July 7 a statement by Mr. Hoffman expressing pleasure that the Council had accepted the new plan, which represented "a significant step toward the reestablishment of European trade on a sound basis", and setting forth his views as to how it should be applied. For the texts of the two statements, see Department of State *Bulletin*, July 25, 1949, page 115. In telegram Torep 6280 to Paris, July 7, not printed, ECA sent the text of Mr. Hoffman's message for the Secretary General of the OEEC and informed OSR that it contained the principles that ECA would follow with regard to the working of the Intra-European Payments Plan. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep)

840.50 Recovery/7-2849 : Telegram

*The Acting United States Special Representative in Europe (Katz)  
to the Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, July 28, 1949—9 p. m.

Repto 5434. Eyes only Harriman, Hoffman, Foster, Bissell. Re Repto 5378 and Torep 6693.<sup>1</sup> Held meeting policy board this morning to discuss issues reference cables and develop common OSR understanding and approach. Reached following conclusions:

(a) At unofficial meeting heads of delegations tomorrow morning Bonsal<sup>2</sup> and Gordon<sup>3</sup> will limit themselves to observing proceedings and will offer no suggestions. If requested to comment, they will merely indicate that OSR is awaiting OEEC recommendations.

(b) Our objectives should be: first, to find ways and means to bring about a quick division of the dollar aid with minimum controversy, and second, for OEEC to concentrate on problems of disequilibrium underlying new British submission. First objective could be achieved in several different ways, e.g. (I) set aside new British submission and divide aid on previous basis; (II) reduce new British submission to residual minimum by rigorous screening; (III) examine new British submission on basis agreement that in no event should aid for any country exceed last year's figure, except special cases such as Portugal and Turkey. In effect, this would mean screening downward from last year's figure as starting point, after giving a respectful nod to the new UK submission. Second objective would represent attempt to turn the present confusion to good account. Secretariat of OEEC has been quite disturbed by implications of discussions of British position among UK, Canada, and US in London and planned renewal of such conversations in Washington in September. They have pointed out that this transfers examination of many of basic problems of European equilibrium from OEEC to Anglo-American-Canadian forum. They were troubled by fact that when faced by crisis, UK turned not to its associates in western Europe but bilaterally to the US. It might now be possible to treat new British submission as occasion for OEEC study of underlying UK problems as part of deeper issues of reconstruction and readjustment western Europe. If this should prove possible, it might be means to turn OEEC's primary attention to the questions of trade and financial policy with which they must come to grips before

<sup>1</sup> Neither printed; they reported that in a supplementary request for economic assistance the British had indicated to the OEEC that their estimated trade deficit had risen from \$1,114 million to \$1,518 million, and that this had greatly disturbed the other delegations at the OEEC meeting. OSR and the Washington headquarters of ECA agreed that OEEC and not ECA should deal with the problem of this supplementary submission. (840.50 Recovery/7-2649, 7-2749)

<sup>2</sup> Philip W. Bonsal, Foreign Service Officer on temporary duty with OSR.

<sup>3</sup> Lincoln Gordon, Director of the Programs Division of OSR.

the next session of Congress, and which we have been trying to hammer home in so many different connections during the past few months. This, incidentally, is what we had in mind by the "second problem" in paragraph 2 of Repto 5378.

(c) We will leave the initiative with OEEC and its constituent delegations and for the time being will not seek any meetings whether formal or private and informal with them. When members of delegations or the secretariat approach us, we will be guided by foregoing objectives and possibilities in discussions with them.

KATZ

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840.50 Recovery/7-2949 : Telegram

*The Secretary of State to the Embassy in France*

SECRET      PRIORITY

WASHINGTON, July 29, 1949—6 p. m.

2792. Moens de Fernig (Belgian Minister Econ Coordination) has suggested informally that in view present political situation Belgium, consideration be given approaching Spaak to head up OEEC. Spaak indicated to our Embassy Brussels on July 19<sup>1</sup> that if the Socialist Party were not in the next Govt he would not be in a position to participate directly in Foreign Affairs including OEEC. The present political situation in Belgium extremely confused and outcome still uncertain. Given Spaak's outstanding qualities statesmanship he would unquestionably give much needed additional strength OEEC during coming critical period.

Since last year Schuman took lead proposing Spaak be approached head up OEEC, please take this up with him informally and ascertain his present views, and, if favorable, whether he wishes to raise the question in the OEEC.

ACHESON

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<sup>1</sup> This conversation was described in telegram 1013 from Brussels, July 19, not printed.

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London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Acting United States Special Representative in Europe (Katz)  
to the Administrator for Economic Cooperation (Hoffman)*

CONFIDENTIAL      PRIORITY

PARIS, July 29, 1949—9 p. m.

[Repto 5468.<sup>1</sup>] 1. Following are highlights discussion mtg heads delegations OEEC July 29 to consider UK memo.<sup>2</sup>

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<sup>1</sup> The text printed here is from telegram Repto 723 to London, a repetition of Repto 5468 to the Department of State.

<sup>2</sup> Presumably a reference to the supplementary British request described in footnote 1 to Repto 5434, July 28, p. 408. An outline of this memorandum was transmitted in Toeca 1300 from London, July 22, not printed (London Embassy Files, Lot 58F47, 500 Marshall Plan).

2. Hirschfeld, Netherlands, stated UK memo endangered accomplishment division aid and threatened serious repercussions whole program of European Economic Cooperation. Said OEEC had been proceeding on assumption that dollar aid available would be substantially less than last year and that UK had taken lead in urging submissions below last year's levels. He asked whether UK still accepts principle that its dollar aid must be less than last year, including conditional aid and what light UK could shed on further changes in 48-49 due to future UK policies and developments growing out of recent London talks to be continued in Sept.<sup>3</sup>

3. Cattani, Italy, expressed substantial agreement with Netherlands.

4. Hall-Patch, UK, pointed out that earlier UK submission emphasized tentative nature of figures. When apparent that basic assumptions as to reasonable measure economic activity in US were wrong, UK considered its duty report change of facts to OEEC. Although UK had urged submissions below 48-49 level, its advice not followed and most countries submitted larger programs so that, as of before UK supplemental memo, total submissions were 7% above 48-49 allocations. UK willing take whatever cuts necessary after screening all programs on uniform basis. Cannot say now what will come of Sept talks on pound-dollar situation. Problem now is division European aid. Amount aid available probably not sufficient to carry out hopes of ERP. Origin present difficulties may be scaling down total requests in 47 at urging of US. European economy now faced with serious crisis.

Figure of 1,518 millions in UK memo represents adjustment of current deficit rate of 2,400 million and amounts to only 28% of all submissions. Since last year UK got 26% of total, present submission not out of line. One cause UK predicament is extent success achieving ERP objectives by covering 75% of dollar imports with exports.

5. Cattani stated serious implications British crisis also threatened other countries but these should probably be considered in broader framework than division of aid. Situation calls for complete reexamination European economic situation.

6. Alphand, France, stated cannot reasonably refuse consider British request but in fact impossible do intelligent screening in view magnitude problem and factors such as deficit non PC sterling area which OEEC cannot screen. Attempt to screen UK request would lead endless discussion and prevent prompt division of aid.

7. Bauder, Switzerland, made effective plea for facing inescapable responsibility of considering British memo on its merits no matter

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<sup>3</sup> For documentation on the economic discussions by the United States, United Kingdom, and Canada in London in July and in Washington in September, see pp. 799 ff. and pp. 832 ff., respectively.



how difficult the task. Also stressed need OEEC consideration fundamental problems of trade, currency and general relations with Western Hemisphere, saying earlier tackling of these might have eliminated present crisis.

8. After informal discussions with interested delegations in which OSR did not participate, Snoy, Belg, presiding, proposed procedural as follows: UK submission to be screened by programmes comite solution in usual manner; all screening results to be reported to Council for further guidance before consideration division of aid. This agreed by all, Hirschfeld pointing out that real difficulties merely postponed, and Guerra, Portugal, reminded meeting that possible resubmissions other countries would have to receive similar consideration.<sup>4</sup>

KATZ

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<sup>4</sup> In telegram 1054 from Brussels, July 29, not printed, Millard reported that Spaak had referred to the British submission as "ill-timed and difficult to comprehend." Spaak had warned Cripps that he should be more alive to the trends of opinion in the United States regarding the Marshall Plan, for there was "a growing feeling of concern that European nations not cooperating among themselves and otherwise not pulling their weight." According to Spaak, Cripps seemed oblivious to his suggestions, and now the British crisis hung over all of Europe and the Marshall Plan. (840.50 Recovery/7-2949)

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840.50 Recovery/7-3149: Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

SECRET      NIACT  
PRIORITY

BRUSSELS, July 31, 1949—9 p. m.

1062. Deptel 923, July 20.<sup>1</sup> It is not clear to Embassy what Department means to "head up OEEC" since Spaak is now chairman. Assuming therefore that Department has in mind creation of "permanent" head of OEEC, who will continue in office regardless of political changes in his country (comparable to president and secretary-general of UN), I believe that it is risky to offer this position to Spaak unless and until a government is formed with the Socialists in the opposition. My reasoning is as follows: Though such an offer made to Spaak now would give him a trump card in his internal political negotiations it would make his withdrawal from the internal political scene more attractive and consequently make him fight less hard to keep the Socialists in power thus greatly increasing the likelihood of the Socialists joining the Communists in the opposition, a distinctly unpleasant prospect.

In the event that the Socialists participate in the new government, in which case Spaak will unquestionably remain in the Foreign Office

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<sup>1</sup> In telegram No. 923, not printed, Acheson requested an estimate of possible repercussions if Spaak were approached to "head up" OEEC. (840.50 Recovery/7-2949)

and presumably be relieved of his great burden as Prime Minister, I think it is not in our interest to offer him a full time position as head of OEEC since as Foreign Minister he will continue his work on the OEEC and continue to exert constructive influence on that organization, as well as Western Union, Atlantic Pact, Russian problem, German situation, etc.

It is extremely difficult at this time to evaluate repercussions of nomination Spaak as "permanent" OEEC chairman because the composition of the next Belgian Government is not known and Spaak is still in Switzerland (incidentally his conversation with the King<sup>2</sup> may help clarify his thinking). I feel, however, it would not be unduly risky to make discreet inquiries of Spaak on his return.

Accordingly unless otherwise instructed by tomorrow Monday August 1, I will request interview with Spaak to ascertain what he has in mind but would be grateful be informed urgently whether description of position to "head up" OEEC given in second sentence this telegram is correct.<sup>3</sup>

MILLARD

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<sup>2</sup> Leopold III.

<sup>3</sup> In his answering telegram No. 927, August 1, 7 p. m., Acheson informed the Embassy that the Department had in mind a full time, permanent post of Director General. He added that there was no objection to the procedure outlined in this last paragraph (840.50 Recovery/7-3149).

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the Acting United States Special Representative in Europe (Katz), at Paris*

SECRET      PRIORITY

WASHINGTON, August 3, 1949—9 p. m.

Torep 6847. From Bissell.

1. Request limited distribution following message in OSR at discretion Katz.

2. Following paper handed today to State and Treas by ECA as suggested US position on liberalization of Intra-European Trade and Payments and its consequences.

3. Appreciate your comments soonest.

*I. Relaxation of Intra-European Trade and Payments Barriers*

In accordance with the policy enunciated by the Congress in Section 102(a) of the Economic Cooperation Act of 1948,<sup>1</sup> as amended, the US should take the position that *the maximum relaxation of trade and payments barriers within the non-dollar world, especially among the OEEC countries, is essential and must be considered an immediate*

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<sup>1</sup> Title I of Public Law 472, 80th Cong., 2d sess.

*objective.* The abolition of quantitative restrictions and exchange controls on current transactions among the participating countries, their dependent overseas territories and the sterling area would provide a wide, competitive, internal market which would be conducive to a broadening of entrepreneurial horizons and an eventual lowering of European costs and prices through the increased productivity generated by competitive conditions and, therefore, to a permanent improvement in Western Europe's competitive position in the world economy.

## II. *Readjustment of European Exchange Rates*

The removal of trade and payments barriers among non-dollar countries without a corresponding abolition of discrimination against dollar goods creates the danger that a soft currency area insulated from dollar competition will thereby be created in which discrimination against the dollar would tend to be self-perpetuating. Also, it is unlikely that freer trade and payments among participating countries can in fact be achieved or permanently maintained so long as their mutual imbalances and their general dollar deficits are so great. The larger the surpluses and deficits among participants and the more intense their mutual discrimination against the dollar, the more difficult it is to induce net intra-European creditors or participants whose dollar position improves more than average either to join a freer trade and payments area or to remain within it. A mutual readjustment of exchange rates among participating countries and a devaluation against the dollar, particularly of the pound sterling, would tend to minimize intra-European imbalances, would improve the dollar position of participants and would thereby lessen intensity of their discrimination against dollar goods. *It is believed, therefore, that removal of trade and payments barriers would be transitory or, if by some chance maintained, would raise the danger that dollar discrimination would be self-perpetuating if these removals occurred in the absence of measures, such as the readjustment of Western European exchange rates, which lessened intra-European imbalances and narrowed disparity between dollar and non-dollar prices.*

## III. *Continued Discrimination Against the Dollar*

There is a sense in which immediate effects of relaxation of trade and payments barriers will result in increased discrimination against dollar goods. If this increased discrimination results from improved competitive advantage of Western European goods in non-dollar markets (i.e., the deterioration in terms of trade of the entire non-dollar world with the dollar area) then the US will not object. However, there is also the possibility that discrimination against dollar

goods would be increased by actually raising existing barriers against dollar goods (i.e. further administrative reductions in dollar import programs). *The US could not agree to the removal of intra-European trade and payments barriers if participating countries felt that such removals made it necessary or desirable for them to increase existing barriers between dollar and non-dollar areas.*

#### IV. *Dollar Settlements in Intra-European Trade*

In order for benefits of both devaluation and relaxation of trade and payments barriers to be felt, *arrangements must be made for minimizing dollar settlements in intra-European trade.* The possibility of earning dollars in intra-European trade would encourage participating countries to increase their surpluses or decrease their deficits with one another in order to obtain or save dollars. The simultaneous effort to increase exports to other participants and decrease imports from other participants would result in a strong contractionist influence on intra-European trade which would reverse trend to abolish quantitative restrictions and exchange controls. During remainder of ERP the ECA will endeavor to facilitate the solution of this problem by holding in reserve a small pool of unallotted program funds which can be used to cover unexpected surpluses which arise as a result of the removal of trade and payments barriers.

#### V. *The Problem of Eventual Economic Union*

It is quite possible, that, as trade and payments barriers are relaxed among participating countries, increasing difficulties will be encountered because of the very great interdependence of individual national economies of Western Europe and consequent unwillingness of participants to "open up" their own economies to unpredictable impacts generated by their neighbors' economic (particularly monetary and price) policies. Should this prove to be the case, a closer form of economic association may have to be created among all or groups of participating countries, their dependent overseas territories and the sterling area. Such a development would be consistent with policy established by Congress in Section 102(a) of Economic Cooperation Act of 1948, as amended, which states: "It is further declared to be the policy of the people of the US to encourage the unification of Europe . . ."

It is probably too early and unnecessary at this time to decide upon particular groupings of countries or upon degree of closeness of their economic association which US should favor. The question is likely to arise, however, as to position of the United Kingdom vis-à-vis the sterling area on one hand and the continent on other. Since the eventual solution cannot be discerned at this time, it is important that no measures be sanctioned which would prevent the UK and

the sterling area generally from participating in some closer form of economic association with continent should such prove ultimately desirable. *Basically the US position should be that the participating countries must take steps now which would be consistent with progress toward closer economic association, regardless of its eventual membership and degree of closeness, and must refrain from taking steps which are inconsistent with or detrimental to progress in this general direction.* [Bissell.]

HOFFMAN

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840.50 Recovery/8-449 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

SECRET      PRIORITY

BRUSSELS, August 4, 1949—5 p. m.

1081. 1. ReEmbtel 1077 August 3.<sup>1</sup> Spaak confirmed to me his desire accept post Director General OEEC. He said that aside from unsolved royal question, liberal proposal of tax reduction when Belgium will have to find an additional 8-15 billion francs, will inevitably lead to great internal political difficulties. Spaak thought that for years or more Belgium will have to pass through period in which weak governments will form and fall somewhat similar to that which recently took place in France. Spaak's further reference to political situation being reported separately.

2. I said if Socialists joined coalition, he, as Foreign Minister, could still give leadership to OEEC and continue his leadership in other very important international affairs. He replied that even if he has choice between remaining as Foreign Minister or accepting post Director General OEEC, he would take latter since he foresees that as Foreign Minister he would be dragged into numerous internal political squabbles with which he has no sympathy. He mentioned that as President of OEEC he was handicapped because he was also representative of Belgium. He felt he could do more useful work in an international capacity.

3. I told Spaak I had no idea of views of Hoffman and Harriman on his suggestion and having in mind Paris Repto 5523 August 2,<sup>2</sup> I asked whether Spaak thought, purely from standpoint of OEEC, this was time to make such change. He repeated his previous remarks that OEEC had made no progress, particularly in important points of foreign investments, healthy currencies and reduction trade barriers, and it would be easy to make case for necessity of altering organization of OEEC which clearly had retrogressed. He thought he could do more

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<sup>1</sup> Not printed.

<sup>2</sup> Not found in Department of State files.

good on OEEC than in Belgium. He virtually indicated that he would accept post right now in middle of crisis not waiting for his party to go into opposition.<sup>3</sup> He said British might oppose his appointment "as they did last time" as their present tactics seemed to be to delay action until Bevin and Cripps can go to Washington in September.

4. In brief, Spaak is thoroughly fed up with haggling with politicians of small stature, and it perfectly clear that he wants a post of importance and dignity where he will be freed from opprobrium which they will suffer owing to anticipated internal difficulties.

5. I remarked these difficulties would be augmented by his absence from political scene even should his party be in opposition. He made no comment. I asked, should his suggestion work out, how long he contemplated remaining out of Belgian politics. He thought a year or more—as long as necessary to accomplish task in OEEC—adding that "if they need me in Belgium, they can call me back".

6. Clearly Spaak feels that his political future would be improved should he leave country now and is, I am sure, quite sincere in feeling he would do useful work as Director General of OEEC.

7. Would be grateful Department's views.

Sent Department 1081, repeated Paris for Bonsal 191.

MILLARD

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<sup>3</sup> On August 11, Millard reported in airgram A-670 from Brussels, not printed, that the Belgian Socialist Party was in opposition to the government formed August 10 and that Spaak, no longer a cabinet minister, would automatically be stepping down from chairmanship of the OEEC (840.50 Recovery/8-1149)

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London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the United States Special Representative in Europe (Harriman), at Paris*

SECRET

[WASHINGTON,] August 5, 1949—9 p. m.

Torep 6935.<sup>1</sup> Rptd London, Ecato 1236. Ref Repto 5378 <sup>2</sup> not rptd Paris, Repto 5434, and Repto 5468 rptd London Repto 723, Repto 5468 not rptd Paris. From Bissell.

1. We strongly endorse your view that disequilibrium underlying Brit submission is an OEEC problem. This problem cannot be left exclusively to Brit-Can-Amer discussions in Wash next month, since all members of OEEC are vitally concerned and shld therefore participate in review.

2. Country programs shld be realistic, as the Brit claim their program is, but it is more important that the programs shld also reflect

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<sup>1</sup> The text printed here is from telegram Ecato 1236 to London.

<sup>2</sup> Not printed, but see footnote 1 to Repto 5434, July 28, p. 408.

imaginative and aggressive measure to increase dollar earnings. It seems to us that the Brit program is realistic only in the negative sense. The present rate of dollar earnings seems to us an indication of what is possible despite an overvaluation of sterling vis-à-vis the dollar, despite bilateral trade agreements, large releases of blocked sterling to India, Egypt and Burma, and other policies, all of which conspire unwittingly to minimize exports to North Amer. It is not an indication of what Brit might achieve if it really undertook to expand dollar earnings.

3. The principal explanation of the poor showing of the UK with respect to dollar earnings appears to us to be the fact that Brit goods are increasingly overpriced. To take the view that the sterling-dollar rate is solely a Brit problem is an abdication of OEEC responsibility. Moreover, by yielding to Brit insistence on orderly cross-rates, this abdication is extended to responsibility for the dollar rates of all currencies of member countries.

4. Level of investment and govt expenditure in UK appears in excess of what economy can afford at projected consumption levels; hence, there is inflationary pressure which directly and indirectly dampens competition and incentives to raise productivity; and thereby tends to offset beneficial effects of investment program itself. This problem also seems relevant to extent of present dollar gap.

5. We think it is mistaken to explain the drop in Brit exports to US solely in terms of the recent decline in Amer industrial production. Actually, many Brit exports that have declined so sharply are goods the Amer demand for which has not fallen. For example, automobile production and sales in US are higher than ever before, higher even than in the spring of 1929. Retail sales in June were only 1 or 2 percent less than in June 1948. New construction in June was slightly higher than in June 1948. Business expenditures for new plant and equipment in the third quarter are expected to be only a few percent below the very high rate achieved in the third quarter of last year. To be sure, there have been widespread and substantial inventory adjustments that have undoubtedly caused a reduction in orders for Brit textiles and other products, but in view of the fact that disposable incomes in the US have not decreased and that expenditures of the types mentioned above have held up, there appears to be no firm basis for predicting a substantial decline in the Amer demand for Brit goods.

It is important to recognize that Brit exports in 1948 represented a very small fraction of total Amer purchases of goods that Brit can produce—small as judged even by the pre-war relationship. Consequently, a small change in Amer gap shld not preclude an expansion

of Brit exports to US, except during short periods of inventory adjustment.

6. Foregoing considerations lead us to conclusion that we cannot attempt to meet Brit crisis by substantial increase in amount of ECA aid above that previously scheduled. Believe \$920,000,000 nearly adequate and about as much as we can afford. Extremely difficult to justify figure above \$1,000,000,000. This conclusion is for your info and any comment you wish to make to us. Leave it to you whether you communicate it to Brit or others.

7. You may wish informally to call attention of certain members OEEC Secretariat and Delegations to considerations stated Paras 1 through 5 above and to suggest that amount of aid allotted to UK shld reflect OEEC's judgment of extent to which Brit position could be improved through policies designed to maximize dollar earnings.

8. Re Para 3 Repto 5434. Agree this might be occasion for OEEC study of underlying UK problems as part of deeper issues of reconstruction and readjustment. But we recognize that division of aid will have to occur before Brit could submit revised program based on appropriate policies to maximize dollar earnings. Therefore believe basic UK problem shld be studied in connection with distribution of aid but that division of aid shld not await protracted reexamination of programs and policies.

9. See also Torep 6850 rptd London Ecato 1230.<sup>3</sup> [Bissell.]

HOFFMAN

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<sup>3</sup> Not printed; in it ECA pointed out that the British request for an allotment totalling over \$1.5 billion raised again the question whether ECA should finance the dollar deficit of nonparticipating countries, especially those in the sterling area. ECA took the position, on both economic and legal grounds, that its funds should be used only for the recovery of Europe and not to meet the dollar needs of the rest of the world. ECA accordingly suggested that Harriman might appropriately inform the British and the OEEC that any allowance for nonparticipating sterling area dollar deficit that was "taken into account in division of aid should be related to, and certainly not exceed, the NPSA current account surplus with participating area." (ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep)

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### *Editorial Note*

At meetings of the Committee of Ministers of the Council of Europe on August 8 and 9, preceding the first meeting of the Council at Strasbourg on August 10, Spaak proposed that among other things the Council consider its role in the economic field. Bevin stated that the OEEC would not last forever and that the Council should give some thought to machinery for future European economic cooperation. His view was adopted with the understanding that the work of existing organizations such as OEEC would be taken into account. (For other references to the Council of Europe, see pages 1 ff.)



NAC Files, Lot 60D137

*Paper Prepared in the National Advisory Council on International  
Monetary and Financial Problems*<sup>1</sup>

SECRET

[WASHINGTON, undated.]

UNITED STATES POSITION ON THE LIBERALIZATION OF INTRA-EUROPEAN  
TRADE AND PAYMENTS

*1. Relaxation of Intra-European Trade and Payments Barriers*

In accordance with the policy enunciated by the Congress in Section 102 (a)\* of the Economic Cooperation Act of 1948, as amended, the United States should take the position that the maximum relaxation of trade and payments barriers within the OEEC countries is essential and must be considered an immediate objective. The abolition of quantitative restrictions and exchange controls on current transactions among the participating countries, their dependent overseas territories and the sterling area would provide a wide, competitive, internal market which would be conducive to an eventual lowering of European costs and prices through the increased productivity generated by competitive conditions and, therefore, to a permanent improvement in Western Europe's competitive position in the world economy.

In view of the desirability of freeing up trade over as wide an area as possible, the general relaxation of trade and payments restrictions by the OEEC countries should apply to their imports of the products concerned from all countries, to the extent permitted by the ability of the importing country to pay for such imports from the exporting countries concerned. This does not however, preclude acceptance of such proposals for relaxation of trade and payments restrictions as are currently being considered among France, Italy, and Belgium. Such proposals must be judged on their individual merits.

<sup>1</sup>NAC Document No. 876, Attachment A. A covering memorandum by the Secretary of the Council, August 24, indicated that it had discussed the subject in meetings on June 28 and June 30, and had expressed its views as follows: "The United States has consistently supported a reduction of trade barriers among OEEC countries and other steps toward effective economic integration of European economies that will contribute to a more efficient allocation of resources, provided that such steps are part of a program designed to restore multilateral trade on a world basis and global convertibility of currencies. Appropriateness of trade and payments arrangements within Europe must be viewed in the light of steps by the European countries with respect to trade and payments vis-à-vis other currency areas, especially the dollar area.

\*"Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through their joint organization to exert sustained common efforts to achieve speedily that economic cooperation in Europe which is essential for lasting peace and prosperity." [Footnote in the source text.]

The relaxation of restrictions should be consistent with the following principles:

(a) The trade controls should be operated so as not to protect the trade among soft currency countries at prices "substantially higher" than those quoted for comparable goods available from other sources. The U.K. is bound to this principle by GATT. The GATT also specifies that, where European countries are maintaining quantitative restrictions on specified imports from hard currency areas because of exchange stringency, at least minimum imports of all categories of goods be allowed, in order that consumers in soft currency areas may be aware of the price and quality of competitive products available in hard currency markets. In general, countries participating in plans for reduction of trade and payments restrictions will be expected to abide by their commitments under GATT.

(b) The relaxation of restrictions should be pressed without regard for protective considerations, and such relaxation should not be offset by adjustments in tariffs, exchange or other administrative controls, state trading export and import policies, or cartel practices;

(c) All practical measures should be taken to prevent the diversion of exports from hard-currency markets;

(d) The United States does not believe that elimination of trade barriers inside Europe must be delayed until it can be accomplished simultaneously with elimination of trade barriers against the dollar area. The United States will therefore tolerate discrimination against United States exports which arises not from increased barriers to dollar trade but from decreased barriers to intra-European trade. However the United States could not agree to the removal of intra-European trade and payments barriers if such removals made it necessary for participating countries to increase the existing barriers between the dollar and the non-dollar areas.

## 2. *The Sterling Area*

The British have indicated that, in view of their political and economic ties with the rest of the sterling area countries, that they could not enter into arrangements for reduction of trade barriers with OEEC countries without at the same time making similar concessions to the rest of the sterling area countries. The principles set out above for the OEEC countries are sufficiently broad to permit the United Kingdom to extend their program to the rest of sterling area.

## 3. *Readjustment of European Exchange Rates*

Reduction of barriers is not likely to be permanent as long as the present mutual imbalances and dollar deficits of the European countries persist on the present scale. A mutual readjustment of exchange rates among participating countries and devaluation against the dollar, particularly of the pound sterling, would tend to minimize intra-European and dollar imbalances and would thus appear to be essential to a successful program for the reduction of trade barriers. Efforts

to readjust exchange rates should therefore proceed simultaneously with the reduction of trade barriers.

4. *Consistency with Section 9 of the Anglo-American Financial Agreement*

The U.S. must regard such discrimination as may be involved in maintenance by the United Kingdom of quantitative restrictions on imports from the dollar area, while reducing barriers vis-à-vis soft currency areas, as temporary deviations from the Agreement necessitated by Britain's current shortage of dollars. While complete absence of discrimination on a multilateral basis remains the agreed long-term goal, the United States believes that the measures proposed in the previous paragraphs have precedence in the short-term and are in fact essential to the eventual achievement of the aims of the Agreement.

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*Editorial Note*

On August 29 a special mission, headed by Wayne C. Taylor, assistant to the ECA Administrator Hoffman, submitted to ECA its "Report of the Economic Cooperation Administration-Department of Commerce Mission on Increasing Dollar Earnings of Western Europe". Beginning in May 1949 the group had investigated the possibilities for increased sales of European products in the Western Hemisphere in order to augment dollar imports into Western Europe. The report was made public by ECA in October 1949. For excerpts, see *Documents on American Foreign Relations*, Volume XI, 1949, edited by Raymond Dennett and Robert K. Turner and published for World Peace Foundation by Princeton University Press (Princeton, 1950), page 224.

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840.50 Recovery/9-949

*Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State*

SECRET

[WASHINGTON,] September 9, 1949.

Both the Department and ECA have felt growing concern over the general psychological outlook of pessimism prevailing in OEEC which, while primarily due to growing European awareness of the intractability of the dollar deficit problem, stems also from the organizational lack within OEEC of a leader with sufficient authority, stature and international prestige to influence the member governments toward greater European cooperation. This view is strongly shared by the French and Belgian Governments which believe that it is necessary to

have a permanent head of OEEC of substantial political stature and leadership.

About a year ago Schuman raised informally with Ambassador Harriman in Paris the possibility of creating a new permanent position of "Director General of OEEC" and endeavoring to persuade Mr. Spaak (whose outstanding qualities of statesmanship are internationally recognized) to take the job. The British at that time strongly opposed this idea, and it was dropped when Spaak indicated that he was not then available because of his heavy responsibilities as Belgian Prime Minister and Foreign Minister.

Since Spaak's withdrawal from the Belgian Government he has told us and Schuman that he is now available and would be very much interested in taking the proposed job of Director General of OEEC.

M. Schuman, with whom Spaak has also talked, has told Ambassador Harriman and our Paris Embassy that he very strongly supports the idea and that he is prepared at an appropriate moment to take the initiative in raising the question with the other OEEC members. M. Schuman's thought was that the best time to sound out the others would be after his arrival in the United States following the conclusion of the US-UK-Canadian talks. Schuman was clearly suspicious that the British might attempt to prevent Spaak's appointment if they were informed of it prematurely, and he appeared to wish first to approach the other OEEC members.

It is very probable that prior to raising the subject with other OEEC members, Schuman will talk to you about it when he sees you on September 14.

In view of Spaak's outstanding qualities of statesmanship and leadership he could give OEEC much needed additional strength during the coming critical period and it would therefore be very useful if you would indicate to Schuman that, while fully realizing only the OEEC countries can decide whether or not Spaak should be named to this post, we attach very great importance to this possibility and hope it can be realized. It would also be well to inquire how and when he intends to approach the other OEEC countries and the British and obtain his views on how and when we might appropriately support his initiative. If the opportunity arises it might be well to point out the undesirability of public comment on this problem emanating from Washington and possibly resulting in a feeling that we were trying to determine an OEEC matter.

You may also wish to indicate to M. Schuman that our recognition of the desirability of obtaining the leadership of Mr. Spaak in no sense implies lack of confidence in the present French Executive Secretary, Mr. Marjolin. On the contrary we feel he has done a very

outstanding job and would hope that arrangements would be worked out within the OEEC so that the creation of the post of Director General would strengthen rather than weaken the important influence which he now exercises.<sup>1</sup>

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<sup>1</sup> In his talk with Schuman on September 15, Acheson indicated the United States interest in obtaining Spaak's leadership for the OEEC. Schuman favored the idea and said that he would take the lead in raising this question with the other members of OEEC. (Memorandum by Douglas MacArthur 2d, chief of the Division of Western European Affairs, of conversation of Acheson, Schuman, Ambassador at Large Philip C. Jessup, and Satterthwaite, 840.00/9-1549.)

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840.50 Recovery/9-1649

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] September 16, 1949..

Participants: Secretary Acheson  
Belgian Foreign Minister Van Zeeland  
The Belgian Ambassador <sup>1</sup>  
Mr. MacArthur, WE <sup>2</sup>

After the usual exchange of amenities, Foreign Minister Van Zeeland opened the conversation by stating that he was glad to have the opportunity of talking over several questions with me. He wished first to touch upon the question of European economic coordination and integration which he felt was of vital importance to the maintenance of a democratic Europe. He said that over the course of the past year he had had conversations with Ambassador Harriman, Ambassador Kirk, Mr. Millard, and other American officials, and he had been very glad to note that Belgian and American views on the question of European integration appeared exactly parallel. Mr. Van Zeeland said that in his triple role as Belgian Foreign Minister, Temporary Chairman of OEEC, and a member of the Committee of Ministers of the Council of Europe, he would do his utmost to press forward to obtain greater acceptance by the Western European countries of the views shared by the United States and Belgium, particularly the necessity for liberalizing exchange controls and removing restrictions on and barriers to trade. He mentioned in this connection discussions which had been held between the Benelux Union, France, and Italy, and said that he was very glad that Belgium's views on the possibility of the above countries taking some effective action coincided with his understanding of our point of view. He believed strongly that European economic integration was a matter of urgency and believed

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<sup>1</sup> Baron Silvercruijs.

<sup>2</sup> The memorandum was drafted by MacArthur.

that the question should be brought up for serious discussion in a series of meetings which will occur in Europe in late October and early November when meetings of the OEEC, the Council of Europe, and the Brussels Pact Ministers are scheduled to occur. He made passing reference to the efforts of the Council of Europe in the direction of European political and economic integration and said that on the whole the recent Strasbourg meeting<sup>3</sup> had turned out much more successfully than he had anticipated. Despite a number of differences of opinion evident there he felt that the Strasbourg meeting had demonstrated a surprising degree of European solidarity. Mr. Van Zeeland concluded by asking for my comment on the foregoing.

I replied that I shared completely his opinion that it was of vital importance that the European countries push forward to integrate Europe economically at the very earliest possible time. I said that I had stressed this very strongly in my conversations yesterday<sup>4</sup> with French Foreign Minister Schuman and French Finance Minister Petsche and had told them there was not a moment to lose. I added that I had also concurred very heartily with Mr. Schuman's and Mr. Petsche's proposal that they initiate early conversations with the British and with Mr. Gutt, Director of the International Monetary Fund, with a view to working out arrangements to proceed rapidly with European economic integration.

I then went on to say that the United States Congress and a considerable body of American opinion had gathered the impression in the past few months that European economic cooperation was bogging down and the possibility of any effective European economic integration was becoming daily more remote. This had created very serious difficulties in obtaining Congressional approval of the ERP appropriations during the present session of Congress. It seemed clear that if the European countries did not move rapidly ahead there would certainly be considerably greater opposition and difficulties in Congress when the question of ERP appropriations came up next year.

Mr. Van Zeeland said that he fully shared my views and realized the difficulties which would result in any delay in European economic integration and said he wished to assure me that he would do his utmost, in the common interest of Europe and the United States, to hasten action in the right direction.

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<sup>3</sup> The first session of the Council of Europe opened at Strasbourg on August 10.

<sup>4</sup> For memorandum of conversation, see p. 654.

S40.50 Recovery/9-2449

*Memorandum of Conversation, by Mr. G. Hayden Raynor of the  
United States Delegation at the United Nations*

SECRET

[WASHINGTON,] September 24, 1949.

Participants: M. Maurice Couve de Murville, French Delegation  
Mr. G. Hayden Raynor, U.S. Delegation

During the course of Mr. Cohen's <sup>1</sup> and my conversation with Couve on the Greek matter, I inquired casually of Couve if there had been any recent developments in Western Europe with respect to the idea of Spaak heading up the OEEC Organization.

Couve replied in almost these words: "What is the use of this now? Why should his talents be wasted on this Organization now? The OEEC is dead. You have killed it by your tri-partite financial talks in Washington." <sup>2</sup>

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<sup>1</sup> Benjamin V. Cohen, an Alternate U.S. Representative at the United Nations.

<sup>2</sup> For documentation on these talks, see pp. 832 ff.

S40.50 Recovery/10-549

*Memorandum by the Ambassador at Large (Jessup) to the  
Secretary of State*

TOP SECRET

NEW YORK, October 5, 1949.

## MEMORANDUM FOR THE SECRETARY

You requested just before leaving town last week that, in compliance with Hoffman's and Harriman's request, I take up urgently with Schuman and Bevin the question of the appointment of Spaak to a prominent position in OEEC. Harriman's request for your intervention arose from Cripps' continued opposition to the appointment which was expressed again a few days ago to Van Zeeland.

I saw Schuman September 30th. He reiterated his belief that Cripps is the obstacle to the appointment and Bevin favorable and promised to take up the matter with Bevin either in Canada or on his return to New York.

From my conversation with Bevin the same evening, it appeared that his only real concern in the matter is with the Belgian internal political situation. He expects (and presumably hopes) that Van Zeeland will not last long and that Spaak may then come back as Premier. He said however that he would take the matter up with the Cabinet on his return to London. He said that he was not well informed as

to the exact nature of the duties Spaak would perform and asked us to provide him with a memorandum on this subject.

I passed on this request to the Department<sup>1</sup> and they repeated it to Harriman. He has now replied that the scope and terms of the new Spaak office must be worked out by OEEC and that it would be inadvisable for us to present Bevin with a memorandum on this subject. He however summarizes the nature of the office in the following terms:

"In order for OEEC to give effective leadership in such matters as liberalization of trade and economic integration, sales to dollar area, and increasing productivity, it appears essential to have in OEEC permanent post a man who, because of his political prestige in Europe as well as personal qualities, can deal with representatives of member countries at ministerial level and promote, at that level, briefs (*sic*) European initiatives and thinking."

He considers Spaak eminently suited for such a position.

You may wish to discuss this matter again with Bevin before he sails.<sup>2</sup>

PHILIP C. JESSUP

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<sup>1</sup> The request was conveyed in telegram 1211 from New York, September 30, not printed.

<sup>2</sup> A notation attached to the file copy of this memorandum indicates that the secretariat notified MacArthur that Acheson evidently had not been able to discuss this question with Bevin before his departure.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Torep : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the United States Special Representative in Europe (Harriman), at Paris*

SECRET      PRIORITY

WASHINGTON, October 6, 1949—9 p. m.

Torep 8349. Reference Repto circular 325.<sup>1</sup>

1. It is our view in ECA/W, which we discussed in preliminary form with Gordon and which we believe you share, that some redefinition of ERP and redirection of activities of ECA and of Europeans is in order at this time. Such circumstances as interruption of economic progress this summer, partial loss of sense of direction in OEEC, and change in nature of recovery problem in last six months seem to make such redefinition and redirection desirable. We believe forthcoming Mission Chiefs' meeting provides opportunity to discuss this subject.

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<sup>1</sup> Not printed; in it Harriman proposed a meeting of the chiefs of ECA missions in Europe to review progress and consider future policy. ECA/W and OSR felt that the recent realignment of currencies opened the way for action along the following lines: liberalization of trade and establishment of a Europe-wide internal market, a direct attack on the problem of productivity, sales to the dollar area, elimination of the discrimination between domestic and export prices, and investment and internal financial policy. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)



and that such discussion entirely consistent with what we understand to be your plans for meeting.

2. As preparation for meeting of Mission Chiefs and also of OEEC Consultative Group and Council we are working intensively on this problem. As we see it, ECA activities group themselves under five major headings: (a) direct measures to increase dollar earnings of participating countries; (b) internal fiscal and monetary policies and other policies directed toward overall economic balance; (c) policies and activities bearing upon composition of investment and increase of productivity in particular sectors of European economies; (d) internal and external commercial policies and measures to foster competition; and (e) action designed to achieve in short run closer forms of economic association among participants going considerably beyond current economic cooperation. ECA's position on (a), (b), and (d) seems to us to be well understood and to require only more precise definition. We are currently concentrating on (c) and (e). Hope ECA/W views will stimulate discussion at Mission Chiefs' meeting. Following are preliminary comments on these five topics. Will send you more detailed statements on (c), (d) and (e) as soon as possible for your consideration and comment.

3. Re increasing dollar earnings, main lines of ECA policy have been covered by Administrator in his statements on subject during recent European trip. However, because this problem is so basic to European recovery, there is always tendency to consider it obvious and devote too little thought and energy to its solution.

4. Re internal, fiscal, monetary and credit policies, our activities in this field have in the past been well directed and well conceived as they relate to broader aspects of inflationary and deflationary problems. Believe however that our influence has been effectively brought to bear on European Governments in only a few countries. We are inclined to believe ECA interest in internal fiscal, monetary and credit policies should be more active, especially in U.K., Netherlands, Norway and Western Germany. This field of policy now assumes special importance in light of devaluations and military expenditure requirements under Atlantic Pact. In Mission Chiefs' meeting we might usefully explore strategy of approach to governments on these problems, since objectives are pretty well understood.

5. Re investment policy, believe we should take much more interest than hitherto in composition of national capital formation and economic suitability individual sectors of investment programs in order endeavor influence country decisions in positive fashion. Procedurally, we should be able to find some means of unifying ECA activities with respect to (a) investment projects containing ECA-financed dollar component; (b) investment projects involving counterpart and

(c) privately financed investment projects over which national governments have some control. Instead of following different procedures with respect to each, we should seek as rapidly as possible to identify critical sectors of each country's investment program, regardless of method of financing, and concentrate our attention on influencing European decisions in these critical sectors. This means that detailed and technical project review should only be undertaken in critical sectors and only when evaluation of sector as a whole cannot be intelligently pursued without technical examination of individual projects within it. Role of OEEC in international coordination of investments might also be discussed along lines OSR thinking developed last spring.

6. Re commercial policy and fostering of competitive conditions, believe ECA policies and objectives already well understood especially with respect to immediate and longer run influences on increasing dollar earnings. Several topics mentioned para 3, Repto circular 325 fall under this general heading.

7. Re closer economic association among participating countries, our views have developed further along lines discussed recently with Gordon. We believe it essential that before next Congressional presentation European countries undertake firm commitments to form one or perhaps two integrated economic units which, at minimum, would involve some surrender of sovereignty by giving new central agencies some control over (a) national monetary, fiscal and credit policies, and (b) governmental and private barriers to trade and payments among member countries and coordination of commercial policies with respect to non-member countries. Question of precise membership and institutional form of these integrated units cannot be settled in advance, but guiding principle should be that ECA has marked preference for real economic integration of smaller number of countries as against continuation or elaboration presently purely cooperative arrangements among larger number of countries. This work primarily OSR and ECA/W responsibility but believe it important that missions be thoroughly briefed on policy objectives in order that they may be able intercede with individual countries as needed.

8. We realize that exhaustive discussion all of these major topics would take far more time than actually available. Intend only by foregoing paragraphs to give you our conceptual framework of major ECA goals and activities. Suggest that topics needing most discussion with mission chiefs are probably internal fiscal, monetary and credit policies; investment policy; and economic unification. Also suggest we may want to consider general nature of Congressional presentation for fiscal 1951 as it relates to foregoing framework of major ECA activities.

9. Re Congressional presentation for fiscal 51, Gordon is familiar with growing conviction among people here experienced with Congressional relations that reliance solely on traditional balance of payments cum import program approach would be hazardous to attempt again. MAP hearings in particular have demonstrated growing Congressional conviction that U.S. aid, both military and economic, should be used to build and extend functioning Western Europe organism and not indefinitely to prop up individual and separate national economies. This coincides with our own belief that, over long term, attainment and maintenance of economic viability as well as political stability and military security require Western European union or unions. As ECA aid declines in future, we will be less able to cushion shocks and ease adjustments of unification. Time is running out in many ways, not least of which is Soviet possession of atomic bomb so much ahead of schedule. Imperative, therefore, that we bring home to Mission Chiefs urgency of situation and need to overcome customary inhibitions in pressing Europeans actually to do those things now which both we and they know they must undertake sooner or later.

10. Suggested new emphasis of Congressional presentation does not mean that ECA can dispense with statistical forecasts. Will still require balance of payments for fiscal 51 and import programs in at least eight major commodity groups. Gordon familiar with idea discussed here, now endorsed by Administrator, that countries should prepare initial submissions for fiscal 51 on assumption that aid would be some percentage of current year's allotment and not primarily on basis of need. Major emphasis of country submission would be upon policy changes and actual adjustments necessary to live within reduced allotment rather than upon justification specific commodity import requirements. National submissions of this type would be more consistent with and more helpful to shifting emphasis of ECA activities as outlined above.

HOFFMAN

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840.50 Recovery/10-1449 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      PRIORITY  
NIACT

WASHINGTON, October 14, 1949—1 p. m.

3720. For Holmes.<sup>1</sup> Pls deliver to Mr. Bevin the fol personal message from the Sec :

"I know you share my hopes that the mtg of the OEEC Council of Ministers to be held the end of this month will result in agreement on

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<sup>1</sup> Julius C. Holmes, Counselor of Embassy with rank of Minister Plenipotentiary.

several significant further steps which will make for greater Western European cooperation. Progress on this front now seems to me essential to dispel the feeling which has arisen, both here and in Europe, that European cooperation has weakened and that, in particular, the OEEC has failed in recent months to function with full effectiveness as an instrument of such cooperation.

"As you know, there has been discussion for some months of the possibility that Spaak be appointed to a position of leadership as an international official in the OEEC. While this is of course a matter to be settled exclusively by the members I feel that such a step is at the present time most desirable and that Spaak because of his great abilities including that of reconciling conflicting viewpoints, could do much to strength OEEC in the coming critical period. In such a position he should be able to improve the staff work of the OEEC, sharpen the issues before the organization and facilitate agreement upon them among the governments and generally ensure that the organization functioned effectively in the fields of its competence. Furthermore, I believe there would be a very favorable public reaction to such an appointment. The definition of the functions of such a post is of course a matter for the members of the OEEC to determine. I am confident, however, that, if agreement can be reached in principle on the selection of Spaak, detailed arrangements satisfactory both to the key ministers on the Council and him can be satisfactorily arranged. I would regard the accomplishment of this step under the leadership of yourself and Sir Stafford Cripps as a significant further contribution to Western European solidarity to be added to the many you both have already made."

Since Spaak is due in Lond to see Cripps about Oct 14 it is urgent that this message be delivered to Bevin as soon as possible.

ACHESON

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840.50 Recovery/10-1849 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, October 18, 1949—5 p. m.

4174. Deptel 3720 was received afternoon October 15. Spaak had already seen Cripps and was returning to Brussels without seeing Bevin. I conveyed the Secretary's message to Bevin this morning and urged consideration of proposal, pointing out that there was a feeling in the US particularly in Congressional circles that progress toward economic integration Western Europe was slow and that continuation of the ECA program for a third year might be in doubt unless there was evidence of progress before next appropriation considered by Congress. It was felt that Spaak's appointment would reinforce OEEC and contribute substantially toward impressing opinion in

the United States that the work on economic integration was advancing.

Bevin said that he had endeavored to find out what Spaak's authority and responsibility would be in OEEC but without success. He said that Spaak himself had been unable to give a satisfactory answer to this question to Cripps on October 14. Bevin said that he had given up the chairmanship of the OEEC Council of Ministers in favor of Belgium, that Spaak was President of the Council of Europe, and wanted to know whether the Belgians were to be president of everything. He felt this was a maneuver by Van Zeeland to get Spaak out of Belgium, which was particularly bad on the eve of the Belgian plebiscite concerning the return of the King.<sup>1</sup> This situation gave him serious trouble with his colleagues in the British Government. He said that the Labor Government could not under American pressure accept the appointment of Spaak or any other continental to a position of control in the OEEC. He was fearful that an attempt would be made to clothe the OEEC with political powers, that he had struggled against this, having been very definite in his instructions to Hall-Patch<sup>2</sup> that the function of OEEC was economic and factual and should not drift into the political sphere.

My feeling is that Bevin, Cripps and others feel so strongly on this subject that there is little likelihood that they will agree to Spaak's appointment to any position of real authority in OEEC.

Sent Department 4174, repeated Paris 790, for Harriman and Bruce, Brussels 176 for information.

DOUGLAS

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<sup>1</sup> King Leopold III.

<sup>2</sup> Sir Edmund L. Hall-Patch, Permanent United Kingdom Representative on the OEEC with rank of Ambassador and Chairman of the OEEC Executive Committee.

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840.50 Recovery/10-1849 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

SECRET

BRUSSELS, October 18, 1949—7 p. m.

1393. ReEmbtel 1357, October 8 [10].<sup>1</sup> Spaak informed me today that he saw Cripps on Friday 14. Cripps looked frail, ill and very pale. He agreed with Spaak that affairs in OEEC had been going badly and did not question Spaak's estimate of serious results should this situation not be remedied. However, as regards Spaak being named to position of leadership as an international official in OEEC, Cripps took the position that effective remedies for OEEC could not

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<sup>1</sup> Not printed.

be brought about by anyone who did not represent a government. Furthermore he felt international figure would inevitably run into conflict with existing setup, for example, with Marjolin and Hall-Patch and OEEC Council.

Cripps recalled that Van Zeeland had offered to resign from Presidency OEEC in event Spaak should be named to contemplated new international position. Cripps professed hope that Van Zeeland would be willing to go further and appoint Spaak as head of Belgium delegation thus involving government responsibility and opening way for Spaak possibly again to be President of OEEC. However, Spaak said that Van Zeeland certainly did not contemplate such further step and would intend to continue to lead Belgium delegation of OEEC.

Spaak replied that he did not think this was feasible: How could he (Spaak) represent Belgium Government on such an important international economic body as OEEC and remain member of Socialist Party in the opposition to that government? He felt sure that President of his party, Buset, would not approve. It was one thing for Spaak to be named as international conciliator chosen by OEEC with Van Zeeland representing Belgians: Cripps' proposal was quite another.

Asked whether he thought Cripps had made this proposal knowing it would be unworkable, Spaak admitted this might be the case. In any event, Cripps seemed to fear the appointment of Spaak to contemplated position. In fine Cripps' position remained virtually the same as last fall when the question was first discussed.

Spaak said he did not agree that being chosen by 19 members of OEEC was less strong position than that suggested by Cripps; on the contrary, Spaak thought it was far stronger one. Spaak saw Buset yesterday who agreed that in unlikely event that Van Zeeland should wish to appoint Spaak in his place, Socialist Party would find it very difficult to reconcile this with fact that Spaak is Socialist and therefore member of opposition: it would look as if Spaak had left party. Spaak is going to see Van Zeeland tomorrow but feels confident that, after that interview, he will have no choice but to write Cripps that latter's proposal is not feasible.

At the time of my interview, Spaak was drafting question to the government regarding Prime Minister's handing of King's exclusive statement to UP correspondent (covered in separate telegram) and remarked with chuckle that Van Zeeland would be still less likely to cede his place on OEEC after question is put.

Sent Department 1393, repeated Paris 239 for Harriman, London 165 for Douglas.

MILLARD

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*Editorial Note*

American policy with regard to European economic integration and to the work of the Organization for European Economic Cooperation in particular were among the subjects discussed at a meeting of United States ambassadors at Paris, October 21-22. For the summary record of this meeting, see page 472. For related documentation on questions of European political and economic integration, see pages 1 ff. and pages 367 ff.

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840.00/10-2449 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      PRIORITY      WASHINGTON, October 24, 1949—7 p. m.

3819. For Douglas and Perkins. In connection discussions with Brit on closer international integration you may wish refresh your memory of views so ably expressed by Bevin in his memo transmitted with Inverchapel's letter to Marshall of Jan 13, 1948.<sup>1</sup> Believe Emb has copy. In it Bevin stressed necessity of creating some form of union in Western Europe whether of formal or informal character backed by Americas and Dominions, comprising Scan, Low Countries, France, Italy, Greece, possibly Portugal and as soon as circumstances permitted Spain and Germany, that Brit could no longer stand outside Europe and insist its problems and position were separate from those of its European neighbors, that relations between various countries might differ but between all there wld be understanding backed by power, money and resolution, that policy outlined wld require lead from UK since Western Europe wld look to it for political and moral guidance and assistance in building up counter attraction to Communism. Inverchapel's letter also stated "on economic side Bevin hopes ERP will be brought to fruition and lead to economic integration of resources of Western Europe. Everything possible shld be done to achieve this".

ACHESON

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<sup>1</sup> For texts of the letter and memorandum, see *Foreign Relations*, 1948, vol. III, pp. 3-6.

840.00/10-2949 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET      PRIORITY      [WASHINGTON,] October 24, 1949—7 p. m.

3820. For Douglas and Perkins. Neither Sec nor Webb will be available until tomorrow. In their absence we<sup>1</sup> do not feel we could fully authorize approach of nature suggested in ur 4423.<sup>2</sup> Will try to give instructions on that tomorrow but in any event do not believe such strong pressure should be addressed solely to Spaak's appointment. However Dept approves strong representations to Brit by Douglas along lines points mentioned ur 4422.<sup>3</sup> We believe Brit should be forcefully made aware of seriousness with which we view present situation and discouraging outlook if important progress is not made along lines ur 4422 at very least in vitalizing OEEC and in resolving some of fundamental European problems including integration of Germany in Europe. Suggested appointment of Spaak, or other individual if equally suitable personality could be found, is only one step in this program which we consider urgently necessary.

None of steps proposed in ur 4422 were excluded by program envisaged in Dept's 4013.<sup>4</sup> In fact they are of type which we have always regarded as envisaged in OEEC convention. However, Brit should be informed that we consider these to be only beginning and that it is urgent to consider more far-reaching measures.

In security field great progress has been and is being made through Western Union and Atlantic Pact but corresponding progress in economic field has been seriously lacking due in large part to UK's hanging back rather than taking leadership. We cannot stress too strongly that continuance of this situation is bound to have serious effects on opinion in this country, which is increasingly tending to demand that contribution which US is making be met by determined effort on part of Europeans themselves to resolve their pressing eco-

<sup>1</sup> This telegram was drafted by Llewellyn E. Thompson and Theodore C. Achilles of the Bureau of European Affairs and was initialed for the Secretary by Thompson. It was repeated to Frankfurt, Rome, and Paris as 2299, 2632, and 4062, personal for McCloy, Dunn, and Bruce, respectively.

<sup>2</sup> Not printed; it reported that those attending the meeting of U.S. Ambassadors at Paris considered that it was necessary to change the British attitude with regard to OEEC as described in telegram 4174 from London, October 18. They recommended that Douglas be authorized by October 25 to make a forceful presentation to Bevin and Cripps to the effect that lack of action in this matter "would not only seriously jeopardize possibility of Congress voting funds for adequate program for 1951 but would mean passage of crippling amendments and stringent conditions. Under these circumstances the Executive branch would be forced to re-examine its position and to consider what program it would be justified in recommending to Congress. He should also be authorized to say that the US intends to discuss this matter fully with other OEEC members." (840.00/10-2249)

<sup>3</sup> *Ante*, p. 342.

<sup>4</sup> *Post*, p. 469.



conomic and political problems. US for its part continues ready to explore in OEEC and with UK and Canadians how its own cooperation can be made more effective.

ACHESON

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840.00/10-2649 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, October 26, 1949—4 p. m.

4284. For the Secretary from Douglas.

1. In accordance with exchange of cables and telephone conversation with the Secretary on subject of economic integration of western Europe<sup>1</sup> and adjustment in the organization of OEEC, I approached Bevin this morning.

2. I explained to him that at first I had contemplated discussing the question of OEEC and the selection of a person of international stature as a permanent director, as it were, of OEEC affairs with him and Cripps together, but I had concluded that it would be preferable for me to discuss the matter in an official and also in a personal way with him, Mr. Bevin, because I could express to him certain apprehensions which I knew were correct in a way which he would not misunderstand. I then proceeded to remind him of the speed and effectiveness with which he responded to General Marshall's speech in the summer of 1947, of the many conversations that were held here in London on the subject of European Recovery Program prior to Bevin's departure for Paris, of the way in which he had conducted the meeting of ministers in Paris<sup>2</sup> and the fruitful results which it had produced, of the courage which he had displayed during the Molotov contretemps and of the extraordinary job that had been done by Sir Oliver Franks in the OEEC under his, Mr. Bevin's, wise counsel and direction. I reminded him too of the substance of his message January 13, 1948 and of his February speech which really gave birth to the Brussels Pact and Western Union.<sup>3</sup> I then went on to tell him of the almost unanimous view which had been given out by the many Senators and members of the House during my last visit in Washington, of their regret that further evidences of economic integration of western Europe had not appeared, and that the progress toward this

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<sup>1</sup> For the text of a personal message of October 25 from Bevin to Acheson on closer European union, see enclosure to letter from the Minister in the British Embassy, p. 347.

<sup>2</sup> For documentation on Bevin's role in the development of the European Recovery Program, see *Foreign Relations*, 1947, vol. III, pp. 197 ff.

<sup>3</sup> For documentation on these initiatives by Bevin, see *ibid.*, 1948, vol. III, pp. 1 ff.

had been, however good in some respects, far slower than they had anticipated when they enacted originally the enabling legislation and of their opinion that unless substantial additional advances were made toward this objective they doubted very much that any art of persuasion could induce the Congress to continue the European Recovery Program in a substantial way into the third year of its existence. I said that in view of the shortness of the time between now and the convening of Congress, when it could commence at least in a preliminary way to consider extending the program, we needed some symbol of progress and of determination to achieve a goal, as well as substantive measures. The symbol could be had by making adjustments in the organization of the OEEC so that some European (I made it clear I was not making an issue of any particular personality) person of sufficient international stature be selected as permanent guiding spirit of its operations. I also informed him that during the forthcoming meeting on the twenty-eighth Mr. Hoffman would discuss this question with participating countries.

3. *a.* Bevin replied that this was a somewhat different approach than that which was aimed at the selection of Spaak. For Spaak as personality he had very highest esteem but he doubted very much whether Spaak himself was anxious to accept any post of responsibility in the OEEC not only because of the conflict that might ensue between Spaak, who could not officially represent Belgium, and Van Zeeland who was its appointed and official spokesman, but also because Spaak was doubtful as to whether the acceptance by him of an appointment of this character in OEEC would not impair his own political position and status with his own people. More important perhaps than Spaak's personal reaction was his, Bevin's, considered judgment that Spaak was essential to the peaceful settlement within Belgium of the thorny issue which the plebiscite on the return of the King was presenting. Without Spaak in Belgium as a powerful leader of the Socialist Party, the plebiscite might well produce something not far short of civil war. Such a schism within Belgium might create another breach through which the Soviet would not be slow to make advances.

Moreover it was not anticipated that the present government in Belgium would enjoy a life of more than six months. Under whose leadership would the ensuing government, presumably a Socialist government, attempt to govern if Spaak in the meantime accepted a permanent position with the OEEC?

5. Bevin said that perhaps Washington did not fully comprehend that Great Britain could not accept integration in western Europe on a scale which would impair its other responsibilities. She was, he said, a world power and was not merely a European power.

4. I immediately replied that we understood of course and took it for granted that any suggestion that the UK's integration with western Europe should impair her relations with the Empire and the Commonwealth or undermine her position as a world power would be as unfortunate for US alone as it might be disastrous for the whole western world. This however did not imply that there were not steps of a more far-reaching character than any so far taken by the UK and the participating countries toward economic commonalty. I also agreed with Bevin that at least some of the important measures so far taken by the OEEC toward a closer economic harmony had been inspired, if not actually initiated, by the British but I said further evidence of substantial progress is necessary during the course of the next two or three months. Moreover, groupings within OEEC on economic questions may require some support or at least should not be opposed if they are not to fail. Bevin said that in regard to the recent proposals of France, Italy and Benelux, HMG, although it had been importuned by certain French interests to interfere in opposition, had completely refrained from doing so. This would be its continuing policy.

5. He was disposed to say that HMG would be very glad to discuss the issue of selecting an outstanding personality, etc. and he himself would today discuss the matter with Cripps. He felt it wholly possible that at the forthcoming meeting there might be appointed a very small working group to examine the question and to make recommendations in time to resolve the issue.

6. I am forwarding by separate cable message<sup>4</sup> from Bevin for the Secretary in response to the Secretary's message in Deptel 3820, October 24, 7 p. m.

Sent Department 4284; repeated Paris 816 for Bruce and Harriman, Frankfort 141 for McCloy, Brussels 184 for Kirk, Rome 181 for Dunn.

DOUGLAS

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<sup>4</sup> Not printed.

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London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

SECRET

BRUSSELS, October 27, 1949—8 p. m.

[1437.]<sup>1</sup> Repeated Paris [248] for Hoffman and Harriman, London [173] for Douglas. Last night we questioned Spaak re prospects for greater economic integration of Europe which has been theme of Hoff-

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<sup>1</sup> The text printed here is from telegram 173 from Brussels to London, a repetition of telegram 1437 to the Department of State.

man in recent months and which we imagine he will stress at forthcoming meeting of OEEC.

Spaak said that until what he termed "mystery" of Brit policy was revealed European union was impossible on either economic or political plane. He launched into diatribe on British devaluation of pound and insisted that this measure would be as fruitless as it was unnecessary since British had now imposed upon all of Western Europe as well as themselves task of producing from 1/3rd to 1/6th more goods in order to earn same amount of dollars.

Former Prime Minister said that it was beyond his comprehension how British leaders could fail to understand that US taxpayer was getting tired and could not be expected indefinitely to contribute to ECA or other aid projects unless there was tangible proof that this great investment was bringing constructive return. However, in his recent talk with Cripps he saw no evidence of such a comprehension. He admitted, however, that trouble was deeper than merely Cripps fanaticism since decisions of Brit Govt. are taken by entire Cabinet and not by one minister.

Spaak said that there was sufficient foundation in Europe now for successful economic collaboration if continental countries could be assured of sincere and unselfish British cooperation. He cited specifically OEEC in economic field and 2 organs of Council of Europe: Committee of Ministers and the Assembly. More elaborate organization Spaak did not feel necessary at this juncture but he stressed repeatedly that what was essential was a greater regard by Brit Govt. for its responsibilities vis-à-vis Europe. He did not think that Britain could get along with Commonwealth only and that it was a dangerous fallacy to assume that Brit could "go it alone" independently of Europe.

Spaak will be in Paris November 7 and 8 for meeting of Council of Europe Committee and it might be useful for Hoffman and Harriman to sound out his views personally. We do not feel that his somber view is inspired by personal pique as result of Cripps and Bevin's opposition to using his talents in OEEC. Rather his feeling is statesman-like and based on genuine mystification as to why Brit leaders have failed to realize where broad interests of their country lie.

MILLARD

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*Editorial Note*

On October 31 ECA Administrator Paul G. Hoffman addressed the OEEC Council at Paris with respect to the United States attitude toward the political and economic integration of Western Europe. A

draft of Hoffman's address had been transmitted to Washington for comment by officers of the Department of State and ECA, and the final text included revisions made after consideration by Acheson, Webb, Labrousse, and C. Tyler Wood, Assistant to the Deputy Administrator of ECA. In his speech Hoffman applauded the early successes of the OEEC in confounding Communists and others who were cynical about the European Recovery Program. With the program approaching the half-way mark, the ECA Administrator stressed that two problems still confronted the organization: first, to balance Europe's dollar accounts so that it could purchase raw materials, and second (the reason for Hoffman's presence in Paris), "to move ahead on a far-reaching program to build in Western Europe a more dynamic, expanding economy which will promise steady improvement in the conditions of life for all its people." This would mean "nothing less than an integration of the Western European economy."

To achieve these goals Hoffman outlined a series of steps to be taken by the participating countries. Action, particularly budgetary action, must be taken to prevent the inflation that had been given new impetus by the various currency devaluations. A single large market should be formed free of quantitative restrictions on the movement of goods and monetary barriers to the flow of payments. National fiscal and monetary policies must be substantially coordinated, and exchange rates adjusted. Commercial policies and practices must be reconsidered to eliminate barriers to trade within the area, which comprised 270 million consumers. Finally, arrangements between smaller groups of participating countries should be encouraged so long as their provisions were in harmony with the wider possibilities of European unity and raised no new or higher barriers to trade than already existed.

Hoffman then requested the formulation by early 1950 of a plan by the OEEC that would be at once a record of accomplishment and a program that would take Europe "well along the road toward economic integration." The record of accomplishment should include removal of quantitative restrictions on trade and elimination of dual pricing. Hoffman stressed that the high stakes being played for were the prosperity of an economically unified western Europe, a goal which President Truman had recently reaffirmed to him as United States policy.

Documentation on the speech is in the ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto and the text (which was distributed in Repto circular 367 from Paris, October 30), is printed in the *New York Times*, November 1, 1949:

Meanwhile a study group of the OEEC to examine submissions by the participating countries regarding trade liberalization had reported that greater efforts would have to be made. The group judged

that even if all of the B lists of conditional items were added to the A lists of items freed from quota restrictions, the resultant freeing of trade would not "contribute very significantly to the increase of competition within Europe", which was the "primary object of the exercise", and it was unlikely to go far in breaking down the system of bilateral trading. OSR supported this view.

After extensive discussions another group was formed to draft a Council resolution that would take into account Hoffman's statement of October 31 as well as other proposals. The texts of the various reports and submissions and related documentation are in AID files, Mutual Security Agency, 53A278, Box 8.

The Council on November 2 agreed unanimously to embark "wholeheartedly" on measures to implement Hoffman's proposals, and it decided on various steps for liberalization of trade, widening of the area of transferability of currencies among member countries, and study of ways to eliminate dual prices, achieve closer economic cooperation, and absorb surplus manpower. Member countries should "adopt the objective" of removing quantitative restrictions before December 15 "on at least 50 per cent of their total imports on private account from the other member countries as a group. . . ." The text of the Council's resolution was printed in *Keesing's Contemporary Archives*, Volume VII, 1948-1950, page 10359, and summarized in the *New York Times*, November 3, 1949.

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840.50 Recovery/11-649: Telegram

*The United States Special Representative in Europe (Harriman)  
to the Secretary of State*

TOP SECRET . PRIORITY

PARIS, November 6, 1949—8 p. m.

Repsec 40. Personal for the Secretary and Hoffman from Harriman, with only such further distribution as they may decide. This message relates to the subject which Hoffman and I regarded as central to the meetings here; namely, ways and means to vitalize OEEC and give it top-level governmental leadership. Hoffman on his return will fill in the details. I will cover briefly the background leading to the developments since he left Paris.

From the beginning, Hoffman and I recognized that development of leadership in OEEC was essential to give meaning to any other steps projected. We pressed this subject vigorously in separate meetings with Cripps, Schuman and Van Zeeland. Hoffman again emphasized it at a group meeting with Van Zeeland, Schuman and Cripps on Tuesday evening November 1 when the form of the resolution subsequently adopted by OEEC was agreed upon. At Cripps' request, Hoff-

man refrained from taking it up with consultative group and council as a whole, until question could be discussed with Bevin personally. Cripps maintained that since the subject was political, Bevin would want to deal with it himself, and that therefore Cripps would be embarrassed to have it raised in larger group before consultation with Bevin.

We met with Cripps and Bevin Wednesday evening, November 2. Bevin declined to release Oliver Franks for OEEC position, as Hoffman will explain. The discussion then turned to consideration of what the job should be and of available personalities. Bevin gave the impression that he was prepared to support the plan and the selection of Spaak. (As we left, Cripps said he thought Bevin was 75 percent persuaded.) Specifically, Bevin agreed to arrange an informal meeting of 12 participating ministers still in Paris attending Council of Europe. The objective of this meeting would be to discuss the creation of the position and the selection of an individual. It was understood of course that if agreement among these ministers could be reached, the absent members would be appropriately consulted. Bevin specifically asked Hoffman to attend to present the American viewpoint. Hoffman agreed to come back from Frankfurt or London on Thursday or Friday (November 3 or 4), if Bevin could arrange such a meeting. In fact, Hoffman agreed to consider staying over another day if necessary, although he pointed out that I would be available in any event. On Thursday afternoon, I sent word to Bevin that Hoffman was still awaiting a message from him as to the time of the meeting and I repeated that he was available to be in Paris any time Friday or would stay over until Saturday. I got back word from Bevin that he had been so far too occupied with the Council of Europe to arrange the meeting.

I heard nothing further until much to my surprise MacBride<sup>1</sup> called on me Friday evening to tell me that Bevin had arranged a meeting of the 12 ministers Friday afternoon at which the question had been discussed for an hour and a half. He reported that Bevin had most skillfully played down the importance of the matter and given encouragement to opposition that came from the Scandinavian countries and Stikker. Schuman, although correcting Bevin's presentation of what we had in mind, did not take a vigorous position. MacBride said that he himself supported the proposal as vigorously as he could and in fact offered to resign his position as vice chairman of the council in favor of Spaak if he were selected in the belief that that would avoid any need to amend the convention. In conclusion, the matter was referred to the council on the official level, with the understanding

<sup>1</sup> Seán MacBride, Irish Minister for External Affairs.

that if any member wished he could circularize the council outlining his position. This of course is tantamount to shelving the matter since it is inconceivable that the officials can deal with such a highly political question.

Since then I have seen Van Zeeland, Stikker and Sforza,<sup>2</sup> who substantially confirm the above, although with the expected variations in interpretation and emphasis. Bruce tells me that in a meeting he had with Bevin and Schuman Friday evening to discuss Acheson's visit,<sup>3</sup> Bevin said that he had tried his best about the matter but had failed. It would appear from the reports that Bevin's best efforts were directed at smothering the proposal, and he succeeded.

Saturday morning early, I telephoned Ambassador Harvey,<sup>4</sup> asking him to tell Bevin I was still awaiting word and suggested that Bevin might want to talk to me. As a result, Assistant Under Secretary Berthoud called on me to report to me at Bevin's request the outcome of the meeting, which was not in any substantial respect at variance with the previous reports. He explained that under the circumstances it was not necessary for Hoffman to return to Paris. I showed surprise that Hoffman had not been invited to the meeting in accordance with our definite understanding. Berthoud replied that Bevin was under the impression that Hoffman was to come if the ministers generally favored the idea in order to work out details. I explained to Berthoud that the effect of Cripps' request for delay and Bevin's failure to invite Hoffman to attend the meeting had resulted in Hoffman's inability to carry out one of the central points of his visit; namely, a discussion with the ministers of this vital subject. I asked Berthoud to explain this to Bevin and suggest that it would be well for Bevin and me to have a talk prior to Acheson's arrival.

I feel that we now should face up to the situation. It seems clear that we can no longer tolerate this type of maneuver by the British. The OEEC organization is unsatisfactory and ways must be found to bring the governments, rather than officials, into the direction of OEEC affairs. I am convinced that as the organization is now set up, there is no hope for cooperation on as significant and effective a basis as American policy requires. The resolutions taken by the OEEC at the recent meeting of the council are not likely to have much meaning unless there is a driving force which does not now exist to translate words into action.

I hope that the situation can be discussed between Acheson and Hoffman before the former's departure for Paris, and that Acheson will be prepared to discuss it as a question of high priority with Bevin

<sup>2</sup> Count Carlo Sforza, Italian Minister for Foreign Affairs.

<sup>3</sup> Documentation on Secretary Acheson's visit to Paris, November 9-10, to discuss the German question is in volume III, chapter IV, part B.

<sup>4</sup> Sir Oliver Charles Harvey, British Ambassador to France.



and Schuman. It is in my opinion essential to have a firm agreement from both the British and the French that they will give their full support to a definite method for making OEEC an effective organization. In light of what has happened, I am inclined to believe that the appointment of Spaak or anyone else on a proper basis, is perhaps no longer feasible. This makes the job all the harder, but the ministers must find a way to get it done.

As an additional factor, I should mention that the ministers I have talked with reported their disappointment over the meeting of the Council of Europe and Bevin's negative attitude. It seems to me clear that the whole situation has serious implications for the attainment of our objectives in Europe. I will look forward to further discussion with Acheson on arrival in Paris.

Sent Department Repsec 40, repeated London unnumbered eyes only for Douglas and Kenney; <sup>5</sup> repeated Paris unnumbered eyes only for Bruce.

HARRIMAN

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<sup>5</sup> W. John Kenney, Chief of the ECA Mission in the United Kingdom.

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ECA Telegram Filés, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the  
Chief of the ECA Mission in France (Bingham)*

SECRET

WASHINGTON, November 9, 1949—1 p. m.

Ecato 965. Reference Toeca A-203, Toeca A-204, and Torep 312.<sup>1</sup>

1. Torep 312 has been read with great interest here. We concur in Mission's views on prevalence and possible reinforcement of restrictive business practices in France and are anxious to see further analysis on this problem proceed as quickly as limitations of time and staff will permit. Movement towards trade liberalization and economic integration of Western Europe will undoubtedly give greater impetus to these developments. One of central problems, as you have indicated, will be to find group within French Government that will support anti-restrictionist measures which we could endorse. In this connection, it may be that non-Communist trade unions and their political representatives will offer best prospect if educational process can persuade workers that competitive policy results in increased output, wages and employment.

2. ECA and State also appreciate your excellent report on the possibility of a new European steel cartel (Toeca A-204). Information obtained by the Mission appears consistent with reports in foreign trade

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<sup>1</sup> None printed.

publications and newspapers to the effect that this is a pre-cartel stage and that pre-war arrangements have not yet been reactivated either in original or modified form.

3. We have been very much concerned that pre-war cartel members might already be acting in concert and prior to receipt of your report had cooperated with State in drafting circular airgram to interested missions requesting that investigation be made.<sup>2</sup> Despite indications in your airgram that cartel not active now, plan is to have all interested missions look into problem to develop any other info and views from their sources as supplement to your report. State Dept airgram<sup>3</sup> is being dispatched concurrently with this cable.

4. With specific reference to remarks of your informant, we would like to make following comments. Mr. Aron was undoubtedly correct in stating that the French representatives of the pre-war European steel cartel, as well as other countries' representatives, acted with the formal or informal approval of their respective govts and that these govts will be kept fully informed on future cartel developments. The argument that the work on coordination of European steel investments done by OEEC and ECE implies approval of cartel agreements or makes them essential is fallacious, but will undoubtedly be used extensively by proponents of a new cartel. Our reply should be that OEEC activity in this field should be designed to assist govts, by giving them Europe-wide picture of investment plans and market prospects, to eliminate proposals for uneconomic investments that would require protection by govts or cartels in order to survive. We believe that all countries, regardless of their steel capacity relative to

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<sup>2</sup> In telegram Toeca 1275 from Paris, October 11, Bingham had reported to ECA and the Departments of State and the Treasury that Jean Monnet had "expressed great concern over danger recrudescence national and international cartels" and was especially concerned over the role of Germany, which he believed to occupy a key position in the cartel movement. Monnet had no hope of successful opposition to German cartels by the United Kingdom or France but felt that "prompt and decisive action" by the United States could be effective, and he considered the next six months to be the critical period. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

The ECA Administrator replied in telegram Ecato 909, October 14, that ECA was very much interested in the question and was following it closely. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato)

<sup>3</sup> Presumably a reference to a circular of November 18 by the Office of International Trade Policy, summarized as follows by the Executive Secretariat of the Department of State: "We have informed a number of our European missions of our concern about rumors current for some time in Europe and the United States that an international steel cartel is being formed. The more reliable reports evidently indicate that while there have been no formal intra-industry or inter-governmental talks concerning the formation of a new cartel, informal approaches have been made from time to time by interested producing countries. Major European steel interests are concerned over the possibility of a large steel surplus if present plans for new capacity in Europe and elsewhere are carried out, and they are not concealing their belief that a cartel would be the most logical and effective means of avoiding resultant competition in export markets."

domestic needs, have best guarantee of ability to procure largest possible volume of steel products at lowest costs and prices by permitting free play of competitive forces throughout participating area.

5. The argument that pre-war cartel experience will be utilized so that "bad" features of cartels are discarded and only "good" features retained has a familiar ring and should be regarded with extreme suspicion.

6. We believe that contents of Toeca A-204 will be of interest to other Missions, and suggest that OSR distribute it as follow-up to State circular airgram referred to in para 3.

HOFFMAN

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto: Circular telegram

*The United States Special Representative in Europe (Harriman) to the ECA Missions in Europe*

RESTRICTED

PARIS, November 10, 1949—9 p. m.

Repto circular 382. Reference Repto circs 367 and 375.<sup>1</sup>

A. Purpose this message is outline program energetic affirmative action to be taken by missions as part of coordinated effort by missions, ECA/Washington and OSR towards objectives outlined Hoffman speech, OEEC Council's resolutions of November 3 [2] and certain additional programs. Missions are requested take initiative along lines indicated below, keeping OSR and ECA/Washington informed. Substantial progress essential before next presentation to Congress. Goal is to establish record of constructive achievement by January 31, 1950 on following objectives, of which first five specifically covered Hoffman speech and council resolution November 3 [2].<sup>2</sup>

1. Elimination quantitative restrictions within intra-European trade before December 15, 1949 on at least 50 percent of imports separate categories as described in paragraph one of first council resolution and compliance with ITO charter standards for imports on government account as indicated paragraph two. Missions requested keep in close touch with government's progress in complying with this resolution and should be especially on the alert to discourage seeking of loopholes under paragraph five.<sup>3</sup> 50 percent figure is regarded as a minimum. Where any country in position to do better mission should use its influence to that end.

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<sup>1</sup> Neither printed.

<sup>2</sup> For a description of the Council's resolution (in six parts), see editorial note, p. 438.

<sup>3</sup> Paragraph 5 of the section on liberalization of trade read as follows: "if any member country feels unable, in the light of its economic and financial situation, to implement this decision fully, it shall report its reasons to the Organization before December 15, 1949."

2. Elimination of dual pricing,—i.e., maintenance of export prices for fuel and basic materials in intra-European trade at higher level than domestic prices. Resolution III instructs executive committee inquire into ways and means accomplishing this and to submit a report soonest. We cannot simply wait for this report. Missions should continue to look for and report to OSR any specific cases where their countries are either suffering from dual pricing or engaging in such practices themselves. Missions should press upon governments specific steps toward elimination of practices and report same.

3. Appropriate measures in fields of finance and fiscal policy to avoid inflation resulting from devaluation.

4. Provision of real incentives to private exporters to channel exports towards dollar markets. OSR will act as clearing house for exchanging ideas and proposals among missions but initiative and follow-up must be done by missions. In this connection see Repto circ D-28<sup>4</sup> regarding Netherlands plan allowing exporters to retain for legitimate purposes specified percentages of dollars received. Will also circularize shortly British plan for guaranteeing certain expenses incurred by private exporters in connection with market surveys, credit risks, etc. Another device available in some instances is channeling those production materials which are still under allocation to those who produce for sale to export areas. This subject will be covered in more detail in forthcoming separate message.

5. Development of regional arrangements. As indicated in Hoffman's speech, ECA looks with favor on regional arrangements which are in harmony with and constitute steps toward ultimate goal of an integrated European market. It is important that missions in PC's which are now considering regional scheme, keep closely in touch with such developments, offer maximum encouragement to governments and help them work out immediate steps, keeping OSR and ECA/Washington fully informed.

6. Direct attack on productivity. Emphasis should be on affirmative assistance to PC's in getting them to submit useful projects rather than negative approach of screening applications. Direct approach should be through channels of (a) technical assistance projects, (b) plant modernization through industrial projects or counterpart release, (c) emphasis on information program. Include stress on agricultural productivity, as indicated in forthcoming circular. In this connection, missions should be alert to existing restrictive business practices and dangers of reviving now dormant cartel arrangements.

7. Analysis of investment programs including counterpart use. This will be covered by circular cables to follow soon.

8. Development of overseas territories. Plans to this end now well under way. Missions in countries concerned should continue to give this careful attention and vigorous support.

9. Methods of penetrating dollar markets. In addition to incentives to private exporters mentioned in paragraph four above, governments should be persuaded to give immediate consideration to governmental measures along lines suggested in Taylor report.<sup>5</sup>

<sup>4</sup> Not printed.

<sup>5</sup> See editorial note, August 29, p. 421.

10. Stepped up information program designed to induce action along all above lines in accordance plans discussed at recent meeting information officers.

B. Above objectives should be primary goal of mission activities between now and January 31. OSR will keep missions informed of supporting efforts of ECA/Washington and OSR.

C. Missions will also be called on from time to time to assist in development activities pursuant Resolution II on transferability of currencies and measures designed meet other fundamental requirements European integration as set forth Hoffman speech. OSR and ECA/Washington working with OEEC will concentrate on these developments.

HARRIMAN

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840.50 Recovery/11-1249 : Telegram

*The United States High Commissioner for Germany (McCloy) to the Secretary of State*

SECRET

FRANKFORT, November 12, 1949—11 p. m.

3923. In conversation with Secretary Friday morning in Paris,<sup>1</sup> Bevin also raised question of Spaak's heading OEEC. Bevin indicated he had discussed matter with Spaak recently and that Spaak worried about possibility of leaving Belgium although anxious to be of help if US and UK wanted him as head of OEEC. Bevin stated that internal political situation in both UK and Belgium made it difficult for him put pressure on Spaak. Bevin said he personally fears civil strife in Belgium this year and considers it important have Spaak remain in country.

Secretary said US had received different information from Spaak, who told Harriman few days ago he was not anxious be in Belgium during present internal political difficulties and would like to head OEEC.<sup>2</sup> Bevin replied strongly he would not coerce Spaak. Secretary said question was not individual but rather over-all strengthening of OEEC. He mentioned McNeil and Franks and others who had been considered and would be outstanding for job, but said main point was to find someone who would strengthen organization at ministerial level. Bevin said he had already instructed Franks to suggest to Hoff-

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<sup>1</sup> Secretary of State Acheson conferred with Foreign Minister Schuman and Foreign Secretary Bevin at Paris on November 9 and 10 on German questions; for documentation, see volume III. On Friday, November 11, he went to Germany, and on November 15 he returned to Washington.

<sup>2</sup> Harriman reported from Paris in his telegram RepSec 44, November 16, that on November 9 Spaak had told him that he "would be willing to take senior job with OEEC in effort to strengthen organization if British agreement could be obtained" (840.50 Recovery/11-1649).

man that US government address letter to all OEEC countries setting forth just exactly what was wanted in matter of strengthening OEEC.

What he desired was outline of duties of head of organization and not discussion of personality involved, and he felt this should come from US to all OEEC countries. Secretary indicated he would take this up on return to Washington.

Bevin then said he was confused on what we meant by integration and wanted to know if we meant economic or political and just what we wanted Europe to do. Secretary said we were talking primarily of three issues: (1) free movement of goods, (2) free movement of labor and people, (3) fund and exchange problems.

Recognizing difficulties involved, he urged that quantitative restrictions on movement of goods be removed and said US would do everything possible to assist. Secretary said US embarking on broad program aimed at removal import restrictions, and mentioned his recent New York speech <sup>3</sup> and consideration being given to closing dollar gap. He said he felt we could make real progress in this field and through our continuing economic talks.

Sent Department 3923, repeated Paris 295, London 254, Brussels 57.

McCLOY

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<sup>3</sup> Address delivered before the Convention of the National Foreign Trade Council on November 2. For text, see Department of State *Bulletin*, November 14, 1949, pp. 747-752.

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840.50 Recovery/11-1649: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      PRIORITY      WASHINGTON, November 16, 1949—8 p. m.

4139. For Ambassador. Following is proposed draft of message to OEEC countries on subject of strengthening OEEC through appointment of outstanding European personality to full-time position as suggested by Bevin (see Frankfort's 3923 to Dept, rptd. London 254).<sup>1</sup> Please show draft to Bevin <sup>2</sup> pointing out that Secretary has reviewed this problem as a matter of urgency upon his return to Wash and that he proposes to proceed promptly with the dispatch of this message to the OEEC countries through diplomatic channels after receiving Mr. Bevin's comments. ECA concurs.

"In the Convention for European Economic Cooperation, the governments of the participating countries determined to combine their economic strength to achieve the ends set forth in the general report of the Committee of European Economic Cooperation, and to join to-

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<sup>1</sup> *Supra*.

<sup>2</sup> Douglas enclosed a copy of this draft in his letter to Bevin dated November 17, not printed, and wrote in the lower margin of his letter: "I do hope you can support this proposition."

gether to make the fullest collective use of their individual capacities and potentialities. They pledged themselves to develop, in mutual cooperation, the maximum possible interchange of goods and services; to cooperate with one another in reducing tariff and other barriers to expansion of trade; to carry forward their efforts to achieve as soon as possible a multilateral system of payments among themselves; and to cooperate in the progressive reduction of obstacles to free movement of persons. They explicitly took account of the necessity that they should, collectively and individually, correct or avoid excessive disequilibrium in their financial and economic relations. They 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 accordingly they set up Organization for European Economic Cooperation.

Upon its establishment the OEEC assembled a devoted and capable staff, and, in the 18 months which have ensued, the OEEC has assumed and successfully discharged the task of recommending an appropriate division of ECA dollar aid for fiscal years 1948-1949 and 1949-1950; it has elaborated and supervised a scheme of intra-European payments and is developing a program for trade liberalization; it has completed many difficult technical assignments; and it has reported to member governments a searching analysis of the problems which must be surmounted to achieve European economic recovery. In a larger sense, however, the OEEC has been unable to give effect to its high purposes and possibilities. It has not yet become an effective instrument to combine the economic strength of the participating countries toward agreed ends and to make the fullest collective use of their individual capacities and potentialities.

In part, this inadequacy reflects the inherent and many-sided difficulties of the undertaking. In significant part, however, it has been caused by the failure of the organization to embody in its structure all available means through which it could be given sustained political leadership.

With this in mind, and as a means to invigorate the organization and assist in realizing its full potential, the US Govt suggests that the Council of Ministers of the OEEC appoint, with international status, an outstanding European public personality on a full-time basis, to discharge the responsibilities outlined below.

No change in the Convention for European Economic Cooperation seems required. Such a personality might be appointed Special Representative of the Council, Executive Vice-President of the Council or to some other similar position. He would receive his mission from the Council and it is clearly the responsibility of the Council to determine what this mission would be. In broad terms, however, it might be formulated as follows:

In intervals between meetings of the Council of Ministers and of the Consultative Group, and in accordance with the terms of the Convention and decisions of the Council, to sharpen the issues before the organization and facilitate agreement upon them among the governments; to work with the Ministers of the participating countries and officials of the US Govt in coordinating activities and developing and carrying out policies and measures

to accomplish the agreed ends; and to assist in presenting the purposes and objectives of the organization to the public.

He should attend meetings of the Council of Ministers and of the Consultative Group, with the right to participate in discussions. His appointment would not, of course, diminish the responsibilities of OEEC bodies and, in particular, should strengthen and make more effective the position of the Secretary General. The Secretary General should make available to him such services and facilities of organization as may be required.

The taking of this step toward strengthening the OEEC would give grounds for new confidence that the organization will be able to achieve the high objectives set forth in the Convention."

Sent to London as 4139, rptd to Paris personal for Harriman as 4441.<sup>3</sup>

<sup>3</sup> Harriman, in his reply, telegram RepSec 46, November 22, from Paris, stated that if Bevin withheld his support of this proposed message to the OEEC countries, the matter would be serious and the United States should review the situation before taking any further action (840.50 Recovery/11-2249).

ACHESON

London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Acting Administrator for Economic Cooperation (Foster) to the Chief of the ECA Mission in the United Kingdom (Kennedy)*

SECRET

WASHINGTON, November 18, 1949—9 p. m.

Ecato 1653.<sup>1</sup> Ref Toeca 1734 repeated Torep 1594, and Repto 7458 sent London Repto 1009.<sup>2</sup>

1. We have not yet been able to complete discussions with State, Defense and other interested agencies but for reasons indicated in para 5 we believe it desirable to make a preliminary reply at this time.

2. We certainly approve of using all reasonable means possible for stimulating economic development of overseas territories. So far as is appropriate we will greatly encourage and support all moves in that direction. We, therefore, welcome evidence of interest of Morrison<sup>3</sup> and Tizard<sup>4</sup> in taking full advantage of ECA funds for overseas territories development.

3. We recognize the important interrelationship between economic development of the overseas territories and military or political con-

<sup>1</sup> Repeated to Paris as Repto 9429.

<sup>2</sup> Neither printed; the former reported British interest in using ECA funds for overseas development, and in the latter Harriman expressed the view that further efforts should be made to overcome the difficulties involved and to accelerate such development (London Embassy Files, Lot 58F47, 500 Marshall Plan).

<sup>3</sup> Herbert Morrison, Lord President of the Council and Leader of the House of Commons.

<sup>4</sup> Sir Henry Tizard, Chairman of the British Advisory Council on Scientific Policy and of the Defence Research Policy Committee.



sideration and objectives. We believe, however, that we should not lose sight of the fact that the ECA objective is primarily economic recovery and development and that we should always emphasize this fact.

4. Our first reaction is that we even more strongly believe that following the recent Hoffman speech in Paris, development in the direction of European integration must be kept in this forefront of our activities. Desirability of an active approach to integration is as strong, if not indeed stronger, for the overseas territories, particularly those in Africa south of the Sahara, as for the metropolitan areas. We believe therefore that even on an informal basis such a conference as you propose should include representatives of other metropolitan powers concerned with Africa, and should not be bilateral US-UK undertaking.<sup>5</sup>

5. We have been confidentially informed that representatives, State, Army, Navy and Air Force under leadership W. J. Galloway of State Department are scheduled to leave Washington, Tuesday, November 22, for meeting with corresponding British personnel on topics State to be closely related to substance your cable. We are promised more detailed information early next week which we shall forward to you. These preliminary talks reinforce our view as to advisability of exercising some caution as regards subordination economic considerations under ECA terms of reference to preliminary military considerations expressed in para 3 above. While prepared for cooperation in considering more inclusive interests, we must maintain our essential control over ECA programming.

FOSTER

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<sup>5</sup> In telegram 4202, November 22, to London, not printed, the Department of State reported that it had expressed reservations to ECA about the multilateral conference of metropolitan powers, stating that informal bilateral discussions with the British should be the first step in promoting development programs. (840.50 Recovery/11-2249)

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840.50 Recovery/11-2349: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET      PRIORITY

LONDON, November 23, 1949—7 p. m.

4684. ReDeptels 4139 November 16, 4193 November 21,<sup>1</sup> Embtel 4647 November 22.<sup>2</sup>

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<sup>1</sup> Not printed.

<sup>2</sup> In telegram No. 4647, not printed, Douglas informed Acheson of his delivery of the draft message to Bevin on November 18 and of his lengthy conversation concerning the message with Cripps on November 21. (103.ECA 02/11-2249)

1. I have today received the following letter from Bevin dated November 21:

"Many thanks for your letter of 17 November containing the proposed draft of a message to the OEEC countries on the subject of strengthening the OEEC through the appointment of an outstanding European personality to a full-time position in the organization.

"We have given careful consideration to this suggestion and we have decided that, if, in the view of your government and of our OEEC colleagues, a proposal of this nature will help OEEC, we should offer no opposition to it provided no change in the convention is required.

"We therefore, suggest that the proposed message should be sent to the governments concerned, and that Mr. Van Zeeland should call a meeting of the Consultative Group which would examine the proposition in detail. The group should then make recommendations, through diplomatic channels, to all the members of OEEC, whose replies should then be considered subsequently by the Consultative Group."

2. Since receiving the above, I have called on Bevin to discuss with him the following language in the second paragraph of the above message: ". . . we would offer no opposition to it . . .". I asked him what he meant by this language, i.e., whether his government remain completely neutral or whether he meant that if the British position were asked, he could say that they favored it. He said, in effect, that he could go no further than a strict interpretation of the language, for, he said, this was exactly the language to which his government had agreed and he was bound by it. I then explained to him why it seemed to us important that the British Government take a more positive position, saying that a negative position would probably mean the defeat of the proposal. After considerable discussion, he agreed that he would put to his government the matter of its taking the position of favoring the proposal if their position is asked. He made it clear, however, that under no circumstances would his government become an enthusiastic initiator and advocate of the proposition.<sup>8</sup>

3. Bevin is leaving on Saturday and will not be able to give me an answer before he goes to Eastbourne, for, he said, his hours were completely occupied.

4. In regard to the language in the last paragraph of the letter quoted above: "We, therefore, suggest that the proposed messages should be sent to the governments concerned", Bevin said this means all of the participating countries.

5. Harriman's view as to whether the Consultative Group can work out in the face of the negative, or at best indifferent, British support

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<sup>8</sup> In telegram No. 4797 from London, December 1, not printed, Douglas described a follow-up visit with Prime Minister Attlee on that date in which he received the same expression of British neutrality on this subject pending an opinion from the other OEEC countries. (840.50 Recovery/12-149)

to this proposition, recommendations covering title of the office, terms of reference of the office and procedure for putting it into effect, should govern our next move.

Sent Department 4684; repeated Paris (for Harriman) 922.

DOUGLAS

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840.50 Recovery/11-2949: Telegram

*The United States Special Representative in Europe (Harriman) to the Secretary of State*

TOP SECRET      PRIORITY  
NIACT

PARIS, November 29, 1949—5 p. m.

Repsec 47. Eyes only for Secretary State and Perkins, personal for Hoffman. Reference London 4684 to Department, repeated Paris 922.<sup>1</sup> Subject is proposal to strengthen OEEC through appointment political personality as described in proposed draft of message from Secretary to Ministers of OEEC countries set forth in Deptel 4139, November 16 to London, repeated Paris 4441. Present status as indicated reftel is that Bevin has indicated non-opposition to proposal and that Ambassador Douglas is endeavoring to secure Bevin's positive support. At same time Van Zeeland has prepared similar proposal which he wishes to forward to OEEC members. Van Zeeland has shown us his preliminary draft, and has also requested comment Marjolin and Hall-Patch.

I feel strongly that we must go ahead as actively as possible with this proposal without awaiting further reaction from Bevin who, I understand, will be unavailable for next three weeks. Douglas concurs.

I believe next step would be for Ambassador Murphy<sup>2</sup> to approach Van Zeeland along the following lines: Murphy would on behalf of US Government welcome initiative which Van Zeeland is planning to take and express gratification that his ideas as conveyed to Harriman appear basically in accord with our views. He would show Van Zeeland draft of message which Secretary plans to send to Ministers concerned and would concert with him as to timing, emphasizing need for most rapid possible action. Murphy would also give Van Zeeland full account of British position.

Harriman plans telephone Perkins November 30 at 10:00 Washington time in order to learn Secretary's decision. If affirmative, it is suggested that text of Secretary's message be circularized to diplomatic missions in participating countries stating instructions as to

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<sup>1</sup> *Supra.*

<sup>2</sup> Robert D. Murphy was appointed Ambassador to Belgium September 22, 1949.

presentation will follow and that Murphy be instructed to proceed with Van Zeeland.

I would plan to send Bonsal to Brussels in order to bring Murphy and Millard up to date on most recent developments and to assist in any way possible.

Sent Department Repsec 47; repeated London eyes only for Ambassador and Kenney Repto 1050, Brussels eyes only for Murphy and Nuveen<sup>3</sup> Repto 474.

HARRIMAN

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<sup>3</sup> John Nuveen, Jr., Chief of the ECA Mission to Belgium.

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*Statement Issued by the Department of State, December 1, 1949,  
Regarding Policy on Elimination of Cartel and Other Private  
Restrictions on International Trade*

One aspect of this government's foreign economic policy is the elimination of cartel and other private restrictions on the growth of international trade. When the International Trade Organization is created, we will have an international mechanism for dealing with these practices, as provided in chapter V of its charter.

At the present time, we are much concerned that the growth of such private arrangements may hamper the program for European recovery. Our program in Europe seeks to establish a higher standard of living and viability of the European economy. These objectives, we feel, can be gained only by increased efficiency and productivity of European industry, stimulated by the creation of a broader competitive market. They cannot be attained if private restrictive arrangements to fix prices, divide territories of sale, or limit production simply replace government barriers such as quotas and tariffs. In addition, cartel arrangements, by preventing sales by European firms to hard-currency areas, can interfere with efforts to overcome the dollar deficiencies of the participating countries.

The ECA bilateral treaties with the Western European countries participating in the Recovery Program contain provisions for mutual attack on this problem. In line with these provisions, we are assisting the participating countries at every opportunity in taking action to remove these barriers.

The decartelization program in Western Germany is an important element in this aspect of achieving general European recovery. The United States High Commissioner is pressing for vigorous implementation of this program, and the West German Republic has given its commitment to the Allied High Commission to take action in this field.

In Japan, where economic recovery is also of major importance, it is clearly our policy to eliminate and prevent the reestablishment of restrictive practices and the monopolistic combines with which one is familiar. Competition, spur to efficiency, is the catalyst of economic recovery there as in Europe.

840.50 Recovery/12-249 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

TOP SECRET

BRUSSELS, December 2, 1949—7 p. m.

1624. In accordance with Deptel 1399 November 30<sup>1</sup> accompanied by Nuveen and Bonsal I called on Van Zeeland today and after reviewing Department's thinking presented him with text of message included in your 1400, 30 November.

After reading it carefully Van Zeeland said he found no difference of substance between Department's approach and his own plan which was circulated 24 November.

Ockrent<sup>2</sup> suggested one minor amendment in 6th Paragraph which was agreed to subject Department's approval,<sup>3</sup> namely the sentence: "to work with Ministers of PC's and officials of US Government in coordinating activities developing carrying out policies and measures to establish agreed ends"; would be amended to read: "to work with Ministers of PC's and officials of US Government to help coordinate activities and develop policies and measures to accomplish agreed ends;" reason for this was stated be technical, legal one as US language seemed to contemplate transfer of executive authority.

Van Zeeland gave us outline of his conception of tactics to be pursued. He said invitation should go on out for meeting of Consultative Group to take place 20 December. In meantime governments of each of PC's would have an opportunity to study suggestions outlined in his paper referred above. They also were aware of additional suggestions which Van Zeeland has made re improvement in practice operation of OEEC. He mentioned establishment offices, monthly meeting and suggestion meetings be reduced in size so Ministers would each be attended by only one assistant; meeting to be held around small table so more effective working atmosphere might prevail, et cetera.

<sup>1</sup> Not printed; it asked Murphy to consult with Van Zeeland with regard to the proposed message from Acheson to the OEEC governments, as indicated in telegram 4139 to London, November 16, p. 448, the text of which was sent in telegram 1400 to Brussels.

<sup>2</sup> Roger Ockrent, Secretary General of the Belgian administration for the European Recovery Program.

<sup>3</sup> The Department of State agreed to the proposed change (Telegram 1419 to Brussels, December 5, 840.50 Recovery/12-249).

I asked for his opinion re timing of Secretary's proposed message to PC's. He thought that as this was "hoten" message delivery of it should be deferred until 2 or 3 days before proposed meeting 20 December, when its leverage would be most effective, but that this would be flexible date depending on interim developments. He expressed view that Secretary's message would be of greatest value. If he encountered unexpected difficulties in obtaining agreement by all countries to 20 December meeting, delivery of Secretary's message might be suggested for earlier date.

I also asked for Van Zeeland's opinion re necessity of modification of OEEC convention and he reaffirmed his previous statement that no modification is necessary. However to make assurance doubly sure he is obtaining opinion of well-known international jurist to support his view. He was aware of Bevin's and Marjolin's view that convention would require modification. He thought they could be brought round and mentioned that Cripps agreed modification is not necessary.

I told Van Zeeland that as I had had no contact with early development of plan and no opportunity for discussion with Spaak personally, I would be grateful for Van Zeeland's estimate of Spaak's current attitude toward it. Van Zeeland said Spaak was his candidate now as he had been in beginning; that he thought Spaak would be willing to accept position without being too fussy regarding a definition of his eventual jurisdiction. However, said Van Zeeland, if Spaak in end did not accept, objective should be pursued and next best man selected. He referred in this connection to his own offer to resign as chairman of Council of Ministers if Spaak accepts, and said he believed his offer had helped influence British not to oppose plan. It was apparent Van Zeeland had not recently discussed with Spaak latter's availability. Spaak has been absent from Brussels almost continuously during past weeks but will call me on his return from Switzerland. It is our opinion Van Zeeland actually favors Spaak for place both because Spaak is ideally suited for it and also because to some degree at least it eliminates Spaak from Belgium domestic politics.

MURPHY

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ECA Telegram Files, FRC 53A278, Paris Repto : Circular telegram

*The United States Special Representative in Europe (Harriman) to the Administrator for Economic Cooperation (Hoffman) and to the Chiefs of the ECA Missions in Europe*

CONFIDENTIAL

PARIS, December 12, 1949—2 p. m.

Repto circular 415.

1. This circular sent with approval ECA/Washington. Immediate purpose is inform Missions general line development ECA policy on

work program for promotion European economic integration. Broader purpose is maintain continued common understanding among Missions, ECA/Washington and OSR. It does not call for any specific action by Missions but is intended provide background for action by Missions pursuant Repto circular 382<sup>1</sup> especially paragraph A-5 and paragraph C.

2. Hoffman's speech October 31 defined integration as "the formation of a single large market within which quantitative restrictions on movement of goods, monetary barriers to flow of payments, and eventually all tariffs have been permanently swept away." He called on OEEC to have ready early in 1950 "a record of accomplishment and a program, which together, will take Europe well along road toward economic integration."

3. OEEC council resolution November 2 endorsed general goal in preamble, set immediate task of QR (quantitative restriction) removal on 50% private intra-European imports by December 15, 1949, undertook to widen area of intra-European currency transferability through next payments plan and by "such additional arrangements and central institutions as may be appropriate to this end" and required Executive Committee to report on program of action for coming year.

4. Hoffman's speech and council resolutions supported progress toward integration both through arrangements among all participating countries and through arrangements among regional grouping provided that latter contribute toward and are not in conflict with wider goals.

5. Work program over coming few months in this field stems from above cited documents. Executive Committee has set January 15 as deadline for OEEC second interim report; unlike first report, it will not only cover progress to date and re-analyze long-term problems but will be focused toward necessary addition action, national and collective and will lay out 1950 plan of action. Present outline calls for specific discussion economic integration and we hope will include statement basic elements system of currency transferability replacing existing IEPA.

6. You are familiar with current work on 50% QR removal which is to be followed in January by OEEC decision on further steps in trade liberalization. Our central goals in this field for coming months are total or near total elimination QR's by progressive steps but completed during calendar 1950 and achievement full intra-European currency transferability at least for current transactions.

7. Basic elements of plan for European currency transferability are now being worked out. Consideration is being given to building it

<sup>1</sup> *Ante*, p. 445.

around arrangements such as a clearing union or substantial equivalent supplemented by a pool of resources plus a mechanism to induce such changes in internal economic policies or in exchange rates as may be needed to control deficits and surpluses.

8. Outline such plan virtually complete. Will circularize soonest.<sup>2</sup>

9. Compared with ultimate goal single market this short-term work program does not cover tariffs, freeing of capital movements or freeing of manpower movements. We recognize moderate tariff protection as legitimate either to reduce during period of adjustment shocks of elimination QR's and exchange control restrictions or to maintain economic activity of strategic or other special national importance. Except within very limited regional groupings, tariff reductions are necessarily much more gradual than immediate goals sketched above. We also consider removal exchange restrictions on capital movement of secondary priority although such removal among pairs or groups of countries should be encouraged. Arrangements for increased freedom for migration of labor should also be encouraged.

10. Work program outlined above should cover virtually all, if not all, participating countries. In this framework, regional groupings would have special significance only if they promise substantially faster action toward general goal or substantially closer association among partners. Faster action might mean total elimination QR's and current account exchange restrictions within next few months or faster elimination capital account restrictions. Closer association might mean progressive tariff reduction looking toward customs union or plan for economic union.

11. In addition there is possibility of more organic unions, such as projects for Benelux or Franco-Italian economic union. Such unions would require harmonizing wide range internal economic and social policies in fields such as taxation, credit policy, social security, and other welfare legislation. As indicated paragraph 4, efforts of this kind are fully in keeping with and indeed facilitate foregoing program of Western European integration.

HARRIMAN

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<sup>2</sup> The text of the working paper on intra-European currency transferability and trade liberalization was transmitted in Repto circular 416, December 12, not printed. Two days later each ECA Mission was instructed to present it to the responsible minister of the Government to which it was accredited. The working paper was designed to set in operation before the end of the existing ECA program a system of "full intra-European currency transferability providing freedom of intra-European payments on current accounts, rapid elimination of quantitative trade restrictions, and maximum possible freedom of invisible transactions." (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)



840.50 Recovery/12-1349: Circular telegram

*The Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

SECRET

PRIORITY

WASHINGTON, December 13, 1949—7 a. m.

Following message from Secretary should be delivered by Ambassador or ranking officer to Foreign Secretary, if possible (in case of HICOG appropriate German official) at earliest opportunity. As you know, Secretary, Harriman and Hoffman have been concerned for some time that OEEC has not had sufficiently strong leadership on policy level to ensure that necessary action is taken on fundamental economic problems confronting European countries. This view is shared by a number of the European countries and we understand that Van Zeeland is circulating message very similar to Secretary's to members of Consultative Group of Ministers of OEEC. Although Spaak's name has been prominently mentioned as possibility for this position, it should be made clear that although we consider Spaak would be admirable choice, we are in no way committed to him and any European of similar calibre desired by countries concerned would, of course, be acceptable to us. We also do not attach importance to the precise position occupied by Spaak or some other European leader provided it is one which enables him to participate actively in work of Council, Consultative Group of Ministers, and Executive Committee and which will enable him to give high level guidance to the organization on a continuing basis. Message is being sent at this time through diplomatic channels to all countries represented in the OEEC. Begin text:

[Here follows the text of the message quoted in telegram 4139 to London, November 16, page 448, with a minor change in the sixth paragraph, where the second clause had been amended to read as follows: "to work with the Ministers of the participating countries and authorities of the US Govt to help coordinate activities and develop policies and measures to accomplish the agreed ends."]

ACHESON

<sup>1</sup> Copies were sent to the diplomatic missions in Austria, Belgium, Denmark, France (for Ambassador and Harriman), Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, the United Kingdom, and to the U.S. High Commissioner in Germany and the U.S. Political Adviser at Trieste.

London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Chief of the ECA Mission in the United Kingdom (Kenney) to the United States Special Representative in Europe (Harriman), at Paris*

SECRET

PRIORITY

LONDON, December 13, 1949—8 p. m.

Torep 1709: Eyes only for Harriman. Hitchman, British Treasury, yesterday informed me of the decision of British Ministers concerning dual prices. The decision is that under present circumstances dual prices are not considered wrong, and, therefore, they propose to take no action with respect to the existing differential between domestic and export prices for coal and steel.

The stated bases for this decision are, first, dual pricing is not prohibited by the ITO Charter; second, export prices for coal have been determined by commercial practices; and, third, the equation of prices is not feasible. On this third point they pointed out that certain difficulties would arise with countries other than participating countries if export prices were reduced to the level of domestic prices. The total differential between export and import prices for coal and steel is approximately 25 million pounds, of which about one half is represented by trade to participating countries. The contention was made that if export prices are reduced to OEEC countries, this will require a corresponding reduction to non-participating countries, because under GATT differential in prices is only justified for commercial considerations. If a reduction in prices were required for non-participating countries, it would result in a loss of revenue of approximately 12½ million pounds. Further, due to demand in excess of supply, British question that the benefit of lower prices would be passed on to consumers in participating countries, and that an equation of export prices to domestic prices might result in tiers of prices, thereby defeating the purposes for removing differentials. In the case of steel it was felt that the forces of competition will soon remove the differential. An increase in domestic prices is not considered feasible because this would require a basic lift in price levels and thereby defeat the attempts to prevent inflation in the United Kingdom. After the meeting the opinion was expressed by representative of MinFuel and Power to Longman<sup>1</sup> that in addition to foregoing, an increase in domestic prices for coal at this time would be "political suicide."

I pointed out that the fact that the ITO Charter did not prohibit dual pricing had no bearing on the subject because the obligation undertaken with the OEEC countries was over and above an under-

<sup>1</sup> Tremper Longman, Chief of the Industrial Division in the ECA Mission in the United Kingdom.

taking under ITO, and that I considered that the continuation of dual prices was not in accordance with their agreement for mutual assistance to the participating countries, and, in addition, was contrary to the intent of the resolution adopted by the OEEC Council on November 2. The British contended that their obligation of mutual assistance to the participating countries in the matter of providing coal was fulfilled by the fact that rationing had been imposed in the United Kingdom, and coal thereby made available to the participating countries which would not otherwise be available. With respect to the resolution of the OEEC Council, it was pointed out that the obligation was merely "to inquire into ways and means to eliminate," and in their opinion the ways and means to eliminate was by increased production. I further pointed out that this action on the part of HMG in addition to being contrary to their obligation of mutual assistance might involve two further points—first, political repercussions among the other participating countries, particularly in the case of France and Germany, and, second, such action might well bring about a reduction in ECA funds by the amount of the burden which had been imposed upon the economy of participating countries by this action.

The plan was to report the decision to the working group in OEEC last night; so I assume it is virtually public knowledge by now.

The decision of British in this instance is most discouraging, and I consider it of such importance that prompt and drastic action is required, unless ECA is completely to lose face with other participating countries. Hoffman in his speech before OEEC made a special point of dual pricing which, it was my understanding, was agreed to by the representatives of HMG. By reason of the refusal of British to co-operate, it will be most difficult to compel other participating countries to take unpopular action necessary for the good of all. Unless prompt action is taken, current negotiations on trade liberalization and transferability of currencies may be jeopardized. British attitude is doubly discouraging because of absence of counter proposal or appearance of any desire to want to keep negotiations open. (I was prepared to recommend possible utilization of counterpart to compensate for lost revenue in order to keep domestic prices down to counteract inflationary tendencies.) Although I am hesitant to do so because of the British attitude, if you feel it advisable, I will personally approach Cripps, once again stressing the various implications.

If that proves fruitless, it would be my recommendation that either you or Hoffman (after making an appropriate canvass of the position of the other participating countries with respect to the commodities in which they are the offenders) make a public announcement of your intention to withhold from the balance of 49/50 ECA allotments to

the various offending countries the dollar value of the differential between export and domestic prices for the commodities in question. The amount so withheld to be distributed among those countries affected by the burden imposed upon their economies by the dual pricing policies of other participants.

In the case of the British the amount to be withheld would be in the order of £13 million (i.e. \$36,400,000, which represents the figure furnished by the British as the differential between export and domestic prices for coal and steel during calendar 1949).

KENNEY

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840.50 Recovery/12-1749 : Telegram

*The Ambassador in Belgium (Murphy) to the Secretary of State*

SECRET

BRUSSELS, December 17, 1949—2 p. m.

1680. Spaak called on me today for a discussion of his position vis-à-vis OEEC. Department may recall Van Zeeland's optimism reported in mytel 1659 December 10<sup>1</sup> both regarding Spaak's current willingness to undertaking responsibility as well as regards overcoming opposition within OEEC to the appointment. According to Spaak Van Zeeland has not been in direct communication with ECA, and Spaak did not seem to be informed in detail of Van Zeeland's recent views. There was a note of a man on the outside, admitting with nostalgia, that he is not being kept fully informed. However, he spoke frankly and at length of his determination to go through with it and accept the responsibility provided there is no substantial opposition within the organization which would destroy possibility of accomplishment of the American purpose which he said was so ably outlined to him by Harriman with which he fully agrees. He expressed conviction that the British are steadfast in their opposition to his appointment, but that tactically they have shifted to a position of open neutrality while inducing the Scandinavians to spearhead the opposition (this would seem to be borne out by Stockholm's 1258 to Department December 15<sup>1</sup>). His conviction on this point is fortified, he said, by Cripps' recent communication to Spaak in which Cripps made the point that if Spaak accepts it will be necessary for him to resign from his seat in Parliament and retire from Belgian political life. Spaak regards this argument as camouflage, as there is, he declared, no Bel-

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<sup>1</sup> Not printed.

gian legal requirement or practice which would necessitate his withdrawal, nor any OEEC requirement. As far as Belgium is concerned, this would be a matter for arrangement with his party and his constituents and he found no reason for concern on either score. What he would like, he said, is to see his appointment during which he would be on leave of absence status from Belgian politics authorized for a six months' trial period. At the end of that time it would be clear whether the arrangements were justified and workable. If not, he would resume his place in Belgian political life. The British know perfectly well, he said, that he could not afford to amputate himself from political affairs in Belgium for an undertaking which might fail, and in any event terminate in 1952, and their suggestion is merely cover for their opposition. He feels that this issue is a test between the US and UK, and he repeated again that unless something of the sort is done in OEEC, he would take an exceedingly gloomy view of the future.

He was conversant with the French position and felt in his last conversation with Marjolin, that the latter had come round at least partially. There had been a rumor that Jean Monnet<sup>2</sup> was back of Marjolin's original opposition, but Spaak said he had dined with Monnet recently and that the latter had spoken wholeheartedly in favor of Spaak's appointment and shared the view that unless something were done to revivify OEEC, it would be disastrous.

Spaak said that he proposes to mark time until the results of the Paris meeting<sup>3</sup> December 20 are known, but it [*he?*] broadly intimated that he hoped the US would do everything it appropriately could in advance of meeting. He had not been informed, he said, in reply to my question of the Secretary's message to the several governments,<sup>3</sup> so I outlined it to him, and will give him a copy of the text.

Balance of conversation which dwelt on other subjects reported in separate communication.<sup>4</sup>

Sent Department 1680; repeated London 223 personal for Holmes; Paris 306 personal for Harriman; Stockholm 13 personal for Matthews;<sup>5</sup> The Hague 115 personal for Chapin;<sup>6</sup> and Luxembourg 15 personal for Mesta.<sup>7</sup>

MURPHY

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<sup>2</sup> Jean Monnet, Commissioner General of the Plan for Modernization and Equipment of France.

<sup>3</sup> i.e., the message sent with the circular telegram of December 13, p. 459.

<sup>4</sup> Not printed.

<sup>5</sup> H. Freeman Matthews, Ambassador in Sweden.

<sup>6</sup> Selden Chapin, Ambassador in the Netherlands.

<sup>7</sup> Perle Mesta, Minister in Luxembourg.

London Embassy Files, Lot 58F47, 500 Marshall Plan : Telegram

*The Acting United States Special Representative in Europe (Katz)  
to the Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, December 21, 1949—8 p. m.

[Repto 8075.]<sup>1</sup> Sent Dept Repto 8075 rptd London Repto 1132 Brussels Repto 496 Vienna Repto 632. Dept eyes only for Hoffman and Foster please pass eyes only for Secretary; London eyes only for Holmes and Kenney; Brussels eyes only for Murphy and Nuveen; Vienna eyes only for Erhardt<sup>2</sup> to convey eyes only for Harriman; pouched Paris Repto 256 eyes only for Bruce and Bingham.<sup>3</sup>

OEEC Consultative Group meeting yesterday was featured by morning session in which Harriman reacted strongly to Schuman-Cripps attempt completely emasculate Secretary's proposal for strengthening organization at political level. Vigorous restatement US position as reflected in Secretary's message resulted in recovery, on paper at least, of considerable ground in afternoon and development of working papers described below which will be further considered and discussed at next Consultative group meeting to be held about middle January (two weeks prior scheduled Council meeting at ministerial level). Terms this working paper with further improvements would enable person selected to function on satisfactory lines, if, and this is most important "if", it reflected really convinced support on part govts concerned. Van Zeeland is to discuss paper informally and personally with Spaak. Those present at meeting were Van Zeeland, Schuman, Cripps, Pella of Italy, Castro Fernandez of Port, Lange and Broness of Norway and Swiss Rapporteur. (Neths and Greece not represented.)

Agreement also reached that Consultative Group should after January meet monthly on first Wed each month (president being authorized vary date if necessary) and that two vice presidents of Council (MacBride of Eire and Grubber of Austria) be asked to sit with group in addition, of course to chairman Executive Committee, chairman of Council at level and Secretary General.

Evening prior to meeting Van Zeeland gave dinner for his European colleagues who, presumably led by Cripps, disposed of Van Zeeland proposal (see Repto circr 417<sup>4</sup>) and charged Schuman with presenting

<sup>1</sup> The text printed here is from telegram Repto 1132 to London.

<sup>2</sup> John G. Erhardt, Minister in Austria.

<sup>3</sup> George B. Bingham, Chief of the ECA Mission in France.

<sup>4</sup> Not printed; it transmitted the text of Van Zeeland's proposal for "strengthening OEEC organization through appointment of outstanding European personality to serve as special representative of Council at political level", and it stated that the United States strongly supported the proposal. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Repto)

statement of collective views at meeting next morning. Thus paper which Van Zeeland had circulated for consideration of group were completely eliminated before meeting began. Van Zeeland made no attempt bring discussion back to his paper. Schuman's statement began by setting forth that consensus of his colleagues as that proposed "personality" (1) should not intervene with or take action with member govt because these governments are appropriately represented at ministerial level in regular OEEC bodies; (2) should not have any power of decision but should confine himself to "dynamic liaison"; and (3) should not have authority over Secretary Gen or Secretariat personnel. Schuman then asked: "what remains"? He answered this by stating that there would remain rep functions outside organization such as relations with US, non member countries and international organizations. He again made clear that he did not contemplate that proposed personality would have functions vis-à-vis organization. He added that proposed personality might attend meetings on consultative basis, that services of Secretariat would be at his disposal and that he would have an international status (privileges and immunities) similar to that of other OEEC officials.

Cripps supported Schuman's proposal and suggested that document embodying it be made basic text for discussion. It must be underlined that Cripps position was in direct conflict with what Bevin and Attlee told Douglas was position of Brit Govt's; namely one of neutrality and of going along with wishes other members provided no change in convention involved. Harriman finally queried Cripps on this by private note and received unsatisfactory reply.

Cripps desired functions of proposed personality further limited in sense that he should not have obligations as to making of agreements and that availability to him of services of Secretariat refer specifically to Secretarial services. Cripps further urged that proposed personality should not occupy any other political post either in his own country or in connection with any other international organization.

There was considerable further talk about incompatibility of proposed position with other positions and a number of hairs were split to general satisfaction. Port representative agreed with Cripps and asked that specific mention of "Council of Europe" as one of international organizations be omitted. Ital and Nor reps also intervened in debate without making major contribution at this stage.

Harriman then stated that discussion had left him in state great confusion and bewilderment. He had thought group was to consider Van Zeeland's proposal and formal representation made by Secretary of State to member govts for purpose of strengthening OEEC. He reviewed Secy's message quoting copiously therefrom. He concluded that proposal under discussion (Schuman document) was wholly un-

related to objective sought. He said that proposed personality would be of no use if he could not discuss proposals and compose differences among member govts and even contribute to negotiating agreements among them. As for relations he might have with US Govt they would be of no additional benefit if functions vis-à-vis member govts eliminated per Schuman document. After all we have effective relations with OEEC in Paris and with member govts on bilateral basis. Harriman stated that function of dealing with other international organizations and non members was interesting but had little to do with the real subject. He stated that Secy's words reflected deep seated feeling and conviction shared by Administrator, Exec in general, Congress and American people. Without calling into question right of OEEC members to take any decision they choose he said that he must make it perfectly clear that under the circumstances "US Govt will be obliged to review its attitude toward plan". He continued to the effect that Secretary's suggestion was result of suggestion made by several PCs, that we did not feel it to be only way of invigorating OEEC but that problem was one to which he earnestly urged that members address themselves. He concluded that he was confused but still hopeful on the basis that perhaps mornings discussion had dealt with only one aspect of question brought up in Secretary's message and that other aspects could be taken up later.

At afternoon session idea was evolved that it went without saying and was matter of course that proposed personality would have access to member govts and to responsible ministers just as to Pres of Council at official level, Chairman of Executive Committee and Secretary General. Expression of this idea was first contemplated in form of interpretative verbal note embodying negative statement i.e. "nothing in resolution prevents etc." Later, largely due to US urging it was agreed to incorporate it into draft working paper and to give it considerably more positive form. It was also agreed to include in duties of proposed personality that of assisting in presenting objectives of organization to public as suggested in Secretary's message.

Position was that there had been misunderstanding and that no one had contemplated debarring proposed personality from high-level contacts with member governments. Cripps distinguished himself by taking highly legalistic and specious position to effect what Secretary and Harriman contemplated for proposed personality was currently being carried out by US Emb and ECA Mission Chief in London vis-à-vis British Government. He made much of argument that if this function too clearly spelled out it would be necessary to modify OEEC convention.<sup>5</sup> "We must not", he remarked, "interfere

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<sup>5</sup> In the source text, presumably by error in transmission, this sentence preceded the one beginning "Cripps distinguished himself".



with smooth working of present machine". Lange took position that there was no need for anyone to present OEEC views to member govts since those views were evolved by Council of Ministers of participating governments. Pella spoke most helpfully to the effect that proposed personality could perform most useful function in giving dynamic impulse to development and execution of collective decisions of Ministers.

Harriman took occasion to express surprise at fact that in Schuman paper US was lumped with non-member countries and international organizations in general. This was rectified.

Portuguese representative . . . opposed proposal generally approved to allow Van Zeeland to sound out Spaak informally on behalf of organization. He was most legalistic on subject of "incompatibilities" and with reference to mention of Council of Europe.<sup>6</sup>

Text of working paper to be used for further discussion and consideration will be forwarded shortly.<sup>7</sup> It provides that proposed personality will insure permanent liaison between OEEC and US Govt and such liaison as may be appropriate between OEEC, non-members and international organizations. He will also have responsibilities with respect to presentation of OEEC objectives to the public. He will report to the Council and be responsible to it. He will attend meetings of Council and Consultative Group in consultative capacity. Secretary General will make such services as he requires available to him and will pay him appropriate "indemnities". Consistent with OEEC convention he will make direct contact with members of the organization either on his own initiative or at the request of the chairman in order to contribute to bringing about agreements between members and to coordinate activities aimed at accomplishing agreed ends. The question of incompatibility of proposed position with others held in international organizations by possible candidate will be settled by Council on *ad hoc* basis.

Tel follows<sup>8</sup> with proposed line of action and further comments.

KATZ

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<sup>6</sup> Another account of the meeting of the Consultative Group was transmitted by Murphy in telegram 1697 from Brussels, December 22, not printed (840.50 Recovery/12-2249).

<sup>7</sup> The text of the working paper was transmitted to ECA in Repto 8111 from Paris, December 22, and to ECA Mission Chiefs in Repto circular 428, December 22, neither printed (ECA Telegram Files, FRC Acc. No. 53A278).

<sup>8</sup> This telegram has not been identified.

840.50 Recovery/12-2349 : Telegram

*The Secretary of State to the Embassy in France*

SECRET

WASHINGTON, December 23, 1949—6 p. m.

4927. Secrep 13.<sup>1</sup> We agree on importance of approach to Van Zeeland and Spaak as outlined Repto 8120.<sup>2</sup> We are concerned over possibility that Consultative Group working paper may not represent acceptable basis for Spaak or any other strong European personality to consider taking position. What is meaning fol language in working paper "He must not hold any polit office, either in his own country or in any internatl org, by virtue of a legal undertaking, contractual or otherwise". Wld this require Spaak to resign his position as member Belgian Parliament or as President the Assembly of Council of Europe? We wld be interested in your thoughts as to next steps if proposal as drafted is unacceptable to Spaak. Will there by any possibility getting support for revised and more acceptable draft by next mtg in mid January?

ACHESON

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<sup>1</sup> Repeated to Brussels as 1499 and to London as 4587.

<sup>2</sup> Not found in Department of State files; however, in Repto 501 to Brussels, December 22, not printed, Katz had asked Murphy to convey to Van Zeeland and Spaak the disappointment of the United States at the outcome of the meeting of the Consultative Group on December 20. Katz also stated that OSR had reason to believe that Cripps had written three letters to Spaak that were calculated to "sabotage" Van Zeeland's original proposal. Murphy was asked to express his surprise at the British attitude, with the hope of developing something that "might be useful to us." (London Embassy Files, Lot 58F47, 500 Marshall Plan).

MEETING OF UNITED STATES AMBASSADORS AT PARIS,  
OCTOBER 21-22, TO DISCUSS MAJOR DEVELOPMENTS  
RELATING TO EUROPE

840.00/10-1949: Telegram

*The Secretary of State to the Embassy in France*

SECRET US URGENT WASHINGTON, October 19, 1949—8<sup>45</sup>p. m.

4013. For Perkins.<sup>1</sup> I have reviewed the problem of closer international association in the Western world, and suggest the following considerations for your discussion of this topic with the chiefs of mission in your Paris meeting and request prompt report of your discussions on this subject. I will also discuss this subject, if possible, with Hoffman<sup>2</sup> before his departure.

It is not yet clear what is the most desirable ultimate pattern of deeper international association of the US, British Commonwealth, and Europe, and I do not believe that anyone should blueprint a course far ahead with any great rigidity. Ties among all these countries have been becoming closer in many ways, and I believe that we and the other nations concerned should continue to develop and strengthen these overall ties, using for this purpose the Atlantic Pact organization, the OEEC, and other institutions, such as GATT, ITO, IMF, and other UN instrumentalities. However, it also appears important and, in my opinion, urgent to parallel this line of action with progress toward more intimate integration within this wide framework of as many countries as possible. By this, I have in mind developments going beyond the existing cooperative and collaborative forms of the Atlantic Pact and OEEC. This progress toward integration should be consistent with and, in fact, contributory to a further strengthening of ties among all Western countries. It should also not commit us to patterns of organization which irrevocably exclude or include the US and other countries not initially participating.

A dominant consideration underlying the belief that integration is needed is the problem of Western Germany. The character of Western Germany and of its relations to its neighbors is rapidly being molded.

<sup>1</sup> George W. Perkins, Assistant Secretary of State for European Affairs.

<sup>2</sup> Paul G. Hoffman, Administrator for Economic Cooperation.

There are signs that it is already taking a familiar and dangerous nationalist turn. This trend must be expected to continue unless German resources and energies can be harnessed to the security and welfare of Western Europe as a whole. The danger is that the time to arrest and reverse this trend is already very short. This consideration weighs heavily in our thinking. ECA also believes that integration is necessary if Europe is to achieve viability. Without challenging this view and while recognizing that economic integration should greatly assist necessary economic adjustments, I believe that this argument should not be misinterpreted to mean that the solution of the dollar payments problem lies solely or necessarily primarily in integration.

The key to progress towards integration is in French hands. In my opinion France needs, in the interests of her own future, to take the initiative promptly and decisively if the character of Western Germany is to be one permitting healthy development in Western Europe. Even with the closest possible relationship of the US and the UK to the continent, France and France alone can take the decisive leadership in integrating Western Germany into Western Europe.

If France can make this effort, it can be sure of our support and encouragement and every safeguard we can reasonably be asked to provide. We envisage a development and strengthening of US ties with Europe, but for the period immediately ahead ties short of those needed among the European countries. We will encourage the UK to move as far and as fast as it can in strengthening its ties with the continent, though we recognize that there are good reasons why the UK feels that it would have to stop short of steps involving merger of sovereignty at this time. The Dept for example is prepared to consider some form of membership in the OEEC. It is also prepared to see a strengthening of the OEEC along lines permitting action by less than unanimous decision and perhaps to bring OEEC into some kind of institutional arrangement with the Council of Europe, if these moves prove desirable. It is also anxious to see much greater progress toward liberalization of trade and payments among all OEEC countries and other action to carry out the mutual aid pledges of the OEEC convention. We will certainly not acquiesce in any British attempts to obstruct integration; to the contrary, we will use our influence with the UK to secure its cooperation and collaboration along all these lines.

Inability of the US and possibly of the UK and of other countries to join at this time in actions involving some merger of sovereignty should not debar some countries from such progress. I wish particularly to emphasize that this does not and must not mean any weakening of US or UK ties with Europe and does not mean "leaving France alone on the continent." (In fact, what we are suggesting is movement along two lines: first, a strengthening and development of

cooperative action by the US, British Commonwealth, and Europe, and second, new institutional arrangements where these are needed and can be developed by some countries within the larger group. Progress along the two lines should, as far as possible, go forward hand in hand and each reinforce the other.) The needs of the continental countries are in some respects more urgent and more compelling and seem to me to require such action, even if the UK finds that its participation must be less than complete. In some fields and for some purposes, substantial progress toward the establishment of supra-national institutions, as well as arrangements for the freer movement of persons, are needed soon.

With specific reference to the memorandum Bissell has brought to Paris,<sup>3</sup> the Dept regards it as a useful analysis of the problems needing action on a supra-national basis and of possible forms of supra-national organizations to deal with these problems, but believes that the specific provisions and time-table suggested require careful further analysis and that further it is much too precise a blueprint to be put forward as a considered US Govt proposal for action. Rather we feel that the Europeans must themselves analyze the problems and develop the institutions to handle these problems, and that the US should confine itself, as in the case of ERP, to friendly advice and assistance. We should avoid committing ourselves to the public, the Congress, and the Europeans about such a definitive statement of the problem and its solution in order that failure by the Europeans to take this action will not appear to be a failure of US policy or a justification for discontinuing ERP aid. We therefore request you to inform Bissell that the Dept believes it would be unwise to submit the memorandum to representatives of OEEC or other govts, and trust that it will be used only as background for US officials in discussing the problems and possible forms of organization.

At the same time, however, only a definitive beginning in the near future along these lines appears to offer hope for such a radical change in the climate in which these countries are trying to work out their problems as to reverse incipient divisive nationalist trends on the continent, to create a structure strong enough to carry out the purposes of the Atlantic Pact and resist threats from the East, and to permit constructive German participation in continental affairs in the interest of Western Europe as a whole. I repeat that the UK should participate to the extent that it is willing and able to go—and the same principle should apply to the US and Canada.

To sum up, the urgent tasks facing the Dept, and the ECA, are to strengthen existing ties (including perhaps some form of US mem-

<sup>3</sup> This memorandum by Richard M. Bissell, Jr., Assistant Administrator for Program, ECA, has not been identified in Department of State files.

bership in the OEEC and a reorganization of OEEC to permit recommendations by less than unanimous decision), to support and encourage positive action under OEEC auspices to carry out the pledges of mutual aid, and simultaneously to support and encourage the French in taking the initiative in seeking Franco-German understanding as the precondition to progress toward integration.

I believe that this may be the last chance for France to take the lead in developing a pattern of organization which is vital to her needs and to the needs of Western Europe. The taking of this initiative is not a price for further US aid, and I do not believe that we should put pressure on France nor put ourselves in a position in which French failure will be a defeat for US policy. But this does represent our analysis of what is needed if Russian or German, or perhaps Russian-German domination, is to be avoided.

By progress toward integration, as mentioned above, I have in mind the earliest possible decision by the Europeans as to objectives and commitments among them on a timetable for the creation of supra-national institutions, operating on less than a unanimity basis, for dealing with specific economic, social, and perhaps other problems. We do not intend to propose the precise character and scope of these institutions. The nature of the problem and the means for dealing with it are obviously more clearly understood in Western Europe than here. Institutions, if they are to last, must be created by the countries who are to participate in them. But I do wish to emphasize that, in my opinion, they would fall short of the needs of the time if they did not involve some merger of sovereignty.

ACHESON

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740.00119 Council/11-749

*Summary Record of a Meeting of United States Ambassadors at Paris,  
October 21-22*

TOP SECRET

PERSONS ATTENDING MEETING

Charles E. Bohlen,  
Minister, Paris Embassy  
Col. C. H. Bonesteel,  
Special Assistant to U.S. Special  
Representative in Europe for  
ECA  
David K. E. Bruce,  
Ambassador to France  
Lewis W. Douglas,  
Ambassador to Great Britain

James C. Dunn,  
Ambassador to Italy  
W. A. Harriman, U.S. Special  
Representative in Europe for  
ECA  
Robert P. Joyce,  
Policy Planning Staff, Depart-  
ment of State  
Admiral Alan G. Kirk,  
Ambassador to USSR

Douglas MacArthur, 2nd, Deputy Director of the Office of European Regional Affairs, Department of State

John J. McCloy, High Commissioner for Germany

George W. Perkins, Assistant Secretary of State for European Affairs

Woodruff Wallner, First Secretary, Paris Embassy, Recording Secretary of Meeting

# ORDER OF DISCUSSION

1. Reappraisal of progress and setbacks in cold war in Western Europe as they affect present and future U.S. policies.

a. Effect of recent international developments on Western Europe, i.e., Tito heresy, status of Greek civil war,<sup>1</sup> Soviet announcement on atomic bomb.<sup>2</sup>

b. Present strength and influence of national Communist parties and estimate of future strategy and tactics.

c. Problem of East-West trade, possible extension, coordinating action.<sup>3</sup>

2. Problem of Western European cooperation in political, economic and security fields, looking to integration and basic U.S. policy objectives in relation thereto.<sup>4</sup>

a. Inter-relationships of Western European countries, including United Kingdom, as they affect development of Western European unity.

b. Review of ECA policies, including conclusions of ECA Mission Chiefs Meeting, 20 October.

(1) Special economic arrangements between groups of countries.

c. Role of ECA, OEEC, Council of Europe and Western Union.

d. Recommendations as to specific U.S. actions for the furtherance of Western European integration.

e. North Atlantic Pact and Military Assistance Program.

3. Germany.<sup>5</sup>

a. Germany and European or Western unity.

b. Immediate problems relating to Germany: Berlin, two German governments, dismantling, discrimination and dumping.

4. Methods of increasing coordination and exchange of information among Western European Missions and other questions of interest which may be raised.

<sup>1</sup> For documentation on these subjects, see volume v, compilation on the Yugoslav-Cominform dispute, and volume vi, compilation on the Greek Civil War.

<sup>2</sup> On September 23 President Truman announced that "We have evidence that within recent weeks an atomic explosion occurred in the U.S.S.R." For the texts of this statement and a related one by Secretary of State Acheson, see Department of State *Bulletin*, October 3, 1949, p. 487. For related documentation, see volumes i and v.

<sup>3</sup> For documentation, see volume v, compilation on U.S. policy on trade with Eastern Europe and the Soviet Union.

<sup>4</sup> For documentation, see pp. 1 ff, and 367 ff.

<sup>5</sup> For documentation, see volume iii, The Council of Foreign Ministers; Germany and Austria.

FRIDAY—OCTOBER 21, 1949

*Morning Session*

The meeting opened at 10 a. m. with Mr. Perkins in the Chair.

MR. PERKINS opened the meeting by briefly tracing the history of the concept in the Dept of an informal gathering of the principal Western European Ambassadors. It was the Dept's thought that the meeting should be entirely informal, that the Ambassadors should examine and discuss the principal problems of U.S. foreign policy which they had in common in the respective countries, arriving at tentative conclusions and perhaps specific recommendations which should be submitted to the Dept for consideration and final action.<sup>6</sup>

The agenda was then considered and it was agreed that the morning session should be devoted to item 1, leaving the afternoon free for item 2 for which specific guidance had already been provided by the Dept (Deptel 4013 of Oct 19). Mr. Douglas suggested, and Mr. Dunn agreed, that if the time was found some attention should be given to the problem of Italian colonies.<sup>7</sup> Mr. Douglas pointed to the seriousness of the recent British decision to withdraw from Libya entirely if the proposal presently before Committee One of the General Assembly, which provided for the complete unity and independence of Libya, were to be adopted. Mr. Harriman suggested that the subject of the Far East should be included and the hope was expressed that this might be discussed that morning in connection with item 1. Mr. Perkins then asked Mr. Douglas to begin.

MR. DOUGLAS stated that the British Govt was not overworried by the possibility of hostilities emerging from the Tito heresy and that British public opinion as a whole took a calm view of the situation. The same was true of the announcement of the Soviet bomb explosion, both the Govt and people having reacted with great steadiness to an event which while not unexpected came so suddenly. The continent, however, and especially France—if he was to believe his French colleague, M. Massigli<sup>8</sup>—were in a state of great uneasiness. This was not

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<sup>6</sup> The holding of periodic informal gatherings of the principal Ambassadors in Europe was originally suggested in late August 1949 by Under Secretary of State James E. Webb. As the concept was developed in the Department of State, these gatherings would include Ambassadors Bruce, Douglas, and Harriman and High Commissioner McCloy, and other Ambassadors as appropriate. Assistant Secretary Perkins or other top officers of the Department might attend from time to time. Arrangements for the first meeting and the definition of items to be considered were worked out in a series of telegraphic exchanges in September and early October between the Department and the various posts. Documentation on the origin and organization of this meeting is in file 120.3 Conferences.

<sup>7</sup> For documentation on United States policy with regard to disposition of the former Italian colonies in Africa, see pp. 526 ff.

<sup>8</sup> René Massigli, French Ambassador to the United Kingdom.



so much due to concern over possible increased Communist activity as the result of the Tito heresy, or even the atomic bomb announcement, although both were undoubtedly contributing factors, but fear as to the consequences of the devaluation of the pound and the inflationary forces which it had set loose. By far the most important recent development in Western Europe is that Continental confidence, and particularly French confidence, in Great Britain have been shaken. One of the most vital problems before us is to bridge the wide gulf which in the last six months has opened up between the UK and the Continent.

In response to a question by Mr. Perkins as to whether disharmony between the Western nations had reached a point where it could now be considered a greater danger to us than that of the Communist parties in the Western world, Mr. Douglas replied that the Communists were always lurking in the background and saving their strength, waiting to take advantage of just such dissensions.

MR. PERKINS then turned to Mr. McCloy.

MR. MCCLOY began by agreeing with Mr. Douglas on the importance of the gulf created between the UK and the Continent and the important influence of the devaluation of the pound on the creation of that gulf. He felt that the effect of M. Bonnet's report to the effect the U.S. was encouraging British desolidarization from the Continent<sup>a</sup> had been felt in Frankfurt in the relations between the High Commissioners, and he himself had experienced these repercussions during his visit to Paris to discuss with the French the devaluation of the mark and the price of German coal. He indicated that he would speak at greater length when the subject of Germany came up on the agenda. He said that with specific reference to item 1, the Soviet atomic explosion had caused no tremor in Western Germany and had so far produced no ascertainable effect in public opinion. We are on the verge, however, of a great Communist offensive in Germany, growing out of the creation of the Eastern German Republic which will seek to exploit the existing tensions between the Western nations.

MR. PERKINS then turned to Mr. Dunn.

MR. DUNN said that the Soviet atomic explosion had had little effect in Italy; that the Italian people were largely occupied with local problems and that there existed a strong undercurrent of feeling that whether the Soviet Union had the atomic bomb or not, the U.S. was stronger and would prevail. The announcement had not shaken Italian confidence in the Western world. As to Yugoslavia, the Italian Govt and people have no faith in Tito. While agreeing intellectually with

<sup>a</sup> For documentation on this subject, see telegram 3961, September 23, from Paris, p. 663.

the concept that the Western nations should exploit the rift between Tito and the Kremlin, Italians generally watched this development with skepticism and even anxiety. The Govt, however, was making a real effort to follow U.S. policy in encouraging Tito economically at least, as witnessed by the recent conclusion of the Italo-Yugoslav commercial agreement which in some respects was unfavorable to Italian interests. The problem of the Greek civil war was largely a matter of indifference in Italy. On the other hand, Greco-Italian relations were rapidly improving. The devaluation of the pound proved a great shock to the Italians, particularly in the industrial North. Italy had stabilized the lira and while some devaluation of the pound had been expected, its method and extent had resulted in bitter resentment against Great Britain and had profoundly affected Anglo-Italian relations. (This is to be added to the bitterness over the British handling of the Italian Colonies issue.) As to the lira, the Italians now expect to hold it to a devaluation of no more than 10% or 12%, and unless there is a general wave of devaluation throughout Western Europe, the Italian Govt is in a position to contain inflationary forces at home. The influence of the Italian Communist Party has steadily decreased since the Italian elections of April 1948, whose psychological effect was far-reaching and long lasting. This trend of contempt for the Communist Party may even prove dangerous as the Party is driven in on itself and adopts more assertive and violent tactics. The Govt can maintain order in the police sense and handle any insurrectional movement but the effects on industrial production of these more assertive tactics may be considerable. The Italians have been 100% co-operative with us in the matter of East-West trade and have adopted all the restrictions which we requested. They have gone further than any other country. The danger now is that Italy may relax these restrictions to conform to those agreed upon by England and France at the meeting on Nov. 14 to which the Italians have been invited.<sup>10</sup>

MR. PERKINS then turned to Admiral Kirk.

ADMIRAL KIRK began by reminding the meeting that he had been in Moscow only three months and that therefore he could only give his first impressions. These impressions, however, were extremely sharp. The first was that of living under a ruthless dictatorship from which every vestige of human sympathy, kindness or tolerance had

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<sup>10</sup> During 1949 the United Kingdom and France developed a list of commodities (the Anglo-French list) that were embargoed from export to Eastern Europe and the Soviet Union. Representatives of the United States, the United Kingdom, France, Italy, Belgium, and the Netherlands, and observers from Denmark and Norway, met in Paris, November 14-25, to formulate a common export control program based on the Anglo-French list. A report on these meetings, telegram Repto 7579 from Paris, November 25, is included in the compilation on U.S. policy on trade with Eastern Europe and the Soviet Union, scheduled for publication in volume v.

been removed and which "balanced its books" every night. One of the great problems of the Embassy at Moscow was to know what the Soviet people thought. This was particularly true of the Soviet bomb announcement. While the Govt had undoubtedly been caught flat-footed by our announcement of the explosion, the people, when informed, seemed largely unmoved and prepared to accept the Soviet Govt's explanation that it had possessed the atomic secret since 1947. If there were vast military preparations in the country they were not discernible to the inhabitants of Moscow and it was impossible to tell their extent. As to Tito, there was nothing to add to the cable sent by the Embassy at Moscow on Oct. 8.<sup>11</sup> It was clear that the Tito matter had now reached a question of personal prestige between Stalin and Tito and that as far as the Soviet Union was concerned it could only be solved by the disappearance of Tito from the world scene by fair means or foul. It would be a mistake to think that the Soviet had given up the cause of the Greek rebels. In this the attitude of Yugoslavia had been a determining factor and the Soviets undoubtedly expected to resume support of the rebellion once Tito had been eliminated from Yugoslavia. The action of UNSCOP and particularly the valuable military support afforded by the US had also been important factors in the successes of the Greek Govt and together with the Tito defection had greatly discouraged Greece's satellite neighbors but they too had not definitely given up the cause of the Greek rebels. The grand lines of Soviet policy remained the same, to push and press wherever opportunity offered and to take advantage of every chink in the armor of the non-Soviet world. The creation of the Eastern German state was a simple and inevitable example. China presented great potential advantages and also potential difficulties in the eventual alignment to Moscow of the Chinese Communist Govt. As for Japan, the constant references by Vishinsky<sup>12</sup> to the Japanese peace treaty were but one evidence of the Soviet determination to evict us by one means or another. One of the principal underlying hopes of the Soviet regime was the real conviction that the capitalist system as a whole, not merely the U.S. economy, was on the way to collapse. This theme, which had deep doctrinal roots in Russia, was kept alive by every possible means.

ADMIRAL KIRK suggested and it was agreed that the subject of East-West trade would be taken up separately.

MR. DOUGLAS asked whether as the result of Vishinsky's strong statement in connection with the Yugoslav candidacy to the Security

<sup>11</sup> The reference is presumably to telegram 2537 from Moscow, October 7, the text of which is included in the compilation on the Yugoslav-Cominform dispute, scheduled for publication in volume v.

<sup>12</sup> Andrey Yanuaryevich Vyshinsky, Minister for Foreign Affairs of the Soviet Union.

Council <sup>13</sup> we should expect a heightening of Communist Party activities throughout Western Europe. ADMIRAL KIRK and MR. BOHLEN did not think so, pointing out that the statement was primarily destined for consumption inside the satellite area and that at most it indicated the laying of a groundwork for a legal case to be later presented if considered opportune to the effect that Yugoslavia's election to the SC was improper and invalid.

MR. PERKINS then turned to Mr. Harriman.

MR. HARRIMAN said that one of the most important psychological developments in the last year in Western Europe had been the abatement of the fear of Soviet aggression and that this had been brought about by the progress of the Marshall Plan, the decline in influence of Communist parties and the development of the Western Union security framework through the negotiation of the North Atlantic Treaty and the passage by Congress of MAP. Outside of the Western European area the most important development was undoubtedly the Tito heresy, and it was obvious that the Atlantic powers should do everything possible to keep his regime afloat so that this sore on the Soviet security and ideological structure might continue to fester and spread. One thing that was of general concern in the general economic and psychological improvement in Western Europe was the unsatisfactory condition of labor, with unity of action movements spreading. As for Greece, it seemed necessary to give greater impetus to the trend of improvement which had taken place and that all branches of US activity in the area, military, economic and political, should be stepped up, that our policies there should be infused with new energies and new determination.

MR. PERKINS stated that the Dept and the US Govt generally agreed that Tito must be kept afloat. To this end he read the conclusions of a paper recently prepared by the Policy Planning Staff <sup>14</sup> and inquired whether the Ambassadors concurred therein. There was general concurrence but the thought was advanced that the Pentagon Building was not in step with the rest of the administration on this matter and that it might therefore be helpful to the Secretary if the meeting dispatched a telegram indicating its agreement with the conclusions of the Policy Planning Staff paper.

MR. BOHLEN pointed out that our general support, economic and otherwise, of Tito in order to exploit his break with the Kremlin should never be allowed to extend to the ideological field. It was highly important that we should not cross this ideological line and find our-

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<sup>13</sup> On October 20 the General Assembly of the United Nations elected Yugoslavia to a seat on the Security Council. Documentation on the election of non-permanent members of the Council is presented in volume II.

<sup>14</sup> Presumably document P.P.S. 60, September 12, 1949, included in the documentation on the Yugoslav-Cominform dispute, scheduled for publication in volume V.

selves giving moral approval to what was essentially a Communist totalitarian dictatorship. With that one important qualification we should go the limit. The Tito heresy was the most important recent development, striking at the very roots of Kremlin domination, and may prove to be the deciding factor in the cold war.

MR. HARRIMAN agreed. The victory or defeat of Tito may be our victory or defeat in the cold war. If Tito is No. 1 business for Stalin, it should be No. 1 business for us. A strong statement to this effect should go forward to the Dept from the meeting.

MR. PERKINS stated that in spite of disagreements of a secondary nature in connection with the approval of the transfer to Yugoslavia of a blooming mill there had been no real difficulty in Washington in providing Tito with such economic help as was available for distribution. This aid was now sufficient to see him through the rest of the year. The ways and means for helping him in 1940 [1950] were under active consideration but no decision had yet been reached. Military aid was another matter. It was generally agreed that in the event of hostilities from the east, Tito could hold out for a very long time in the mountains if he were supplied with small arms from the U.S. Staff studies were now being made and active consideration of the extent and timing of possible U.S. military aid to Yugoslavia was underway. A strong statement from the present meeting of the importance of supporting Tito would be helpful to the Dept at this time and should go forward.

(Note: The statement referred to was dispatched to the Dept as Paris telegram No. 4424, Oct. 22, 1949, and appears as an Annex to this record.<sup>15</sup>)

MR. PERKINS then turned to Mr. Bruce.

MR. BRUCE briefly reviewed the decline of the power and influence of the Communist Party in France since May 1947, when it was ousted from the Government. The failure of the great insurrectional strikes of 1947 and 1948 had been a severe blow to the Party and had been a significant victory in cold war in France. Communist Party strength had declined to some 600 or 700,000 members and membership figures of the CGT showed a steady fall. While the Communist Party still control some 180 odd votes in the National Assembly on the basis of the 1946 elections, the expression of this apparent political strength is confined to the Assembly alone and is no longer exercised through executive departments and agencies from which Communist Party members have been increasingly eliminated. The principal source of Communist strength in France remains the CGT in spite of the losses incurred by unsuccessful strikes, where the line has changed to raising

<sup>15</sup> The text of telegram 4424 is included in the documentation on the Yugoslov-Cominform dispute, scheduled for publication in volume v.

the standard of living of all workers on a broad basis and which now calls for unity of action to this end by all the trade union federations. The appeal of this theme throughout working class circles is obvious, and the energies of the Communist Party machine are now directed to develop it. Quite apart from the obvious merits in our eyes of improving the standard of living of French workers, we must beware of the development of this Communist-led campaign since it strikes at the heart of the wage-price relationship around which the inflationary forces in France center. The notable progress made in stemming inflation and bringing up stabilization in France since the beginning of the Marshall Plan, which was most notable in 1949, can be wiped out overnight by a sudden uncompensated disturbance of this relationship, and this is undoubtedly one of the principal Communist objectives. This raises the question of possible governmental action against the Communist Party which, if undertaken, would probably not be opposed by violence as it was two years ago. There are definite indications that the morale of the Communist para-military groups has declined. The result of such action would undoubtedly be to drive the Communist Party under ground. In this great evolution of public feeling toward the Communist Party, particularly among persons who while not Communists were attracted to it the years following the liberation, the appearance of Titoism and the position of the Catholic church in excommunicating Communist militants have been two important factors. With respect to the Soviet atom bomb explosion, this would appear to have had no strong discernible effects as yet on French public opinion, which is strongly marked with pessimism as to France's fate in the event of an outbreak of general hostilities. This atom bomb announcement has not noticeably increased this feeling of pessimism. With respect to the Soviet East-West trade, the recent announcement of French compliance with certain of our desiderata marked the end of a long and hard struggle.<sup>16</sup> There was still a long way to go and in the last analysis we could expect France to do what Great Britain did and not a bit more. The whole situation cried out for general multi-lateral agreement among western European nations on this subject.

Finally, the important question of Indochina would be brought up when the question of the Far East was reached on the agenda.

MR. PERKINS suggested that the meeting now address itself to the subject of East-West trade, a subject which in his mind fell into two divisions: (1) the content and the applicability of our present policy

<sup>16</sup> The reference is presumably to the revised and enlarged Anglo-French export embargo list which served at Paris in October as a basis for discussion among American, British, French, Belgian, Netherlands, and Italian Representatives looking toward formulation of a common export control policy. The discussions and the new list are reported in telegram Repto 6884 from Paris, October 15, scheduled for publication in volume v.

as expressed in the IA and IB lists<sup>17</sup> and, (2) the examination of this policy with a view to its possible reappraisal. He then turned to Admiral Kirk.

ADMIRAL KIRK said that he preferred to take up first the question of whether our present policy was correct. He referred to Despatch No. 558, October 1, from the Embassy at Moscow<sup>18</sup> and explaining that it consisted of some 50 pages of careful analysis, proceeded to summarize the principal points and conclusions of this despatch. Pointing to the unreliability of Soviet statistics which seem designed to mystify rather than inform, he said that it was possible to conclude that the ruble bloc as a whole and Russia in particular was extremely short on dollars, other hard currencies and even sterling with which to purchase the know-how and the capital equipment which was essential to the development of the enormous national resources of the USSR. We should, therefore, examine with great care and in the light of the definite advantages which might ensue to the Soviet economy any changes in our policy on three questions:

- (1) The price of gold,
- (2) International grain and commodity support prices and,
- (3) The price level of machinery and equipment, exports from the western world.

It was clear that the Russian economy, industrially speaking, was still on a hit-or-miss basis with important gaps, particularly in know-how. It was now apparent that the western counter-blockade did more to bring the Russians to their knees on the subject of Berlin than had the air lift magnificent as it was. In addition to revealing the essential vulnerability of the USSR economy, this fact made it possible to conclude that the USSR was more dependent on the West than the West on the USSR. If this conclusion is correct, and it is difficult to prove, it should be one of the essential factors in our policy toward East-West trade, for it leads to the further tentative conclusion that it is not impossible that a carefully devised policy of selected blockade, involving foreign currencies, industrial know-how and certain capital equipment, might bring down the Soviet house of cards.

MR. HARRIMAN pointed out that it was obvious that a complete stoppage of trade between East and West was impossible. The western world required from the Soviet satellite area coarse grains, Polish coal, timber, manganese, etc. It was difficult and sometimes impossible to find alternate sources of supplies for these items and a major shift in

<sup>17</sup> The United States export control policy involved a "1-A list" of completely embargoed commodities and a "1-B list" of commodities whose export was severely restricted.

<sup>18</sup> Scheduled for publication in volume v.

economic policy would be involved in seeking to develop such alternative sources of supply.

ADMIRAL KIRK agreed but suggested that there was room to take effective action in numerous fields.

MR. HARRIMAN said that while we could not afford to stop trade between the western world and the Soviet world, a reappraisal of our entire policy was necessary from both the quantitative and qualitative standpoint. We should have a fresh look at the whole problem of cooperation with our European partners. The mutual security commitments of the Atlantic Pact seem to offer the best basis on which to undertake a concerting of action. Much had already been done through ECA channels but this method would become less effective without concerted multilateral action, although the ECA approach will continue to be pushed vigorously until an alternative is agreed upon. The Atlantic Pact machinery would provide room for three important aspects of controls which were necessarily absent from the ECA approach. These were: adequate emphasis on security and political factors and the tackling of control of industrial know-how. One additional angle which had not received sufficient consideration was the encouragement to technicians in the Soviet world to escape by assurances that they would be welcome and assisted to start a new life.

MR. DOUGLAS inquired as to the possible dangers of the USSR instituting a counter-blockade if once it started feeling the pinch of our increased control. After some discussion the consensus of the meeting appeared to be that this was unlikely since the USSR was more dependent on the West than the West on her.

MR. HARRIMAN stated his opinion that unless the whole subject was placed under the Atlantic Pact machinery, it would be impossible to get full agreement with good will even on the IA and IB lists. Much less any tightening up of controls after reappraisal of our policy.

MR. BOHLEN suggested that one point which had been overlooked in the discussion was the eventual needs for eastern European markets for the surplus industrial production of Western Europe, and this question was briefly considered.

COL. BONESTEEL said that action must be taken soon if the ground already gained was not to be lost. At a recent informal meeting of several nations called by the French on the subject of East-West trade, it had become clear that we were rapidly approaching a vicious circle in which some nations involved would agree to no more controls than those adopted by the most reluctant nation and that this vicious circle spirit might, unless we were careful, dominate the meeting called for November 14, at which the United Kingdom, France, Italy and the



Benelux countries plus the U.S. would attend. Privately most of these nations had indicated their desire for multilateral rather than bilateral consideration of those matters on a political and security rather than on a purely economic basis.

MR. PERKINS agreed that the Department should be requested to undertake reappraisal of our policy and to study the possibility of multilateral approach through the Atlantic Pact machinery.

MR. HARRIMAN wished to touch on one final point before lunch, the fact that the admission of Poland to GATT was under consideration. He referred to the difficulties already being experienced by the inclusion of Czechoslovakia in GATT and to the basic contradiction between liberalization of trade among democratic countries (on the basis of which ECA had been presented to and accepted by Congress) and the tightening up of East-West trade controls vis-à-vis a member of GATT. He said he felt strongly that the matter of Poland's admission should be killed if we were not to have trouble with Congress.

The meeting adjourned for lunch at 12:45.

FRIDAY—OCTOBER 21, 1949

### *Afternoon Session*

The meeting reconvened at 2:55 p. m. with Mr. Perkins in the Chair.

MR. PERKINS referred to the Department's telegram No. 4013, October 19, to the Embassy at Paris concerning a closer association of the western world, which had been previously distributed to persons attending the meeting, and suggested that this telegram serve as the basis for the afternoon's discussion, broadly corresponding as it did to item two of the agenda. He suggested that each Ambassador take up the discussion in turn, beginning with Mr. Douglas.

MR. DOUGLAS opened by saying that his basic assumptions were going to be somewhat different from those in the Department's cable which seemed to revolve around the possibility that France could take the lead in European integration. It was doubtful that France could, would or should take this lead without active participation of the UK. With this thoroughly understood the basic assumptions underlying the discussion which was to follow were:

1. Britain cannot be left in the back yard if unification of Western Europe is to take place; and
2. Economic and political integration in Western Europe of some form is absolutely essential.

This inevitably leads to a thorough analysis of the economic and political position of the UK, an analysis which has heretofore been avoided and whose conclusions will be unpleasant. One basic fact which has frequently been overlooked is that the United Kingdom was

never in balance on trade account with the Americas. This imbalance varied between [18%?] and 25%. The rest was made up largely through the processing of raw materials through the London financial system by which the balance in dollars was earned. The gradual disintegration of Britain as a world economic power, which has recently assumed such enormous and dramatic proportions, is the result of a culmination of factors which were present in lesser degree even when British power was at its height. The oldest and most constant factor has been that of mounting costs which reached its apogee after the second world war under the Labor Government. The second set of factors acting toward the disintegration of the sterling area are the growth of nationalism in Asia and elsewhere, the independence of former crown colonies and the consequent growth and development of tariff restrictions within the sterling area itself. Similar forces were at work on the continent which resulted in two wars which almost brought Britain to her knees. These two factors taken together, the cost factor and the forces of disintegration within the sterling bloc, add up to a very serious situation, a situation which it may be impossible for the present British Government or any other British Government to cope with. The problem can be dealt with only by the most drastic internal measures and if no Government can be found to deal with it, the consequences to us and to the rest of Europe will be very serious. The first effort to cope with the situation has been devaluation which has unloosed a series of forces within Britain and the continent whose extent we cannot yet evaluate. To revert to the problem before the meeting, namely, the possibilities of British participation in a closer integration of Western Europe, the present Government is unwilling even to consider, much less to adopt, the measures looking to overcome these difficulties. [apparent omission] so far as Western Europe is concerned, the acuteness and complexity of their troubles including the place of the Commonwealth in their economic structure, tends to make them extremely prudent. This is most natural. But another factor which is highly important is the Socialist and doctrinaire character of the Government and the deep Socialist feelings of its members which makes the number one job in their minds the absolute control of the economic activities of every citizen living under their jurisdiction. A timely example is the recent decision to nationalize steel. This highly centralized domestic economic control makes foreign intervention or too intimate foreign economic intercourse intolerable to the British Socialist leaders, tending, as it does, to reduce their sovereign power to exercise control over their own internal affairs. This is the fundamental contradiction of Socialism with the conception of economic and political integration of Western Europe.

Even on the security side the British position is still in doubt if one considers the recent decision of the UK Government to pull out of Libya in the event things don't go right in the General Assembly, but this cannot be known until the domestic program now under consideration has been announced. It is a big question as to whether that program will be radical enough or drastic enough and whether in 18 months the British situation will not be just as bad as it was before devaluation. These factors make the present régime a very poor prospect as a major element in what we know must be done, namely, further political and economic integration of Western Europe. Nevertheless, this must go on, and we must press ahead elsewhere with integration measures in the hope that the UK will come in and we must press the UK without expecting too much. The situation is not hopeless. There must be elections within the next nine months in England and there are elements there who are acutely aware of the necessity for further British cooperation with the continent and are deeply concerned by the deep ravine which has opened between them. The US should certainly continue to take a more positive position on this whole subject in the OEEC and should support, perhaps more actively than before, the concept of the Council of Europe. The integration of Germany into Western Europe should also be actively pursued. We should go ahead with all those integration measures insofar as we can, regardless of the possible criticism from the British. In considering the degree to which we should press the British, however, it should always be recalled that in spite of gifts, not loans, gifts from the United States and Canada amounting to over seven billion dollars in the last few years, Britain is in the worst financial condition since the close of the Napoleonic wars.

MR. PERKINS then turned to Mr. McCloy.

MR. MCCLOY said that in view of the importance of Germany in the problem of European integration, he thought it would be well to consider item three of the agenda at this point, but that first it might be well to raise the question as to whether too much emphasis had not been given to the increase of Russian power in the world and too little thought to the enormously important factor that is the collapse of the British Empire. This collapse may be more important than the problem of Russia. For on the continent the lines are now drawn: they are no longer on the Elbe, they are on the frontier between the Eastern and Western Zones of Germany. We in Germany must now expect a powerful offensive from the East. The creation of West Germany is a great event but is one aspect of the "struggle for the soul of Faust". This offensive may be more affirmative and threatening than the institution of the blockade. For the propaganda ad-

vantages of East Germany are great. First there is Berlin, the old "Hauptstadt" which strikes an emotional cord in Germans, no matter how much they may hate the Russians. Then there is the vision of the enormous hinterland of unknown markets and trade outlets to the east. There is the old dream of unity which is very deep in the German soul. There is the absence of an occupation statute and of a High Commission in charge of Foreign Affairs. The emphasis by the Russians on these themes leads to the supposition that they may be planning to make East Germany the major satellite. There are further disadvantages in the building up of a strong West Germany. The specter of political instability worries the Germans there, and the control of the Government by the High Commission is a factor capable of exploitation. Western Germany is plagued by economic ills, unemployment, the influx of refugees, a low level of economic activity and the loss of its natural granary by an area far from self-sufficient before the war. The return of former Nazis to the community is a further problem. The resistance people are still the leaders in political life but the reintegration of the Nazis into the community has just begun and they are still an unknown factor. Youth has no ties of any kind and has not yet taken a position. The conservatives are still quiet and are yet to be heard from. A disturbing trend is the growth of a spirit of pessimism, a third force feeling contrary both to East and West based on a vague idea of neutrality and marked by a strong cynicism concerning the West and its divided Councils. The idea of partnership in a European federation has a strong basic pull throughout West Germany but it is latent and requires development. Such integration seems most remote but the urge towards it exists and if properly developed may overcome and absorb the cynical third force feeling whose growth has been referred to.

Among the major problems we face in Germany is that of Berlin. The morale of the Western Sectors has fallen abruptly since the creation of the Bonn Government and the end of the airlift. The latter was a terrific morale factor and since its disappearance the real truth of the position of Berlin is becoming increasingly clear to its inhabitants. In this period this is intensified by the double currency system and the fact that the Eastern Sector appears more prosperous than the Western Sectors. This raises the question of the 12th *Land*.<sup>19</sup> Establishment of Berlin as the 12th *Land* will not solve Berlin's problems any more than the airlift did. There is the potential danger of Russian retaliation which looms large in the minds of certain Berliners.

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<sup>19</sup> For documentation on the question whether Berlin should be regarded as the 12th *Land* of the Federal Republic of Germany, see vol. III, p. 361.

Furthermore, the French are firmly opposed. Adenauer<sup>20</sup> himself is opposed on practical political grounds because of the additional votes that would go to the Socialist Democratic Party and also because he does not believe in pushing the French too far and too fast on this problem. Under the circumstances can we be more royalist than the King? But in the meantime there are things that can and must be done to bolster Berlin morally and financially. They will be expensive. A device for using ECA funds must be found. Adenauer is about to announce a plan by which the Bonn Government will assume a part of the city's deficit and certain ministries will have branches in Berlin. These things are merely palliatives. The best hope for encouraging a vigorous position on the part of the West German Government is to nurture the concept of German partnership in a Western European federation. MR. McCLOY then touched on some of the problems, internal and international, involved in the "horrible problem of dismantling", in which he was joined by others of those present, and a discussion ensued which resulted in no definite conclusions or recommendations.

MR. McCLOY then raised the question of a united Germany versus a truncated Germany. France had always firmly opposed a united Germany and it looked as if Russian action in this matter would for the foreseeable future be decisive. A truncated Germany, however, could hardly be considered, even by the French, a menace to Western Europe whether or not the United Kingdom was included in that Western Europe. Adenauer was strongly and favorably disposed for the federation of Germany into Western Europe. He would insist, however, on equal partnership in the economic field and would not permit himself to be squeezed in measures such as equalization of coal prices if another member of the federation such as the UK was to avoid applying those measures. Adenauer furthermore was favorable to a closer relationship with France but was bitter now against the UK partly because he suspected that British attitudes towards Germany were inspired by the competitive spirit and partly because of Labor Party support of his political rivals, the Social Democrats. He is on good terms, however, with Robertson<sup>21</sup> and his feeling about the British could be patched up. However, large numbers of British Laborites come to Germany and press toward nationalization to which the French are opposed and to which "we raise our eyebrows but don't really do anything about". As for US policy, it must be directed towards pressing for the acceptance of Germany into the European

<sup>20</sup> Konrad Adenauer, since September 20 Chancellor of the Federal Republic of Germany.

<sup>21</sup> Gen. Sir Brian Hubert Robertson, United Kingdom High Commissioner for Germany.

Councils. We must put pressure on the French to let the Germans come in on a dignified basis. Soon they will be in the OEEC, next they should be induced to come into the Ruhr authority and they should have a voice in the solution of dismantling. They should participate in informal economic meetings and should gradually be drawn into inter-European conferences of a non-military nature. There must be restored to the Germans a sense of self-respect, or respectability, if their confidence in themselves is to return and they are to tackle effectively the heavy domestic problems of Western Germany.

Mr. McCLOY then touched on the rise of nationalism in Germany which he said had been much exaggerated in the press and which neither worried nor impressed him. The return of the Nazi to the community is taking place in a normal way. These men should be watched for their present rather than for their past attitudes and it is better not to have them underground. The Germans are now thinking more democratically than ever before and it is more and more important to reinforce their faith in democracy. The threat from the East, the emotional responses to Willie Pieck's <sup>22</sup> recent goose-stepping parade in Berlin are very real and we must be prepared to compete with this. On the other hand, German nationalism should not and need not be allowed to get out of hand. We have the power and we should have the determination to crack down immediately on the Germans if they get out of line. An important factor in this is the functioning of the High Commission which must act with harmony, resolution and calm. One drawback has been the unwillingness of the French to give François Poncet <sup>23</sup> more authority. It is hoped that this can be worked out. There are many dangers and pitfalls and obstacles to overcome. It can, however, be done if the Western Powers play the game boldly and in harmony with each other, for it is a game that can be lost, and conventional attitudes and niggardliness at this time can cause us to lose it.

Mr. PERKINS then turned to Mr. Dunn.

Mr. DUNN said that there was a strong feeling in Italy for the concept of Western European integration, both economic and political, and that the Italian Government was prepared to furnish a very high degree of cooperation in the practical measures necessary to bring this integration about. This strong feeling, however, was coupled with the conviction that this integration would not take place unless the United States took a firmer position in pushing it and that it could not take place without the active participation of the United Kingdom.

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<sup>22</sup> Wilhelm Pieck, since October 11 President of the "German Democratic Republic".

<sup>23</sup> André François-Poncet, French High Commissioner for Germany.

This concept of the necessity of UK participation was a realistic, not an emotional, thing, as evidenced by its present strength in spite of the very general and very deep bitterness in Italy engendered by British action regarding the former Italian colonies and the recent devaluation of the pound. Italy also recognizes that England's economic structure and present difficulties may not permit her to participate fully in integration but they are insistent on the necessity for her to participate actively.

MR. PERKINS then turned to Admiral Kirk.

ADMIRAL KIRK said that the Soviet insistence on German unity largely stemmed from the desire of the Soviet Union to participate in some way in control over the Ruhr. Their present lack of insistence on this aspect is largely due to the pressure of other problems and particularly because of recent Soviet successes in the Far East and the necessity for organizing the new Eastern German state. We may expect them, however, to return to the charge with respect to our policy in Western Germany. Because of the imminent threat from the East, we must be affirmative and strong and do what has to be done without delay.

MR. PERKINS then turned to Mr. Harriman.

MR. HARRIMAN said that he was now, eighteen months later, faced with the same situation as that involved in the formation of the OEEC in May 1948, where the British had prevailed in setting the pattern of an organization whose impotency was now becoming alarming. He was in accord with MR. DOUGLAS in believing that the British will not cooperate in what we want in respect to European integration and, more important, what they agreed to do in signing the OEEC Charter. In last analysis the British are not facing up to the fact that they seem to be opposing the basic principle of cooperation upon which the Marshall Plan was presented to and supported by the U.S. Congress, and they must be told so bluntly and immediately. This points to the necessity of further US interest in European economic machinery, for it is clear that not only must US pressure towards integration increase but the US must find some areas for participation in order to accelerate the movement and give confidence to Europeans.

This leads to the thought that the approach of the US to this problem might best be made not from the purely economic or the purely political standpoint but from the standpoint of security which was the most important thing both with us and to the Europeans. Much could be done by the US under the security umbrella but the ways and means require careful consideration. In the first place, the security organization must not be considered simply a military problem. Secondly, we must not indulge in pipe-dreams or chase rainbows. European integra-

tion is going to be a slow thing. Europe is not ready for the establishment of a European Central Bank, or for other such drastic and far-reaching measures. Thirdly, we must press immediately for the integration of a European military organization beginning with the countries adhering to the Western Union. The rebuilding of Europe's military forces is going to be expensive enough. European economy cannot stand for waste.

Next comes the Council of Europe. Here we should broaden and deepen our influence, and the admission of Germany should have a high priority in our action.

In the OEEC we must reaffirm the necessity for and increase our influence in obtaining the adoption of measures such as the abolition of quantitative restrictions and quotas, the lowering of tariffs and eventually the interconvertibility of currencies. This convertibility could be acquired very quickly if Congress would vote a working capital of something like two billion dollars. Since Congress will not, we must look to other measures, of which the establishment of a European branch of the International Monetary Fund to take over the European payments scheme now appears to be the most workable. Lastly, we must go after and abolish double-pricing and here again the UK is our big problem. The British will have to be *told* to stop double-pricing, if it is necessary to threaten reducing their ECA allocations to the tune of double the money they make out of the Continent by these schemes. There are certain concrete if limited measures which we should be able to decide upon and adopt. On these we should concentrate: the abolition of double-prices and the reduction of tariffs; the expansion of the Benelux idea to include Italy and France; give up such pipe-dreams as a Central European Bank; encourage but leave to the Europeans the form of further political integration; abandon dismantling; and urge the French to closer relationship with Germany.

The Franco-German problem is a big one but it can be far advanced if the French are told that if they take the lead, the US will give them full support. The French fears of being left alone on the Continent are insidious and dangerous. France is not being left alone on the Continent as the establishment of the North Atlantic Treaty and the Military Assistance Program well show.

MR. HARRIMAN then said that nothing had disappointed him more keenly than the British attitude toward the proposal to reinforce the authority of OEEC by the appointment thereto of M. Spaak.<sup>24</sup> The cables from London and Brussels bearing on this matter were read

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<sup>24</sup> For documentation on the proposed appointment of Paul-Henri Spaak to a high post in the OEEC, see pp. 447 ff.



aloud. There was considerable discussion as to how to cause the British to change their attitude. MR. HARRIMAN said that it boiled down to making it clear to the British that if they continued to oppose real revitalization of the OEEC and continental efforts to cooperate in the economic field, they were acting contrary to the basis upon which the Marshall Plan was presented to Europe and accepted by the European participants.

MR. DOUGLAS agreed that something must be done and done quickly but pointed out that the degree of pressure and its timing deserved careful consideration. England was now in a pre-electoral atmosphere and the Labor Party might gain considerable electoral strength by posing as having successfully resisted foreign pressure in the interests of the Commonwealth.

MR. HARRIMAN agreed that the North Atlantic Treaty was the most important thing and nothing must be done to weaken it.

There followed a discussion as to the degree to which we could expect interconvertibility of European currencies. MR. HARRIMAN stated that this was a highly technical problem and that at this stage while the creation of a Central Bank would be premature, France, Italy and Belgium could lay the groundwork by making convertibility a reality between their three countries.

MR. DOUGLAS suggested that the meeting define exactly what was desired in terms of convertibility, abolition of quantitative restrictions and price discriminations.

COL. BONESTEEL referred to the points in the Department's telegram No. 4013<sup>25</sup> regarding US participation in OEEC and a change in the unanimity rule in that organization.

MR. HARRIMAN thought that no change in the unanimity rule was possible unless there was a profound change in the British attitude, and even then it might be opposed by other countries. There seemed little likelihood that US participation in OEEC would be appropriate at the moment; however, the question deserved careful consideration.

MR. PERKINS then turned to Mr. Bruce.

MR. BRUCE said he would direct his contribution to this discussion to item 2 A of the Agenda (interrelationships of Western European countries, including United Kingdom, as they affect development of Western European unity) with special emphasis on (1) the problem created by British reluctance to contribute to European unity, and (2) the problem of Germany's place therein. The UK's collapse is one of the most dramatic events of recent history and the suddenness of that collapse has demonstrated the extent and depth of her former close

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<sup>25</sup> *Supra.*

association in the business and financial structure of Europe. In fact, it should be clear to everyone that the UK's economy is so intertwined with the European economy that no integration of Western Europe is conceivable without the full participation of the UK. This is fully realized by the Continentals themselves. No Frenchman, however much of an Anglophobe he may be or however embittered he may now find himself as a result of the events of the last few months, can conceive of the construction of a viable Western European world from which the UK would be absent. It is this deep conviction which lies at the root of the French fear—almost panic—which grew out of the rumors that the US was sympathetic or indifferent to the present trend in the UK of disassociation from the Continent. The French know that such disassociation would be fatal to the cause of European integration, and the intimation that the US might be fostering such disassociation produced a combination of incredulity and fear in French Government circles. The result of British disassociation can only be the reversal of the trend towards integration and a return to the worst continental type of autarchy, with each nation retiring behind its national boundaries, as they have so frequently and so tragically in the past. This brings us to the second problem, that of the integration of Germany. All are agreed upon its importance. It should not be thought however that the French alone are recalcitrant on this point. All of the nations that were defeated by Germany in the last war, and in previous wars, are conscious of her latent power and are haunted by the fear that a reconstructed Germany will choose Russia rather than the West in the event of another war. This underlying reality cannot be disregarded or expected to disappear overnight. It must be accepted as a basic factor and compensated for as such. That is why the Department's telegram appears unrealistic in urging that France alone can take the lead in bringing about the reintegration of Germany into Western Europe. France, and indeed no continental power, can take that lead without assurances of the full backing of the US and of the UK, accompanied by precise and binding security commitments looking far into the future. We have been too tender with Britain since the war: she has been the constant stumbling-block in the economic organization of Europe and if one is to judge by the present temper of Congress and the increasing impatience of American public opinion in matters concerning European integration, the participating countries of the Marshall Plan are going to see their golden goose deliberately killed by the principal participant in the Plan's benefits. We are therefore faced with the following proposition: economic integration of Europe is impossible without the participation of the UK; upon it hinges the reintegration of Germany into the

the Western community; such German reintegration is a cardinal security necessity.

MR. DOUGLAS agreed with MR. BRUCE's statement of the problem, with particular reference to the necessity for the reintegration of Germany. We must now examine the best means of solving it. Obviously a "must" program should be presented without delay to the UK, but particular attention should be paid to the degree of pressure to be applied for the reasons already stated.

MR. HARRIMAN said that our biggest post-war difficulty was that there were many times when we seemed unable to say "No" to Great Britain to the same degree as we have to other European countries.

MR. BOHLEN observed that the central event of the meeting so far was the complete agreement that European integration without the UK was impossible. This must be forcefully brought to the Department's attention, since it was clear that the Department had not entirely accepted this idea. Once Departmental acceptance was gained, a study should be made of the degree and timing of the pressure to be brought on Great Britain. MR. BOHLEN recalled that the idea of ERP had been sold to the Congress essentially by holding out the promise of European economic integration. He, for one, would be sorry for the man who had to go before Congress next year without some evidence that this promise could be fulfilled.

MR. PERKINS observed that considerations other than purely European ones were present in US Government thinking concerning the British Empire. There was a deep conviction that the US needed Great Britain above everything else. This was consistently true in the Pentagon Building and elsewhere when military questions were under consideration. There was the whole Commonwealth to think about: Great Britain's world position. All these things must be taken into consideration when studying the problem of how far to press Britain in the matter of European integration.

MR. DOUGLAS asked if the meeting could agree on the following general principles: (a) that no European integration was possible without the participation of Great Britain nor was it feasible to bring in Germany if the UK was to be absent; (b) we should then define our short-term and long-term policies concerning integration: how far we could go and in what stages; (c) we should then determine what we consider essential that the UK should do.

There followed a general discussion revolving around the relative dangers of abandoning European integration because of England's unwillingness and placing so much pressure on England that we might lose her support in addition to abandoning integration.

MR. DOUGLAS asked for agreement on his three principles.

MR. HARRIMAN suggested the addition of the following one: The Atlantic Pact concept should be the umbrella under which all measures agreed upon should be taken; that security, and not economic integration or political integration, should be the point of departure of our policy.

MR. PERKINS observed that it was time to break up the session. He suggested that MR. HARRIMAN should have drawn up a series of specific points on which British cooperation within the framework of OEEC should be sought. He asked MESSRS. JOYCE and MACARTHUR to prepare a draft telegram to the Department for consideration at Saturday's session, embodying the general principles and recommendations emerging from the afternoon's discussions.

The meeting adjourned for the day at 6:45 p. m.

SATURDAY—OCTOBER 22, 1949

### *Morning Session*

The meeting reconvened at 9:30 a. m. with MR. PERKINS in the Chair. The entire morning was spent in discussing the question of European integration and in drafting and amending recommendations to the Department. MESSRS. McCLOY and BRUCE were absent for about an hour when they called on M. Schuman.

The meeting adjourned for lunch at 12:45.

### *Afternoon Session*

The meeting reconvened at 3 p. m. with MR. PERKINS in the Chair.

Final approval was given to the texts of the telegrams to the Department concerning the Tito Heresy (No. 4424) and East-West Trade (No. 4427), copies of which are annexed.<sup>26</sup>

A draft of the meeting's recommendations concerning European integration was considered and sent back for retyping.

MR. PERKINS suggested that the organization of MAP as now contemplated in Washington might be taken up. He and MR. MACARTHUR outlined the interrelationships between different U.S. agencies concerned and the plans for a European organization and its staffing pattern, and answered the numerous questions of the Ambassadors.

MR. PERKINS then asked if the meeting wished to discuss the Far East.

MR. BRUCE said he considered the Indochina problem<sup>27</sup> to be one in which the Western World had high stakes. In addition to its Far

<sup>26</sup> Telegrams 4424 and 4427 are included in the compilations on the Yugoslav-Cominform dispute and on U.S. trade with Eastern Europe and the Soviet Union, respectively, scheduled for publication in volume v.

<sup>27</sup> Documentation on the Indochina problem is printed in volume vii.

Eastern aspects which involved nothing less than the extension of Soviet control to Southeast Asia, the continuation of the war was a severe strain on the French economy and diverted from the defense of Western Europe sizeable quantities of French military equipment and personnel. From every standpoint it seemed to require the immediate and searching attention of the US and UK, in conjunction with the French Government, with a view to arriving at a common policy and carrying it out. Consultation with the Governments of India and of the independent neighbors of Indochina was also necessary. Conversations along those lines have already occurred but they appeared at best to have been inconclusive. France, after deplorable delays and errors, had finally, last spring, decided upon a course of action, had signed agreements with Bao Dai, given up sovereignty over Cochin China and granted independence to Vietnam within the French Union. This move had been received with considerable scepticism in Europe, Asia and America. Bao Dai had, however, returned to Indochina and was doing better than had been anticipated. The French, too, had been playing squarer than we had hoped, and the negotiation of the supplementary agreements and the turning over of powers to the Viets seemed to be proceeding without undue delay under the circumstances. In the meantime Canton had fallen and the Chinese Communist armies were moving southward. It seemed time for the US to make up its mind how far it was going to support Bao Dai.

In this there appeared to be divided councils in Washington rather than the full agreement on and hearty implementation of policy such as the critical situation demanded. This division of councils seemed to stem in large part from concentration of the more abstract concepts of the problem such as colonialism, nationalism, independence, self-determination, etc. Of course we were against colonialism because it didn't work and couldn't work, and for nationalism because it was the strongest force in Southeast Asia. But could we afford to be purists and perfectionists? A more pragmatic approach was essential if we were to get out of the woods. There seemed to be a choice of only two horses to back in Indochina—Ho Chi-minh and Bao Dai. There was no third man or third force. Ho Chi-minh, whatever he might think in his secret heart, was identified with Stalinist Communism. We could not consistently back him even if we were prepared to make the major break with France which this would entail. The alternative was Bao Dai with his imperfections in the framework of the admittedly imperfect agreements of March 8. These agreements were however evolutionary in nature. They were but a point of departure. The French could be influenced to go farther in time and to furnish the elements now lacking to give Vietnam a status approaching that of a dominion.

But they needed to know where we stood. It was imperative that we approach the problem in a hard-headed way and make up our minds.

There followed a discussion of the Department's policy paper on Southeast Asia submitted on July 1, 1949, to the National Security Council,<sup>28</sup> and it was noted with regret that the section on Indochina omitted all reference to the March 8 agreements, to the abandonment by France of sovereignty over Cochinchina and to the steps taken for the implementation of Vietnam independence within the French Union since Bao Dai's return to Indochina in April.

The final draft of the meeting's recommendations concerning European integration was then considered and approved. This was dispatched to the Department as Paris cable No. 4422,<sup>29</sup> copy annexed.

Further recommendations re approaching the British concerning the strengthening and revitalizing of the OEEC were put into final form, approved and dispatched to the Department as Paris cable No. 4423,<sup>30</sup> copy attached.

The meeting adjourned at 6:45 p. m.

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#### *Editorial Note*

On November 7 Mr. Perkins addressed to the Secretary of State a memorandum summarizing the meeting at Paris and a related one at London. Under Secretary of State Webb on November 10 left the memorandum with President Truman, who said that he would read it with great interest. The portion of the memorandum dealing with the meeting at London is printed in volume V in the compilation on general policies and problems in United States relations with Eastern Europe. (740.00119 Council/11-749)

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<sup>28</sup> Documentation on this subject is scheduled for publication in volume VII.

<sup>29</sup> For the text of telegram 4422, see p. 342.

<sup>30</sup> Telegram 4423 is summarized in footnote 2, p. 434.

## POLICY OF THE UNITED STATES TOWARD THE FREE TERRITORY OF TRIESTE<sup>1</sup>

501.BC/2-1149: Telegram

*The Secretary of State to the United States Representative at the  
United Nations (Austin)*

CONFIDENTIAL

WASHINGTON, February 11, 1949—2 p. m.

70. Below is our preliminary thinking on position US shd take when SC meeting is called on governorship for Trieste.

Dept presenting these views UK and French through Embs for comment those Govts. You may discuss with UKDel and French and pass their views and your comments for further consideration Dept prior meeting.

Since Sovs called meeting, it is for them to explain reasons for doing so and make if they wish new proposals. UK, France and US might therefore at least at outset take passive role of listener. If Sovs again give their version of history of Trieste question in SC with usual charges of delaying tactics against UK and US and perhaps advance new candidates, three Western Powers might take following line:

1. As for charges of delaying tactics we might refer to Cadogan's<sup>2</sup> rebuttal in 350th meeting (SC Official Records 104 pp. 1-5).

2. If Sovs advance new candidates you might say SC will recall US-UK-French note to Sovs and Itals dtd Mar 20 copy of which circulated as S/707 Mar 31, 1948. In this note three Western Powers proposed to Sov Union and Italy that they join Western Powers in agreement on additional protocol to Ital Peace Treaty which would return FTT to Ital sovereignty. This proposal motivated primarily by fact that Yugo zone completely transformed in character and virtually incorporated in Yugo police state so as to make independent and democratic status for Territory impossible. In view of Western Powers, return to Italy only solution to meet democratic aspiration of people in FTT and reestablish stability in area. Inasmuch as SC has assumed responsibility for independence and territorial integrity of FTT three Western Powers stated they will submit to SC for approval arrangements to be jointly agreed upon. Ital Govt accepted proposal of Western Powers.

<sup>1</sup> For previous documentation on this subject see *Foreign Relations*, 1948, vol. III, pp. 502 ff. and 549 ff.

<sup>2</sup> Sir Alexander Cadogan, British Representative at the United Nations.

3. Since Sov Union failed reply this proposal US delivered further note to Sov Emb in Wash on Apr 9, 1948<sup>3</sup> (Dept press release 277, Apr 9, 1948) proposing preliminary meeting to draft necessary protocol. In note Apr 13, 1948<sup>4</sup> (copy pouched) Sov Union replied it "considered proposal to solve problem concerning revision of Treaty Peace with Italy in any of its parts, by way of correspondence or arrangement of private conferences, unacceptable as violating elementary principles of democracy".

4. In further note Apr 16, 1948 (Dept press release 300, Apr 16, 1948) to Sov Emb in Wash Acting SecState pointed out meeting envisaged in preceding US note was to be of preliminary character as first step of procedure. Acting SecState stated Govt of US would be glad to consider any suggestion which Sov Government may have re procedure for drafting necessary protocol to Ital Treaty.

5. Since no reply was forthcoming from Sov Govt SecState forwarded another note to Sov Emb on June 1, 1948 (Dept press release 435, June 1, 1948) expressing hope that Sov Govt will communicate its views at early date concerning procedure to be followed for joint consideration of matter by powers concerned. US Govt still awaiting reply this note.

6. Meanwhile two zones of FTT being administered by respective military commands under Art 1 Annex VII Peace Treaty. Both US-UK and Yugo military commanders have forwarded reports to SC on their administration.

7. In view of above, we should make clear that in our view discussion of Governorship would not serve any constructive purpose.<sup>5</sup>

8. If it becomes necessary to justify further contention of Western Powers as to unworkability of present FTT Treaty arrangement you might refer to generally known fact that police state forms of govt were extended by Yugo to its zone with all attributes of totalitarian regime which make impossible unification with US-UK zone into independent democratic territory along lines prescribed by Peace Treaty. Under these circumstances setting up of "independent" territory would mean creating an area open to indirect aggression through pattern well tested throughout Eastern Europe and most recently in Czechoslovakia. However, we do not wish at this point to attack Yugo beyond minimum necessary for explanation of our Mar 20 proposal.

ACHESON

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### *Editorial Note*

By a letter dated February 8, 1949, addressed to the President of the Security Council, the representative of the Soviet Union requested that the question of the appointment of the Governor of the Free Terri-

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<sup>3</sup> For text of this note, see Department of State *Bulletin*, April 18, 1948, p. 522. For text of the note delivered at the same time to the Italian Ambassador, see *ibid.*, p. 521.

<sup>4</sup> For the English translation of the text of the Soviet note of April 13, see Department of State *Bulletin*, April 26, 1948, p. 549.

<sup>5</sup> For previous documentation on the problem of the governorship of the FTT, see *Foreign Relations*, 1948, vol. III, p. 502 ff.



tory of Trieste be considered by the Council in the near future. (Document S/1251, United Nations, *Official Records of the Security Council, Fourth Year, Supplement for February 1949*, page 6)

The Security Council considered the question on February 17 at which time the representative of the Soviet Union introduced a resolution proposing the appointment of Col. Hermann Flückiger, former Swiss Minister in Moscow, as Governor. (United Nations, *Official Records of the Security Council, Fourth Year, (411th Meeting) No. 14*, pages 1-15. The text of the proposed resolution, S/1260, is printed on pages 14-15.)

The Security Council gave further consideration to the question on February 21, on March 28, and finally on May 10 when the proposal by the Soviet Union was voted on and rejected. It received 2 votes in favor (that of the Ukrainian SSR and of the Soviet Union) and there were 9 abstentions. The Council remained seized of the question. (*Ibid.*, (412th Meeting) No. 15, pages 1-15; (422nd Meeting) No. 25, pages 1-9; (424th Meeting) No. 27, pages 1-10)

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761.00/2-1949 : Telegram

*The Chargé in the Soviet Union (Kohler) to the Secretary of State*

SECRET

Moscow, February 19, 1949—2 p. m.

419. Extremely interesting analysis contained Belgrade's 161 to Department February 16,<sup>1</sup> suggesting Moscow's current strategy Greece shifting accordance necessity liquidate Tito, raises question whether similar considerations not also affecting Kremlin tactics, both Trieste question and Austrian treaty discussions.

Soviets willingness approve Flueckiger for governorship Trieste (mytel 411, February 19<sup>2</sup>) contrasts 1947-48 impasse this question. In addition desire for withdrawal British-US troops and other factors recently suggested Belgrade Embassy (Depinfotel January 6, 8 a. m.<sup>3</sup>) seems to us this new Soviet position may be based local CP

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<sup>1</sup> Not printed.

<sup>2</sup> In this telegram, not printed, Kohler summarized the Tass account from New York as it appeared in the Soviet press dealing with the Security Council's meeting of February 17 in which Malik expressed the agreement of the Soviet Union for the nomination of Flückiger as Governor of the Free Territory of Trieste (501.BC/2-1949).

<sup>3</sup> In this telegram, not printed, the Department of State summarized recent reports from Belgrade suggesting that the question of the appointment of a governor might again be raised by Yugoslavia and that the Soviet Union might support such a proposal and agree to a nominee of the Western Powers. Such a course, the Belgrade Embassy suggested, would accent the Soviet Union's stance of adherence to treaties; would exert pressure for the withdrawal of U.S. and U.K. forces from the FTT; and block the Allies' proposal for reincorporation of Trieste in Italy. (800.00 Summaries/1-649)

power relations, especially domination Trieste CP by Cominform faction evidently attained some months ago. From this angle, establishment special Trieste regime under SC-appointed governor might present additional opportunity undermine Tito, with hope Stalin-true CP would spread into both zones and with both Western and Yugoslav troops withdrawn, constitute effective base against Belgrade regime.

From same viewpoint, suggest that even if Yugoslav's moderate demands on Austria (Depinfotel February 14, 1 p. m.<sup>4</sup>) this may not much promote Austrian treaty settlement. For as indicated mytels 2216, October 1<sup>4</sup> and 200, January 27,<sup>4</sup> Moscow's defense Yugoslav claims not due Kremlin's liking for Tito but rather to promote Stalin-tern position Yugoslavia. In fact, if Yugoslav Government now indicates willingness settle for less in London, Soviets might all the more maintain their previous position, thus accusing Tito of selling out his nation's interests. Must say that course London discussions thus far suggests to us Soviets not particularly interested Austrian settlement at this time. Besides factors mentioned mytel 200, Kremlin presumably anxious prevent Tito from settling his outstanding political differences with West.

Sent Department 419, repeated Belgrade 8, London 47, Vienna 15, Trieste 3, Athens 5.

KOHLER

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<sup>4</sup> Not printed.

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860S.00/3-2249

*The United States Political Adviser at Trieste (Baldwin) to the Secretary of State*

CONFIDENTIAL

TRIESTE, March 22, 1949.

No. 93

SIR: With reference to this office's telegram no. 186 of March 11, 1949<sup>1</sup> reporting the decision of General Airey, Commander of the British/United States Zone, Free Territory of Trieste, on the question of bilingualism in the approaching administrative elections in this Zone and my despatch no. 80 of March 9, 1949<sup>2</sup> discussing the pre-electoral situation in the Zone, I have the honor to enclose copies of a statement of the General's views in the matter prepared by the Chief of his Planning and Advisory Staff and to report other aspects of the situation.

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<sup>1</sup> In this telegram, not printed, Judd reported that General Airey had decided that in the forthcoming administrative (i.e., local) elections, "Italian will be official language and Slovene translations relevant documents will be issued . . . to all who need" (860S.00/3-1149).

<sup>2</sup> Not printed.

It will be recalled that prior to the decision reported in the telegram under reference, General Airey had decided that election documents should be issued by the communal authorities in both the Slovene and Italian languages and that he intended to make a public announcement to this effect. Certain of the local Italian political leaders, most notably Mayor Miani of Trieste, objected to this procedure and directly and through the Italian Economic Delegation here, made their views known to the General. The latter body requested that no public announcement be made of the decision until such time as Mayor Miani and others could be called to Rome and persuaded to adopt a more reasonable attitude. General Airey agreed to this request as the Mayor and the Giunta Municipale threatened to resign en masse, thus precipitating an open crisis which might have had a serious harmful effect on the Italian prospects in the elections.

The Mayor and his cohorts journeyed to Rome and met with officials of the Italian Foreign Office and others, but were still unwilling to change their views. Considering the authority which Rome exercises over local politicians through control of funds and in other manners, it may be questioned whether much pressure was put on Miani to change his views. One could easily speculate that Rome was no more anxious to take the responsibility for forcing the local officials to accept real bilingualism than those officials were to take the responsibility for bilingualism themselves.

Following the return of the Mayor to Trieste, there was a further delay pending the arrival of Dr. Castellani, Chief of the Italian Economic Delegation, with news of the attitude of the Italian Government. That was reported to General Airey who then made the decision described in the enclosure to this despatch.

Plans are now going forward to issue election documents solely in the Italian language. Simultaneously, Allied Military Government (AMG) is preparing a plan to issue necessary translations and ensure their dissemination to all who need them or claim they need them. AMG hopes that it will be possible to distribute the translations in such a thorough manner that should any charge be made in the United Nations Organization or elsewhere that the elections were unfair because of language difficulties of some of the participants, it will be in a position to refute the charges. There is little doubt that such charges will be made, but no matter how the elections are conducted, there will be criticism and accusations from the usual sources.

It is interesting to note that the same local Italian political personalities who heatedly refused to issue any documents in the hated Slovene language are most anxious to get any credit which may accrue from the issuance of the Slovene translations, possibly so that they may claim in future discussions of the question that the Italians alone were responsible for the adoption of this democratic expedient. They

have proposed that the Italian Zone President, Dr. Palutan, issue the translations. This proposal has been categorically rejected by AMG. It is, of course, only fair that AMG should receive credit for fair treatment of minorities in the election as well as for virtually all the rest of the rights which have been extended to the Slovene minority in the Zone in the face of much the same type of opposition which has been put forward in this case.

There is some reason to believe that one of the tactics used by Mayor Miani and his supporters on this occasion was the clandestine release in newspaper circles, for obvious purposes, of information about the dispute which had developed on the question of bilingualism. Several of the Italian language papers reported that it was rumored that the Mayor and the Giunta would resign because of AMG's attitude on the question and because AMG had ordered that control over certain communal houses be removed from the Giunta and given to a governmental body which, in accordance with Italian practice, would normally control them. The rumor was denied in other papers when the issue of bilingualism was no longer in doubt.

General Airey, in deciding that Italian shall be the official language for the elections, is not instituting an innovation as AMG has always held that the provisions of the Permanent Statute of the Free Territory establishing bilingualism are not in force. The issuance of the translations will be a step forward, perhaps not so far as was hoped for, but given the circumstances, in the opinion of the General as much as could be accomplished.<sup>3</sup>

Respectfully yours,

CHARLES F. BALDWIN

[Enclosure]

*The Chief of the Planning and Advisory Staff, Allied Military Government, Trieste (Parsons), to the Director General of Civil Affairs, AMG, Trieste (Gaither)\**

CONFIDENTIAL

[TRIESTE,] 11 March 1949.

AMG/FTT/PL/372.3

1. You asked for a note as to what went on between General Airey and Dr. Castellani when they discussed bilingualism on 9 March 1949.
2. Dr. Castellani said that, although the Italian Foreign Office had done their best to induce Miani and the Italian party leaders to accept

<sup>3</sup> In telegram 426 of June 14, not printed, Baldwin summarized the results of the elections on June 12, mentioning that the total pro-Italian vote favoring the return of the FTT to Italy was 106,973, or 64 percent of the total vote (860S.00/6-1449).

\* Brig. Gen. Ridgely Gaither, Deputy Commander, Trieste United States Troops (TRUST), and Director General of Civil Affairs, AMG.

AMG's proposal that the electoral documents issued by the communes should be accompanied by Slovene translations, the latter were adamant that they would issue no document in the hated Slovene language. The Italian Government therefore asked General Airey to consider making the issue of Slovene translations an AMG responsibility, so as to avoid the risk of the mayor [and] Giunta from resigning.

3. General Airey replied that he thought it a pity that the mayor and the Italian party leaders would not adopt a more reasonable attitude and subscribe to a measure which would inevitably benefit the Italian cause as a whole. If Trieste commune had agreed to issue Slovene translations of the electoral documents, it would not only have gained credit for considering the susceptibilities of the Slovene minority, but also have taken a practical step towards ensuring that the Slovenes could not afterwards say that the elections were unfair because they could not understand the procedure.

In order however to avoid a rift which would inevitably do great harm to Italian prospects in the elections, he had decided not to interfere in the electoral procedure as it now stood, which would mean that the communes would automatically issue all the documents in Italian without the necessity of AMG issuing any further Order on the subject.

4. In its capacity as the protector of the rights of minorities in the Zone, however, AMG would take all possible steps to ensure that translations of the electoral procedure in the Slovene language were made available to all who required them. He hoped that the Italian Government and the Italian parties in Trieste would give their fullest support to AMG's policy in this matter.

5. Dr. Castellani suggested that it might be advisable for the Zone President to be made responsible for the issue of Slovene translations so that, in spite of themselves, the Italians would gain the credit for this democratic proceeding. General Airey made no comment on this proposal and wishes to discuss its implications with his political advisers before making a decision.

6. The foregoing may be useful as a background for your talk with the Zone President and possibly the mayor of Trieste.

F. G. A. PARSONS  
Colonel

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760H.658/4-1449 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

SECRET

ROME, April 14, 1949—7 p. m.

1094. Italian Foreign Office states fisheries convention with Yugoslavia signed Belgrade April 13 accompanied by exchange notes in

general terms relative to interest of Italians and Yugoslavs to negotiate expanded trade agreement without delay.<sup>1</sup> Italians did not make commitment re specific volume of trade. (ReEmbtel 1075 to Department, Paris 93, Belgrade 43, April 12.<sup>2</sup>) Romsa equipment<sup>3</sup> transferred to Yugoslavia without payment. Agreement transferring naval vessels, Article 57 Treaty of Peace signed Rome today.<sup>4</sup> Agreement Italian property nationalized by Yugoslavia and property of optants in ceded territory, annex XV Treaty of Peace expected be signed Belgrade today.

Sent Department 1094, repeated Belgrade 46, Paris 95.

DUNN

<sup>1</sup> In Rome despatch No. 573 of April 14, 1949, not printed, Byington forwarded the full French text of the agreement in 13 articles. (860H.628/4-2649)

<sup>2</sup> In this telegram, not printed, Dunn reported that the terms of the fisheries agreement were acceptable to the Italians, but that signature was delayed because of last-minute insistence by the Yugoslavs that the Italian delegate spell out the increased volume of trade to be expected under the trade agreement being negotiated (760H.658/4-1249).

<sup>3</sup> Apparently refers to oil refinery equipment.

<sup>4</sup> For documentation on the negotiations leading to the naval agreement, see *Foreign Relations*, 1948, vol. III, pp. 969 ff.

860S.00/5-249

*Memorandum of Conversation, by Mr. Philip A. Mangano of the Division of United Nations Political Affairs*

SECRET

[WASHINGTON,] May 2, 1949.

Participants: General Terence Airey  
Mr. Hoyer-Millar, British Embassy  
Lord Jellicoe, British Embassy  
Colonel Parsons, UK Officer, AMG, Trieste  
Mr. Baldwin—USPol-Ad, Trieste  
EUR—Mr. Hickerson

S/P—Mr. Joyce  
WE—Mr. Achilles  
SE—Mr. Barbour  
SWE—Messrs. Unger, Greene, Simpson  
UNP—Mr. Mangano

On Friday afternoon, April 29, Mr. Hickerson took advantage of General Airey's presence in Washington to hold a meeting in his office at which interested officers of the Department and of the British Embassy could discuss with General Airey various questions connected with the Free Territory of Trieste and could get a first-hand expression of his views. It is understood that General Airey is also to have discussions with responsible officers of the Army Department, and that it is

intended that he see the Secretary of State in a few days, after which the Secretary may issue a short press statement with general comment on the situation in Trieste.

Mr. Hickerson opened the meeting by telling General Airey that his visit here was most opportune and had been long desired; he added that the present meeting was for the purpose of getting his personal views on the whole situation and of permitting a frank and informal exchange of ideas at this time. Mr. Hickerson first drew attention to the pending local elections at Trieste (scheduled for June 12), and reminded the General that the Department had tended to favor a later date—possibly in September—but had deferred to his judgment.

General Airey explained that he had felt that the election should not be delayed so long. Since AMG was not so much a military occupation force as a "caretaker regime" under the peace treaty, and since AMG's rule had already stretched far beyond what was originally contemplated, he felt that the local population would grow unduly restless unless permitted, via elections, a greater participation in local government, particularly at the communal level. In addition, he felt that the fortunes of Communism locally were at a reasonably low ebb now and that the more enduring economic benefits of ERP to Trieste would not begin to be felt for another 8 or 10 months. As he put it, there would be a period of "doldrums" between the first few months of ERP and the later stage when its longer-range effects would really begin to take hold. Local elections could not wisely be postponed until that latter stage was reached. In connection with the elections, General Airey guessed that the real Communist strength in Trieste was about 20 thousand, although there were doubtless other "hangers-on." In the city proper, he felt that the overwhelming Italian population would assure success for non-Communist forces. It needed also to be understood that representatives elected in the outlying communes (where Slav elements predominate) would not represent nearly so large population groups as those elected in the principal communes of the city itself. This was a peculiarity of the electoral structure of the commune system. He added that the balance of forces between the pro-Tito and pro-Cominform Communist groups seemed to be in favor of the latter by about two to one. The General expressed the opinion that the Italian political parties in Trieste were not as cohesive nor as well organized for election purposes as they might be, but hoped that they would improve on this as the elections approached.

Mr. Hickerson then guided the discussion to UN aspects of the Trieste problem. He referred to the pending Soviet resolution in the Security Council calling for appointment of Flückiger (Swiss) as Governor. The consensus of the meeting was that this resolution would

fail decisively if pressed to a vote. With respect to further implementation of the tripartite March 20 proposal for the return of Trieste to Italy, Mr. Hickerson seemed to have in mind that it might become necessary to obtain from the Security Council some expression of approbation of the March 20 proposal, or at least a recommendation for consultation among the signatories on the possibility of revising the treaty. Mr. Hickerson regarded the present situation as reasonably satisfactory to us, and said that as far as we could see, the US-UK forces might have to stay there indefinitely. Eventually, he thought, a solution might be worked out based on Italo-Yugoslav agreement to divide the FTT on the basis of the present zones. If this should occur, it could not represent a formal treaty revision, but could be put into effect on an administrative basis, subject always to some future regularization as a treaty matter. For the time being, we were maintaining that the entire FTT should be returned to Italy.

The General concurred substantially with Mr. Hickerson's view and referred to the encouraging trade negotiations between Italy and Yugoslavia. He said also that AMG was now paying more attention to trade relations and transit traffic with the hinterland countries.

The discussion then turned to other economic phases of the Trieste problem. Mr. Unger reported that the two former U.S. baby carriers, now in possession of a British shipping firm and presently located at Norfolk, would be ready to sail immediately to Trieste and to be refitted as passenger-cargo vessels, but that there was some U.S. Navy regulation which stood in the way. Mr. Hickerson and General Airey both felt that the early arrival of these vessels at Trieste before the elections would be highly beneficial and that the employment which their refitting would create would be politically important. Mr. Hickerson proposed to take this matter up with Mr. Hensel of the Navy Department as a matter of urgency and to endeavor to obtain a waiver of the Navy regulations which prevented departure of the two vessels.

During more informal discussion which followed, Mr. Joyce wondered whether the Russians might not soon, in order to embarrass Tito and accomplish other objectives, suddenly indicate a willingness to discuss implementing the March 20 proposal. Under such circumstances, what would be our reaction? The consensus was that we would greet this as an encouraging development and would proceed with necessary consultations, but that, of course, it would be impossible to dislodge the Yugoslavs from their zone in the FTT without their consent.

I took occasion to inquire of the General whether, in the light of our well-known position that treaty provisions on the FTT were unworkable and that the Yugoslavs had practically annexed and created a police state out of their zone, there had been signs that the Yugoslavs were trying to build a defense against such charge by a softening in



their administration. He [Hickerson] said that it would be very awkward for us and the British to be compelled to furnish proof of Yugoslav mal-administration if, in fact, the Yugoslavs took steps to put their house (in zone B) in better order. The General did not feel that there were any appreciable signs of such developments.

General Airey will be in New York early this week for consultation with the UK and US delegations to the United Nations. His latest (sixth) quarterly report is now ready and will be presented to the Security Council in the next few days. There is some thought that General Airey might present it personally to the President of the Security Council while he is in New York.

One idea which the General has in mind is that AMG should soon be civilianized to a much greater extent than heretofore. He recognized that, under the peace treaty, the military command and supporting forces would remain the governing authority, but felt that the time was approaching when his immediate administrative staff should consist predominantly of British and American civilians. He attached great importance to the psychological and political advisability of such a step because it would make the administration more palatable to the local population. Budget conscious, he also felt that such a step would result in greater economy. The problem would be that of obtaining competent civilians to replace the British and American Army officers on his staff. In that connection, he said that he was going to recommend to our military that the officer next in line to him (presently an American)<sup>1</sup> should no longer be designated as Deputy Commander of the Allied Forces, but should be Deputy in Charge of AMG. He felt that this would moderate the military tone of the administration. With most of these latter points, Mr. Hickerson expressed general agreement, indicating that, of course, we were moving toward greater civilian authority in the occupation zones of Germany.

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<sup>1</sup> Maj. Gen. William M. Hoge, Commanding General of the U.S. troops in Trieste.

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760H.65/6-1649

*Memorandum of Conversation, by Mr. Joseph N. Greene, Jr., of the  
Division of Southwest European Affairs*

SECRET

[WASHINGTON,] June 16, 1949.

After a discussion of the problem of Italo-Yugoslav boundary, during which I advised Lord Jellicoe of the tenor of the instructions we have sent to our Embassy at Rome, he showed me a copy of a report by the British Ambassador at Rome <sup>1</sup> to the Foreign Office in London

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<sup>1</sup> Sir Victor Alexander Louis Mallet.

of a conversation the Ambassador had had with Count Sforza. According to this report, Count Sforza indicated optimism that outstanding problems between Italy and Yugoslavia would be resolved, although he appeared to believe that it is necessary for him to proceed with care lest excessive speed disrupt the scene. With particular reference to Trieste, Count Sforza apparently felt that when other matters are disposed of, it may be possible for Italy and Yugoslavia to reach agreement on the return of Trieste to Italy. He thought that the Yugoslavs would probably propose to the Italians that the latter take all of Zone A and part of Zone B; in response to Sir Victor's question he expressed the view that although the Yugoslavs may ask for Gorizia in the first instance, their request will be only a bargaining point and will not be pressed. According to the Ambassador's report, Count Sforza emphasized that he had no intention of raising with the Yugoslavs the Trieste question at the moment, but does expect that it may come up in the future.

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740.00119 Control (Austria)/6-2149: Telegram

*The Chargé in Yugoslavia (Reams) to the Secretary of State*

SECRET

BELGRADE, June 21, 1949—1 p. m.

602. Yesterday Peake<sup>1</sup> saw Assistant Foreign Minister Mates re possibility of concluding an air agreement. During his conversation Mates referred to Soviet abandonment of Yugoslavia on Carinthia and asked whether Trieste had been discussed in CFM. Peake replied that he did not know but that he thought it natural that Soviets having abandoned on Carinthia might well do same on Trieste. Therefore, he believed that Yugoslavs should have another look at their own policy on this question. Mates inquired concerning possibility of compromise. Peake replied his government naturally stood on March 20 declaration but might view sympathetically any reasonable arrangement Yugoslavs might work out with Italians. Initiative must come from Yugoslavia and there could be no intermediates. Mates stated question would be studied.<sup>2</sup>

I believe that we might also reexamine our own position on this subject in view of possibility of Yugoslavia's approach to Italians. I

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<sup>1</sup> Sir Charles Peake, British Ambassador in Yugoslavia.

<sup>2</sup> In telegram 2414 of June 22, 1949, not printed, the London Embassy reported having received an account of the conversation in Belgrade from Sir Anthony Rumbold, Head of the Southern Department of the Foreign Office (740.00119 Council/6-2249).

In a memorandum of conversation by Joseph N. Greene, Jr., of June 23, 1949, not printed, he recorded that Lord Jellicoe had shown him a copy of Sir Charles Peake's report which was essentially the same as reported by Reams, but with the added detail of the suggestion that the Yugoslav Government take advantage of the commercial negotiations proceeding in Rome to raise the question informally with the Italians (860S.00/6-2349).

do not suggest abandonment our March 20 position but I do feel that some pressure on Italians might be necessary in order to convince them they should accept some solution other than return of entire territory to Italy.

It seems to us that Soviet adherence to our March 20 declaration might raise some embarrassing issues for us. We could, of course, turn zone A over to Italians and presumably Yugoslavs in their present situation could be expected not to make any physical attack upon Trieste. However, I do not believe that Yugoslavs would voluntarily retire from zone B. It seems quite certain that they would refuse to withdraw and that we would then be faced with possibility of either evicting them by force or of imperiling our policy under which we are committed to keep Tito afloat for time being. It would obviously be almost impossible to give any aid to Tito if he were defying us on zone B. Soviet adherence to March 20 declaration could be the most effective means open to them of completely violating Tito Government and bringing about its downfall.

Sent Department 602, repeated London 29, Moscow 65, Paris 63, Rome 45.

REAMS

860S.00/6-2949 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>

SECRET

WASHINGTON, June 29, 1949—6 p. m.

2238. Brit Emb here has shown us Peake's report of conversation with Mates and FonOff instrs to Peake, which approve his course thus far and suggest he listen without comment to anything further Yugos may have to say. (Re Belgrade's 602 Jun 21; <sup>2</sup> London's 2414 Jun 22 <sup>3</sup> and 2456 Jun 24; <sup>4</sup> Moscow's 1606 Jun 24; <sup>5</sup> Rome's 1912 Jun 24 <sup>6</sup>).

<sup>1</sup> Repeated to Belgrade as 336, to Moscow as 478, to Rome as 1343, to Paris as 2336.

<sup>2</sup> *Supra*.

<sup>3</sup> See footnote 2, p. 508.

<sup>4</sup> In this telegram, not printed, Ambassador Douglas reported having learned from Rumbold that G. V. Winspeare of the Italian Embassy had asked him whether the British "were going to do anything". Rumbold replied negatively but opined that the solution lay in conversations on Trieste between the Yugoslavs and Italians; he was not suggesting that the Italians take the initiative but indicated that the British would look with favor on the holding of such conversations. (860S.00/6-2449)

<sup>5</sup> Scheduled for publication in volume v.

<sup>6</sup> In this telegram, not printed, Ambassador Dunn warned that any pressure on the Italians such as suggested in Belgrade's telegram 602 would be most undesirable because prior to the March 20 declaration the United States had given De Gasperi the alternative of partition which he had immediately rejected. Dunn added that any pressure now would diminish Italian confidence in the word of the United States Government and appear to justify the Communist propaganda that the declaration of March 20 was merely an electoral trick. (860S.00/6-2449)

Dept stands on Mar 20 proposal on FTT and wld not suggest partition to other interested govts. Furthermore, not inclined consider it desirable press at this time for early implementation Mar 20 proposal. In present interntl situation, question of contd presence US and UK forces FTT as stabilizing element that area is fundamental in Depts thinking. Developments leading to their early withdrawal not considered necessarily desirable under present circumstances.

Dept believes Itals also aware importance this consideration, and especially in light of recent report by Brit Amb Rome on conversation with Sforza, which Brit Emb showed us, believes Itals not anxious take initiative at this time.

In addition to commercial negots, Itals are considering further Yugo proposals for dipl resolution border impasse which not unrelated FTT question itself. If Yugos take initiative in approaching Itals re FTT during one of these negots or elsewhere. Dept naturally wld consider in light all currently relevant factors any compromise on FTT on which they and Itals might in future agree.

Indeed, in present situation, Dept considers Yugo agreement on formula which wld save face for Tito and have his support indispensable element any solution. There cld therefore, for example, be no consideration return even US-UK Zone to Italy without Yugo agreement, even if Sovs shld agree.

If Sov Govt shld accede in principle to Mar 20 proposal prior to Italo-Yugo agreement, Dept wld fol course calculated both (a) to confirm good faith in joining in original proposal for return FTT to Italy, and (b) to avoid action inimical to Tito or impracticable in light presence Yugo forces in part of FTT. Obvious difficulty in so acting wld arise if Sov response so framed as clearly designed embarrass Tito. In these circumstances, and subject to consideration exact nature any Sov move, Dept believes US, UK, and France shld promptly reply to Sov response along lines that they prepared go forward with negots, which as practical matter must provide for Yugo as well as Ital participation or at least consultation. Subsequent developments wld be important in determining further action.

In any event, Peace Treaty cld not in our view be revised without agreement at least US, UK, France, USSR, Yugo and Italy (and possibly all other Govts which have ratified or adhered to treaty). In addition, formula for relinquishment by SC of responsibility for FTT assumed in Jan. 10, 1947,<sup>7</sup> resolution wld also have to be found, although this presumably wld not be difficult if major interested powers agree as contemplated above.

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<sup>7</sup> For text of the resolution of January 10, 1947 (No. 16) see United Nations, *Official Records of the Security Council, Second Year, Resolutions and Decisions of the Security Council, 1947*, p. 1.

Foregoing views being informally conveyed Brit Emb here in response their query. Dept desires addressees take no initiative this matter for present but continue report fully indications views other govts concerned.

ACHESON

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S60S.00/7-549 : Telegram

*The United States Political Adviser at Trieste (Baldwin) to the Secretary of State*

SECRET

TRIESTE, July 5, 1949—6 p. m.

465. Castellani head of Italian delegation Trieste claims Italian Government greatly disturbed over dinar-Yugoslav lire exchange arrangement for Yugoslav Zone. Confirms that Italian Government was on verge offering Italian lire to Yugoslav Zone and admits such offer might have forestalled Yugoslav move. From other source I learn that Italian official has expressed uncertainty as to how Italy can protest as Italian Government was responsible for delay in furnishing Italian lire to Yugoslav Zone. Impression here is that Italian officials very confused; consider Italian position vulnerable and deplore delay in implementing "De Gasperi project" to furnish lire to Yugoslav Zone.

Text of letter to Security Council from Military Government Yugoslav Zone<sup>1</sup> as reported local press contains statement that in agreement with Yugoslav Government Yugoslav Military Government obligates itself to refund loan "as soon as Italy will offer substitution on basis of Article 76, paragraph 4 of peace treaty." Letter concludes with following sentence: "Yugoslav Military Government is convinced this accord will guarantee undisturbed development and improvement of Yugoslav Zone economy and therefore its action is within spirit of peace treaty and in agreement with Article 2, annex VII of treaty." This wording presumably intended justify legality of currency move by leaving door open for Italy to offer redeem Yugoslav Zone currency and by attempting justify Yugoslav loan to Yugoslav Zone on grounds of economic necessity. Latter is significant point as Zone B economy has deteriorated and Yugoslavs can make plausible case that

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<sup>1</sup> The text of this letter, dated July 2, 1949, was forwarded to Mr. Trygve Lie, Secretary-General of the United Nations, under cover of a letter dated July 5 from Mr. Joza Vilfan, Permanent Representative of Yugoslavia at the United Nations. (U.N. document S/1348, July 5, 1949)

deterioration largely attributable to effects of economic agreements between Zone A and Italy and unexpected prolongation of military government zones which forced Zone B turn to Yugoslavia for complete economic support.<sup>2</sup>

Paris telegram to Department 2752 July 1<sup>3</sup> gives French Foreign Office comments on "present and prospective" Italian-Yugoslav negotiations reference Territory Trieste. Would appreciate Department's interpretation French reference to "present" negotiations concerning which I have heard only rumors.

Sent Department 465; repeated Belgrade 47, Rome 80.

BALDWIN

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<sup>2</sup> An *aide-mémoire* of the Italian Embassy, No. 5800, of July 5, not printed, protested the Yugoslav action as violating the provisions of the Treaty of Peace with Italy (860S.00/7-549).

Ambassador Dunn's telegram 2060 of July 7, not printed, forwarded the text of the memorandum of protest delivered to him by Count Sforza on July 6 (860S.00/7-749).

<sup>3</sup> In this telegram, not printed, Ambassador Bruce reported that the French Foreign Ministry considered the situation was evolving steadily in a direction favorable to fulfillment of the declaration of March 20. He added that the Foreign Office:

"Believes therefore best policy in general interest would be let Italians proceed at own pace in present and prospective negotiations and leave matter already developing well to direct contact between parties without interference from outside which might not be welcomed by parties and might inopportunately embarrass them." (860S.00/7-149)

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860S.00/7-1349: Telegram

*The Secretary of State to the Embassy in Italy*

RESTRICTED

WASHINGTON, July 13, 1949—6 p. m.

1499. For urinfo, at his press conference this morning Secy was asked whether, in view Tito statement<sup>1</sup> Yugo wld never agree return of FTT Italy, US still favored return. Secy replied in affirmative; that US position remained as stated Mar 20 proposal.

Sent Rome 1499; rpt Trieste 301, Belgrade 368, Paris 2544, London 2430, USUN 361.

ACHESON

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<sup>1</sup> On July 10 Marshal Tito delivered a major speech at Pula (Pola), Slovenia in which he reviewed all of Yugoslavia's major foreign policy problems including Carinthia, Trieste, Greece, relations with the USSR and the satellites, and relations with the West. For extracts from that speech see Carlyle, *Documents on International Affairs, 1948-1949*, pp. 459-460.

In telegram 663, July 13, from Belgrade, Ambassador Cannon offered some critical comment on Tito's speech, and stated in regard to Trieste:

"There was no hollowness here in contrast Carinthian question. Insistence on Italian and Yugoslav views being given consideration and no unilateral action taken reflects Yugoslav anxiety lest Four-Power agreement again sacrifices Yugoslav interest in FTT. Also implicit is idea that problem susceptible of solution by Yugoslav-Italo accord." (760H.00/7-1349)

8608.00/7-1349 : Telegram

*The United States Political Adviser at Trieste (Baldwin) to the  
Secretary of State*

CONFIDENTIAL

TRIESTE, July 13, 1949—5 p. m.

485. R. J. Routledge ea [*E.M.?*] British Royal Army Service Corps killed by gunfire from Yugoslav border guards at 2240 July 10. Yugoslav Army personnel refused release body until AMG commission made inquiry. Major General Hoge Acting Zone Commander authorized appointment commission comprising British military personnel. Commission conducted inquiry from 2000 to 2115 hours July 11 from 800 to 1200 hours July 10. Statements by Yugoslav military personnel indicate British soldier shot inside Yugoslavia after refusing recognize challenge and attempting cross border into Zone A. Yugoslavs admit firing two bursts; first wounded soldier who fell and second was apparently fired very close to soldier's head. Yugoslavs deny recognizing soldier who was in British uniform. Commission discovered body located approximately 60 meters inside Yugoslavia. When report of commission shown Yugoslav border guard officers they refused release body until certain changes made in report effect of which would have been to partially exonerate Yugoslavs from responsibility. They insisted report indicate commission had established as fact Yugoslav version of incident. Senior officer inquiry commission refused alter report and again unsuccessfully demanded body. Later after consultation with General Hoge he returned to scene of incident and again demanded body in name of Acting Zone Commissioner. Meanwhile Hoge made strong protest to Yugoslav mission here terming Yugoslav refusal release body inhuman, unreasonable, unnecessary and demanding immediate release. Oral reply from mission blamed delay on fact that "report could not be signed owing to reasons not essential being put forward by Allied commission" and said that body would be handed over when report was signed.

In second note to Yugoslav mission July 13, Hoge stated Yugoslav oral reply contains no satisfactory explanation and expressed amazement at Yugoslav officers' insistence that Allied inquiry report be worded in manner acceptable to them before body could be released, an act which Hoge termed a form of duress. Hoge again protested strongly against Yugoslav action and said matter was being fully reported to Washington, London.

Incident has aroused considerable interest here. Local papers playing up story asserting British soldier shot in back by Yugoslavs. Brief AMG press release merely gives identity soldier and refers to Yugoslavs version of incident but does not mention fact that body still in Yugoslavia although this presumably well known by local press.

So far as can be determined Yugoslav guards probably within rights in wounding fleeing soldier for purpose detaining him. British doctor on inquiry commission unable determine whether first wounds would have caused death; however, second possibly third firing at close range obviously brutal act completely lacking justification. Yugoslavs persistent refusal release body unless assured inquiry report would virtually exonerate them from all responsibility indicates their anxiety over results more exhaustive investigation which will soon be impossible because of decomposition of body.

As further efforts here obtain body obviously futile Hoge considers that any further action should be taken by Washington, London, Belgrade.

British PolAd telegraphing Foreign Office, British Embassy, Washington.

Sent Department 485; repeated Belgrade 55.<sup>1</sup>

BALDWIN

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<sup>1</sup> In telegram 495 of July 19, not printed, Baldwin reported from Trieste that the British soldier's body had been delivered to British officers on July 18 (860S.00/7-1949).

In the Department's telegram 436 of August 5 to Belgrade, not printed, the Ambassador was informed that his British colleague had been instructed to accept the apologies of the Yugoslav Foreign Office but also to advise that the British Government expected the Yugoslav Government to pay compensation and to take all possible action to prevent unnecessary firing on Allied soldiers on the FTT frontiers. (860S.00/7-1349)

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860S.00/7-1449

*The Secretary of State to the Yugoslav Chargé (Makiedo)*<sup>1</sup>

The Secretary of State presents his compliments to the Chargé d'Affaires *ad interim* of the Federal People's Republic of Yugoslavia and refers to the letter dated July 2, 1949,<sup>2</sup> and transmitted by the Yugoslav Government to the Secretary General of the United Nations on July 6, 1949, concerning the loan by the Yugoslav Government of five hundred million dinars to the military administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste for the purpose of replacing the medium of exchange of the Zone with Yugoslav dinars.

The United States Government must again reject the Yugoslav allegations that the Allied Military Government in the United States-United Kingdom Zone of the Free Territory of Trieste has violated the Italian Peace Treaty through the conclusion of certain agreements with the Italian Government. These and similar charges have been

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<sup>1</sup> Handwritten instructions on the source copy "to be delivered by hand by L. E. Thompson—July 14, 1949".

<sup>2</sup> See footnote 1, p. 511.



made by the Yugoslav Government on previous occasions and have been brought to the attention of the Security Council of the United Nations which failed to sustain them. The United States and the United Kingdom Governments have set forth in detail and explained at length the nature of the agreements between Allied Military Government of the United States-United Kingdom Zone and the Italian Government. These agreements have been demonstrated to be in conformity with the provisions of the Italian Peace Treaty and indispensable to assure the well-being of the inhabitants of the United States-United Kingdom Zone. The United States Government deplores the fact that the Yugoslav Government continues to put forward these charges which upon objective examination have been demonstrated to be groundless.

In the course of the earlier discussion of the Yugoslav charges concerning the administration of the United States-United Kingdom Zone it was pointed out on several occasions that it is, in fact, the Military Administration in the Yugoslav Zone of the Free Territory that has violated the Treaty and has followed a policy clearly calculated to tie the Yugoslav Zone ever more closely to Yugoslavia. The recently announced currency conversion represents an additional move in this direction which can have the result only of further integrating the Yugoslav Zone into the Yugoslav economy.<sup>3</sup>

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<sup>3</sup> In telegram 1448 to Rome, July 8 (repeated to Belgrade as 353, to Trieste as 292, to London as 2374, to Paris as 2476, and to USUN as 353), not printed, the Department of State transmitted a draft of the proposed note for comment. The above three paragraphs were the same as in the initial draft. The fourth paragraph pointed out that the Yugoslav action was "in complete disregard" of the machinery provided for settlement of disputes concerning the Treaty of Peace with Italy, and it stated that the United States could not admit the validity of the statement used by the Yugoslav authorities in justification of a unilateral action which presented the parties at interest with a situation at variance with the relevant provisions of the Treaty. (860S.00/7-849)

In telegram 482 from Trieste, July 11, not printed, Baldwin urged changes in the third and fourth paragraphs, pointing out that the United States would be indicting the Yugoslavs for serious violations of the peace treaty but at the same time admitting inability to do anything except present a protest which would presumably be rejected. Baldwin continued: "As we are obviously unwilling take stronger action which would complicate relations with Yugoslavia, might it not be preferable play down seriousness violation by omitting paragraph 3 and replace paragraph 4 with phraseology which might serve similar purpose but also at least imply our unchanged position re March 20 declaration?" (860S.00/7-1149)

The final portion of the note was redrafted before its presentation to the Yugoslav Chargé on July 14.

In telegram 505 to Moscow, July 11, the Department explained that it had informed Ambassador Dunn that the note was intended both to refute the Yugoslav charges and to demonstrate to the Italians continued United States solidarity with the Italian position: "We point out that while we agree with Ital position that we should not give tacit approval to recent Yugo action we do not believe it would be desirable for this matter to become subject debate in SC as we are not only dubious of validity Ital position re technical matter providing lira and foreign exchange to Yugo zone but we believe it might have unfortunate effect on achievement our objectives with respect to Yugo and might also open possibilities advantageous to USSR." (860S.00/7-1149)

The United States Government has not failed to note the statement of the Yugoslav authorities that they have been unable to reach agreement with the Italian Government upon the supply of Italian lira to the Yugoslav Zone, Free Territory of Trieste, in accordance with Article 11 of Annex VII of the Peace Treaty. Inasmuch as the Yugoslav authorities have not followed the procedures provided in the Treaty of Peace for the settlement of such questions, this statement cannot be accepted as a valid explanation for their unilateral action in introducing the dinar into the Zone under their temporary military administration.

The United States Government has previously recommended a solution of the Trieste question in the interests of international stability and the well-being of the inhabitants of the area and deplors any action which adds to the difficulty of achieving such a solution.

WASHINGTON, July 14, 1949.

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660H.6531/7-1849 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

SECRET

ROME, July 18, 1949—7 p. m.

2198. Re Belgrade's 58 to Department as 674, July 16.<sup>1</sup> Signature of Italo-Yugoslav trade agreement was put off sine die by Italians after Zone B currency substitution although both text and substance had been agreed by that time *ad referendum* by delegations. On inquiry July 15 of principal Italian negotiator by Yugoslav minister as to "reasons" for Italian action, Italians stated that obviously before Italian Government could sign the agreement Yugoslavia would have to do something to help pacify state of Italian public agitation which had been caused here by Yugoslav currency substitution and Pola speech. It seems as a result of these personal and informal observations exchanged at President's reception July 15 (not in Foreign Office) Yugoslav Minister undertook to recommend that his Government make some sort of useful public statement. Italians specifically suggested and so informed their Legation Belgrade that Tito grant interview to a foreign correspondent saying for example:

1. That meaning of Yugoslav action in Zone has been distorted (by the Cominform?);
2. That that action was a technical, not a political one;
3. That it would be pity if ill-wishers were able as a result to place obstacles in path of Italo-Yugoslav economic *rapprochement* which

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<sup>1</sup> In this telegram, not printed, Ambassador Cannon asked whether the Italians had carried out their plans to suspend trade negotiations (660H.6531/7-1649).

two countries had been following (witness fishing agreement et cetera) and that there was much gain to both countries by concluding trade agreement which had been negotiated.

Sent Department 2198, repeated Belgrade 95.

DUNN

860S.00/7-3149 : Telegram

*The Ambassador in Yugoslavia (Cannon) to the Secretary of State*

SECRET

BELGRADE, July 31, 1949—2 p. m.

733. Today's communiqué on interview granted by Tito to Italian Minister<sup>1</sup> is item considerable political importance. Throughout last week Martino has been casting about for means for breaking impasse caused by Italian suspension economic negotiations. We had several talks along lines suggested by Rome's 2198 July 18 and Deptel 365 July 13 (1491 to Rome)<sup>2</sup> and upon Bebler's<sup>3</sup> return from Slovenia, Martino sought interview with him and suggested highest level statements might be necessary but lacking instructions could say nothing specific. Italian Counselor Tassoni was ordered to Rome for instructions and we gave him lift in Embassy plane yesterday noon.

Meanwhile events moving faster. On Tito's return to Belgrade, Bebler prepared communiqué along straight economic lines and arranged setting for Tito to see Martino for few minutes before latter's departure on leave last night. Martino succeeded in broadening language to include "various questions" and "good neighbor relations" hoping to nail down Zone B problem. When conversation then took place they talked of larger and long-term relations and when pressed on Zone B said that was "little matter if other things could be worked out".

I saw Martino immediately afterward. He had not yet got through by phone to Rome to tell them what he had done and was a little scared. However, he fully realized abundant measure with which Tito had fulfilled Italian hopes for a gesture to break trade negotiation deadlock and in course of our talk began to wonder whether Tito may be thinking of a non-aggression pact with Italy or perhaps even Yugoslav participation in Mediterranean mutual defense pact.

I expect this elation to wear off. He handled this situation very skillfully and will surely realize that only new complications will arise if Italians known to gloat over their apparent success.

<sup>1</sup> Enrico Martino, Italian Minister in Yugoslavia.

<sup>2</sup> Deptel 365 not printed; it informed Cannon that the Department of State planned, in consultation with the British Embassy in Washington, to hand the Yugoslav Chargé a note regarding the introduction of the new currency into Zone B, and it forwarded the proposed text of the note (860S.51/1-1349).

<sup>3</sup> Aleš Bebler, Yugoslav Assistant Minister for Foreign Affairs.

Incident seems to show that Yugoslav economic straits require that they should hasten get Italian trade agreement into operations stage but at same time open up broader talks for event USSR may really turn its support to Italians. On Zone B, I think we are not justified in accepting interpretation that "little matter" means Yugoslavia willing to give up against nominal *quid pro quo*. Rather indication may be to count up modest Yugoslav holding as compared with Italian share FTT if bargaining begins.

Text communiqué follows.

Sent Department, repeated Rome 69, Paris 83, London 42, Moscow 88, Trieste 58.

CANNON

501.BC/8-3049 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

SECRET

ROME, August 30, 1949—8 p. m.

2680. During conversation with Sforza this morning he [*we?*] referred to our talk with Guidotti (Embtel 2601, August 24<sup>1</sup> and Deptel 1892, August 22<sup>2</sup>) and inquired whether he had come to a decision. He had previously sent word to Sforza re informal action taken by Ambassador Cannon (Belgrade's 844 August 25, repeated Rome 78<sup>3</sup>). Foreign minister replied that he had decided to agree to set aside for time being any diplomatic action with UN re currency question. However, treatment of Italians in Zone B was another matter. He expressed gratitude for informal action taken by Cannon but said that as late as last night he had received telephone report that Yugoslav repression of Italians in Zone B was still increasing. Public indignation in Italy was rising everywhere, particularly in northern Italy. He referred to the historic resentment of northern Italians over Austrian repression of Italians in Venezia Giulia and said that when the state of

<sup>1</sup> Not printed; in it Dunn reported that he had informed Gastone Guidotti, Director of Political Affairs in the Italian Foreign Ministry, of the Department of State's view that it was preferable for the Italian Government not to submit any note to the United Nations at that time. Guidotti agreed to hold up the note and expressed the view that President Tito and the government at Belgrade were not fully aware of the repressive acts of local officials in Zone B. (501.BC/8-2449)

<sup>2</sup> Not printed; in it the Department informed Dunn that it considered it preferable that Italy not submit any note to the United Nations; it wished to avoid any debate there with the possibility of reopening the question of the appointment of a governor (501.BC/8-549).

<sup>3</sup> Not printed; in it the Chargé in Yugoslavia (R. Borden Reams) reported that Bebler had given him an opportunity to raise the question of the treatment of Italians in Zone B. Bebler "seemed astonished" and declared that Yugoslavia wished a long-term improvement of relations with Italy. He explained that it was a military administration but added: "this is serious matter and the government will want to look into it." (860S.00/8-2549)

Piedmont was only a dot on the map of Europe Cavour had had courage to protest to the Austrian Empire.

Sforza went on to express doubt whether anything less than strongest representations to Tito would secure relief for Italian inhabitants, not because Belgrade Government was encouraging local officials in their acts but rather because anything short of direct measures from Tito would dissuade Slav inhabitants in Zone B from temptation to seize property of Italians. Rather than appealing to UN he had decided to address appropriate communication to the friendly powers.

Sent Department 2680, repeated Belgrade 121.

DUNN

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8608.00/8-3149

*Memorandum of Conversation, by Mr. Joseph N. Greene, Jr., of the Division of Southwest European Affairs*

SECRET

[WASHINGTON,] August 31, 1949.

Mr. Boyd,<sup>1</sup> acting on instructions of the British Foreign Office, informed me of a conversation which took place between the Foreign Ministers Bevin and Sforza on August 13. According to Mr. Bevin's report of this conversation to the British Embassy at Rome, Count Sforza had suggested to him that the Trieste question might be resolved by agreement between Italy and Yugoslavia on the partition of Zone B, with some sort of neutral zone being established between the part returning to Italy and that part retained by Yugoslavia. Mr. Bevin advised Count Sforza to let the Trieste question lie for the present. Subsequently, Mr. Bevin received a report from Sir Charles Peake at Belgrade of a conversation he had had with Bebler, in which the latter indicated that the Yugoslav Government would be turning to the most important outstanding political problem between itself and the Italian Government, namely, Trieste, as soon as commercial matters are in hand.

As a result of this report, Mr. Bevin has instructed the British Embassy at Rome to advise Count Sforza that he, Mr. Bevin, in their earlier conversation had not meant to convey the idea that if the Yugoslavs take the initiative in the Trieste matter he thought the Italians should rebuff them.

At the same time, the Foreign Office in London indicated that they thought that if any such partition as that attributed to Count Sforza were to be arranged the occasion should be taken to "tidy up" the border. Assuming that Pirano and Capodistria are to be returned to

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<sup>1</sup> John Gordon Boyd, Second Secretary in the British Embassy in Washington.

Italy, the Foreign Office is inclined to think that the Risano spring, which now lies east of the Free Territory border in Yugoslav territory, and which is the natural water supply for the two coastal cities, should also be returned to Italian sovereignty. It is pointed out that this border rectification would preclude any part of Italy being dependent on water supply in Yugoslav territory.

The Foreign Office is also inclined to suggest that the northern border of the Free Territory should be adjusted in order to get entirely into Italian territory the power line which supplies Trieste from Italy. At the moment, this line traverses Yugoslav territory for a short distance just north of the point at which the Italian, Yugoslav and Free Territory boundaries converge.

The Foreign Office suggests that these ideas may find favor in the Italian Government as something they could advertise to the Italian people as concessions by the Yugoslav Government, thus compensating for surrender of claims to the southern part of Zone B. The Italians might even advance these two points as *quid pro quos* in their negotiations with the Yugoslavs.

Mr. Boyd informed me that the British Embassy here has been instructed to ascertain the Department's views on the foregoing.

I told Mr. Boyd that I would like to have the opportunity to consult other interested officers of the Department before giving him a formal reply, but that my off-hand reaction was that we must bear in mind two essential points: committed as we are to the March 20 declaration, we can in no way do anything which might give the appearance of proposing partition, although if the Italians propose it that is up to them; and further, that even if the Italians and Yugoslavs reach some agreement on the resolution of the Free Territory of Trieste question, it cannot be put into force as an amendment to the Peace Treaty unless or until at least the Soviet and French Governments, in addition to the United States and United Kingdom, and perhaps all governments which have ratified the Peace Treaty agree.<sup>2</sup>

I assured Mr. Boyd that I would get in touch with him as soon as possible after the matter had been further considered.

<sup>2</sup> In telegram 2016 of September 2 to Rome, not printed, the Department stated that it was air-mailing copies of this memorandum and asked for comment (860S.00/9-249).

In telegram 2846 of September 14, not printed, Dunn reported having been told in the Italian Foreign Office that they knew of no suggestion by Sforza to Bevin for a solution of the problem of Trieste by agreement on partition of Zone B. They said further that while they would not reject any initiative by the Yugoslavs in the matter, they had no intention on their part of making any proposal. Furthermore, they felt that the Yugoslavs were making the position of the Italian Government very difficult through continued persecution of Italian nationals in Yugoslav territory and Zone B. (860S.00/9-1449).

860S.00/8-2549: Telegram

*The Secretary of State to the Embassy in Yugoslavia*

SECRET

WASHINGTON, September 8, 1949—7 p. m.

520. Upon receipt similar instr ur Fr and Brit colleagues, and in consultation with them, you shld follow up ur talks with Bebler and Mates (reurtels 844 Aug 25<sup>1</sup> and 885 Sep 5<sup>2</sup>) by inquiring re results Yugo investigation Zone B and adding Ital Govt has now officially drawn attention this govt to reports of recent oppressive actions against Itals by Yugo mil admin Zone B. See Rome's tel 2753 Sep 6 rptd you 126.<sup>3</sup>

You may add that this Govt gratified to note Yugo Govt taking active steps investigate situation in Zone B. At same time, gravity with which reports of situation are viewed in Italy has made it difficult for Ital Govt to go further in its effort establish cordial relations with Yugo Govt, and that US Govt can not but feel that estab such relations wld be in interests of Yugo Govt, as well as Ital. Accordingly, US Govt urges that as soon as possible, and in light their own investigation, Yugo Govt will find it possible and desirable take corrective measures.

Dept had understood Ital Min Belg wld be instructed make representations to Yugo Govt on Zone B situation and that US, UK and Fr Govts wld be asked support such *démarche*. While not clear from Rome tels 2680 Aug 30 and 2753 Itals are themselves approaching Yugos, Dept considers it wld be appropriate for action contemplated above to be taken even without Ital action.

Dept seeking Brit and Fr concurrence in foregoing.<sup>4</sup>

For Rome: Clarify for Depts and Belgs guidance Ital Govts intentions as discussed above. You shld also inform FonOff in Sforza's absence we concur in keeping text of memo to Three Powers confidential for time being altho it may be appropriate consider question

<sup>1</sup> See footnote 3, p. 518.

<sup>2</sup> Not printed; in it Cannon reported that Mates had told him that, following Reams' talk with Bebler on August 25 (telegram 844), Foreign Minister Kardelj had sent an important person into Zone B to investigate and to issue instructions for a more lenient policy. Mates added that the responsible local officials would be brought to Belgrade for hearings. (860S.00/9-549)

<sup>3</sup> Not printed; in it Dunn forwarded a summary of a memorandum handed to him by Sforza which called attention to the seriously worsening situation in Zone B as a result of systematic violations of their authority by Yugoslav military officials (860S.00/9-649).

<sup>4</sup> In a memorandum of conversation dated September 8, not printed, Mr. Greene of SWE recorded having informed Lord Jellicoe of the Department of State's views as contained in telegram 520 to Belgrade (860S.00/9-849).

In a memorandum of conversation dated September 12, not printed, Greene recorded having been told by Jellicoe that the Foreign Office agreed with the views of the Department and were instructing the British Ambassador in Belgrade to take appropriate action (860S.00/9-1249).

of pub if Yugo investigation and Three Power *démarche* in Belg un-productive of results.

Repeated to Rome as 2064, to Trieste as 433.

ACHESON

8608.00/11-2549

*Memorandum of Conversation, by the Assistant Secretary for  
European Affairs (Perkins)*

SECRET

[WASHINGTON,] November 25, 1949.

Participants: Dr. Aleš Bebler, Deputy Foreign Minister of  
Yugoslavia  
Mr. Perkins  
Mr. Greene, WE<sup>1</sup>

Mr. Bebler called on me at my residence by appointment.<sup>2</sup> In his preliminary remarks he referred generally to the state of Yugoslav-Soviet relations, and said that the Yugoslav Government and people are faced with tremendous pressure from the East. Although in the first month after the Yugoslav break with the Cominform, Cominform propaganda pressure had been extremely serious to the Yugoslav Government, in terms of its effect on the Yugoslav people, the telling pressure today is economic and military. In fact, he observed, in the struggle with the Cominform the Yugoslav Government's most powerful ally is Yugoslav public opinion; parenthetically he observed that since the split "we have lost a little on the left and gained on the right". It would be disastrous if there were any break in the support of Yugoslav public opinion for the Government.

In this situation, Mr. Bebler continued, the Yugoslav Government considers pressure from the West a "luxury". For example, it has been reported that 20 Slovene schools in Zone A of the FTT have recently been closed; this has been extremely disturbing to Slovene opinion in Yugoslavia. He opined that the Italians are bent on Italianization of Zone A of the Free Territory, and observed that there are no Slovene schools in Gorizia.

Mr. Greene observed that Allied Military Government in Zone A is aware of the importance of tranquilizing relations between Italian and Slovene peoples in the area; Mr. Bebler rejoined that AMG is

<sup>1</sup> In the autumn of 1949 the Office of Western European Affairs (WE) under the Director, Theodore C. Achilles, took over the functions formerly performed by the Divisions WE and SWE.

<sup>2</sup> In a briefing memorandum of November 17 to Mr. Perkins, not printed, Mr. Achilles stated that Dr. Bebler had indicated a wish to talk to someone in the Department of State about Trieste and that it was understood that Mr. Perkins had indicated a willingness to meet him in New York. It was recommended that every effort be made to keep the meeting secret, and the anonymity of New York appeared preferable over Lake Success (8608.00/11-1749).



pro-Italian. I said that we would investigate the facts of the reported closing of schools in Zone A.

Mr. Bebler then moved on to a discussion of the status of the Free Territory and its future disposition. He asked, and during the ensuing discussion reiterated the request, that the U.S. Government approach the Italian Government, urging the latter to accept a compromise solution. He felt that so long as the Italian Government believes they have the support of the U.S. Government on the proposal made by the three Western powers on March 20, 1948, they will not budge from claiming return of the entire Free Territory to Italy. This, of course, is wholly unacceptable to the Yugoslav people and thus to the Yugoslav Government. In response to my question, Mr. Bebler said that his Government's representatives have not approached the Italians to seek a compromise and are indeed reluctant to do so unless the U.S. Government approaches them first in the sense suggested.

I told Mr. Bebler that we are committed to the March 20 proposal and that we would have great difficulty in adopting his suggestion. I further observed that if the Italian and Yugoslav governments work out a mutually acceptable agreement on the subject, we will consider it, together with the other parties to the Italian Peace Treaty.

I inquired whether he had any suggestions as to the nature of an agreement which might be acceptable to the Yugoslav people and Government. With a certain amount of circumlocution, he indicated that, the March 20 proposal being completely out of the question, Yugoslavia would have to gain sovereignty over the areas inhabited by Yugoslav peoples. He acknowledged that the city of Trieste is Italian, and that the coastal settlements also are in large part inhabited by Italians. He then recalled the "Tito-Togliatti<sup>3</sup> formula", to which he said Nenni<sup>4</sup> had also agreed and which, he recalled, would have provided for the return of Trieste to Italy in exchange for corrections of the Italo-Yugoslav boundary in Yugoslavia's favor, especially around Gorizia. He observed that the fact that Togliatti and Nenni agreed to such a formula indicated that the Italian people would agree to it.

In response to my inquiry, Mr. Bebler said that he thought that the Soviet Union would not attempt to block implementation of an Italo-Yugoslav agreement if one were reached, among other reasons because it would ruin Togliatti's position in Italy if the Soviet Union were to block return of Trieste to Italy.

After further discussion of the prospects for Italo-Yugoslav agreement, it was observed that at the moment the question boils down to

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<sup>3</sup> Palmiro Togliatti, Secretary General of the Communist Party of Italy.

<sup>4</sup> Pietro Nenni, Secretary of the Italian Socialist Party.

whether the Italians want a settlement of the Trieste question. Mr. Bebler was as unwilling to agree with my suggestion that Yugoslavia should approach the Italians directly, as I was unwilling to agree with his suggestion that we approach them first.

Finally, Mr. Bebler said that he thought that our respective positions were clear, and asked if we would at least think about his suggestion for a U.S. approach to Italy. I told him that we would think about it.<sup>5</sup>

GEORGE W. PERKINS

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<sup>5</sup> In telegram 754 to Belgrade, November 29, repeated to Rome as 3054, not printed, the conversation was summarized, and it was suggested that the Italians might be informed of it "without comment on our part" (860S.00/11-2949).

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860S.00/12-149 : Telegram

*The Secretary of State to the Embassy in Italy*

SECRET

WASHINGTON, December 5, 1949—6 p. m.

3103. Dept concurs in recommendation in third para urtel 3926 Dec 1.<sup>1</sup> (Sent Rome rptd Belgrade re Belg's 1243, Dec 1 6 p m.<sup>2</sup>)

Ital Amb saw Secy today and Secy took occasion, without comment as to what Ital Govt shld do, to let him know of substance Bebler-Perkins conversation and reminded him that as he knows Perkins reply to Bebler accurately reflects this Govt's views on question.<sup>3</sup> Suggest you also take suitable opportunity similarly to inform Sforza.<sup>4</sup> Believe it desirable avoid giving any impression that by men-

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<sup>1</sup> In this telegram, not printed, Dunn expressed his conviction that the position as stated by Perkins to Bebler was the correct course for the United States. In the third paragraph he strongly recommended "that the two Governments should be left to seek solution Trieste problem without outside pressure." (860S.00/12-149)

<sup>2</sup> In this telegram, not printed, Reams urged that advantages of an early settlement appeared to outweigh the advantages of continued presence of American and British troops in Trieste; that although the public stand on the declaration of March 20 needed to be maintained, this did not preclude private intimations to the Italian Government that "we would welcome a peaceful compromise solution" (860S.00/12-149).

<sup>3</sup> In a memorandum of conversation of December 5, not printed, Secretary Acheson recorded: "I took occasion to advise the Ambassador [Tarchiani] that Bebler had approached Assistant Secretary Perkins to ask as a preliminary to a Yugoslav approach to the Italians on Trieste, that we urge the Italian Government to accept a compromise solution of the problem. I said that Mr. Perkins had made clear our position that we stood by the March 20, 1948 proposal and that, while we would welcome a solution of the problem satisfactory to Italy and Yugoslavia, we felt that the matter could be solved only directly between the two Governments and that we had no intention of seeking to influence either of them. I said that Ambassador Dunn would also be advising Count Sforza of the Yugoslav approach and our reply." (Secretary's memoranda, Lot 53D444, December 1949)

<sup>4</sup> In telegram 3992 of December 7, not printed, Dunn reported that he had informed Sforza of the matter without comment (860S.00/12-749).

tioning conversation both in Rome and in Wash we intend pressure on Itals for compromise; at same time might be open to misunderstanding if either you or Secy failed inform Itals.

Dept informing Brit Emb of Bebler-Perkins conversation.

Repeated to Belgrade as 764.

ACHESON

## THE UNITED STATES PARTICIPATION IN DISCUSSIONS ON DISPOSITION OF THE FORMER ITALIAN COLONIES IN AFRICA <sup>1</sup>

501.BB/1-1749 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Acting Secretary  
of State*

SECRET

LONDON, January 17, 1949—7 p. m.

207. Clutton,<sup>2</sup> head African Department, asked Embassy officer to call January 15 and gave following summary Bevin-Schuman conversations re Italian colonies.<sup>3</sup> He explained that Foreign Office is most anxious that UNGA should have at early date résumé talks and that later British Embassy Washington will give more comprehensive picture to Department (see paragraph 13).

*Begin summary.*

1. Bevin and Schuman noted that UK and France are in agreement re Cyrenaica, Fezzan and Italian Somaliland and that two are not in agreement re Tripolitania and Eritrea. Present afforded opportunity for better understanding re last two.

2. Tripolitania. Schuman said that one of UK objections to Italian return to Tripolitania has always been that Italy could not get back without using military force. Schuman's own impression from talks with Count Sforza<sup>4</sup> was that Italians had sufficient force to get back and this impression was confirmed by De Gasperi's<sup>5</sup> recognition that Italians might have to return in stages: i.e. first colonies, second administration and lastly troops. Schuman outlined reasons why French Government felt Italians should return, first being that France is naturally greatly interested in territory neighboring Tunisia and believes that Italians in Tripolitania would be stable neighbors. Schuman's second reason was that integration western Europe is highly necessary and to deny Italians Tripolitania would be setback to western European developments and not consonant with Western Union ideas already so far advanced. Schuman's third point was that from his talks with Sforza he was convinced that if Italians did not get Tripolitania Italian Government would fall. In any case, Sforza would resign because latter told him he would do so.

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<sup>1</sup> Continued from *Foreign Relations*, 1948, vol. III, pp. 891-991.

<sup>2</sup> George L. Clutton, of the British Foreign Office.

<sup>3</sup> These conversations were held at London, January 13 and 14, 1949, between Ernest Bevin, British Secretary of State for Foreign Affairs, and Robert Schuman, French Minister of Foreign Affairs.

<sup>4</sup> Count Carlo Sforza, Italian Foreign Minister.

<sup>5</sup> Alcide De Gasperi, Italian Prime Minister.

3. Schuman said he had obtained impression at Cannes that Sforza was speaking personally re Tripolitania and not necessarily expressing view Italian Government. Schuman thought, therefore, that Italian Government should be asked for further information as to nature of its minimum requirements Tripolitania and whether it possesses strength to go back. He thought USG should be asked to reconsider its decision favoring postponement.

4. Bevin replied he could see force Schuman's arguments. To be denied Tripolitania would obviously not be palatable to Italians and denial would have some effect on position of government. Bevin personally had no objections returning Tripolitania to Italy and never had but there were real doubts regarding Italian capacity to go back. Before agreeing to decision that Italians should return UK would want to know: (a) whether Italians capable returning and; (b) Italian intentions in Tripolitania regarding such matters as constitutional developments, entry by stages, et cetera. In any case there was no certainty that two-thirds majority would be obtained in UNGA for Italian return.

5. Bevin said that speaking entirely personally UK policy as agreed with US is to favor postponement: he was not prepared to tell Schuman that he agreed with Schuman's view, that US should be asked to reconsider, or that approach should be made to Italian Government. He was, however, willing to inquire of USG whether it had altered its views and to make known to USG what Schuman had said, pointing out that there was some force in Schuman's arguments, viz., that other considerations would have to be borne in mind. Bevin said he would then ask for US comments.

6. Bevin remarked that postponement is obviously not ideal decision since it leaves the way open for agitation in Italy which is constant sore to Anglo-Italian relations. Bevin said it was of course quite open to French Ambassador in Washington to put French views to USG. Conversations regarding Tripolitania ended.

7. Eritrea. Schuman said he had told Sforza definitely at Cannes that Italians must realize that it is impossible that if they get Italian Somaliland for them to hope to obtain southern part of Eritrea thus again putting Ethiopia in pinchers. He also told Sforza that he felt that Ethiopia had a legitimate right to access to sea. He obtained impression from Sforza that if Massawa and Asmara were not given to Ethiopia Italians did not care what happened to remainder Eritrea but these two towns, with 30,000 Italian inhabitants, were Italian creations.

8. Schuman told Bevin that in his view both claimants have "negative desires", i.e., Italians do not want Ethiopians to have territory and Ethiopians do not want Italians to have territory. French Government taking broad view recognize this geographical, historical, political and economic importance of Massawa and Asmara. In these circumstances was not collective trusteeship right solution? Ethiopia and Italy might be associated with such collective trusteeship.

9. Bevin replied Eritrea very difficult problem. Could not see how Massawa and Asmara could be cut off from remainder territory. If Coptic Highland to which Ethiopia has strong ethnic claims were given Ethiopia nothing of any economic value would be left; therefore

he thought it was not possible to divide territory. UK also had to take broad view and had to bear in mind effect any alteration of UK policy regarding Eritrea on India, Ceylon, et cetera, and upon colored races generally. There was also UK's own position in Africa to be borne in mind and public opinion in UK which is strongly pro-Ethiopian.

[10.] Then Bevin said that in these circumstances he had to tell Schuman he stood firmly on proposals agreed with us, especially since these proposals contained provisions designed to protect Italian community. Bevin said he was also of opinion that Italians would be well advised to abandon all claims to Eritrea because if Italians did so Bevin believed Ethiopia would welcome their cooperation in economic development of both Eritrea and Ethiopia: what Ethiopia feared was Italian political control.

11. Schuman finally asked if Bevin would consider postponement decision regarding Massawa and Asmara alone, leaving these two cities under present British administration.

12. Bevin replied he would consider anything Schuman asked him to consider but that his reply as above was only possible answer in circumstances.

*End summary.*

13. Clutton commented that Department would observe that Bevin held US-UK line firmly. Reference paragraph 5 Clutton said that British Embassy Washington would seek to re-examine with Department in light recent developments premises on which US-UK line was agreed earlier. British Embassy would also convey to Department views Blackley<sup>6</sup> and Penney<sup>7</sup> as well as Counselor British Embassy Rome, all three of whom were called London recently for consultation (Tripoli's 4, January 10 to Department<sup>8</sup>). Clutton remarked that present UK evaluation is that Italian Government would not fall as suggested by Schuman paragraph two above and said it was on such points as this that Foreign Office thought thorough exchange views with Department desirable.

Sent Department 207, repeated Paris 45, Rome 9.

HOLMES

<sup>6</sup> Travers Robert Blackley, British Chief Administrator in Tripolitania.

<sup>7</sup> José Campbell Penney, Political Adviser to the British Administrations in the former Italian colonies.

<sup>8</sup> Not printed.

501.BB/3-349

*Memorandum by the Chief of the Division of Near Eastern and African Affairs (Satterthwaite) to the Secretary of State*

SECRET

[WASHINGTON,] March 3, 1949.

This memorandum has been prepared in response to your request that further careful thought be given to the British Ambassador's

suggestion of February 25 that the United States become trustee for the administration of Tripolitania. Our London Embassy wired on February 26 that Mr. Bevin had also inquired whether or not we would be willing to reconsider our position with regard to Tripolitania, and to review the possibility of a U.S. trusteeship.

The U.S. interest in Tripolitania and the British interest in Cyrenaica are mostly strategic. The British have military installations in Cyrenaica, both actual and projected, which, the British feel, will be safer if Cyrenacia is under British trusteeship. Our armed forces now use an airbase at Mellaha, near Tripoli, through an arrangement with the British. The British have signified their intention to withdraw from Tripolitania; and for several reasons they would like to have an American trusteeship replace their present administration in Tripolitania. Not the least of these reasons is the additional security afforded to Cyrenaica by the presence of American troops in Tripolitania.

The National Security Council has stipulated that no potentially hostile power should be permitted to obtain a foothold in the area, and the Joint Chiefs of Staff class the "operational availability" of Tripoli for our air force as a strategic requirement. It is generally agreed, I believe, that the maximum assurance of the "operational availability" of Tripoli would be achieved through U.S. control in Tripolitania.

In addition to the British, officials of Syria, Lebanon, Iraq, Pakistan and Egypt have suggested U.S. trusteeship over Tripolitania. Tripolitanian leaders have indicated more than once that U.S. trusteeship would be acceptable to the local people. There is no question that U.S. administration of Tripolitania and U.S. military installations there would reassure Greece, Turkey, Iran, and other European and Mediterranean countries of sustained American interest in the area.

It can reasonably be expected that the development of Tripolitania, a backward area, would be more rapid under U.S. trusteeship than under any other administration. With British trusteeship in Cyrenaica and U.S. trusteeship in Tripolitania, the United Nations would have the maximum assurance of eventual Libyan independence and unity.

On the other hand, the Italian Government and its people will be disappointed unless Tripolitania is subjected to some form of Italian administration and Italian resentment would be particularly directed at the United States in the event a U.S. trusteeship is established. The French would doubtless prefer not to have a U.S. trusteeship adjoining a French North African possession; but it seems unlikely that France would openly oppose the U.S. as the administering authority in Tripolitania.

The American public and the Congress are not accustomed to the idea of U.S. trusteeship in Tripolitania, and a major public relations

effort will be required to ensure adequate popular understanding and support. A sounding of Congressional opinion, Senator Vandenberg in particular, before the election indicated there would probably be strong opposition to the proposal.

Whatever the future administration of Tripolitania, whether U.S. trusteeship or some other arrangement, we can be sure that it will be a target for Soviet criticism. It can be expected that Soviet reaction, however, would be particularly violent to U.S. trusteeship and that such an undertaking by the United States would give a semblance of validity to some of the oft-repeated Soviet propaganda charge of U.S. imperialism. We can be sure also that, regardless of whatever arrangement is adopted, the United States will directly or indirectly pay the principal portion of the cost.

You are no doubt aware that on February 16, 1949, a proposal for U.S. trusteeship over Tripolitania was discussed by a conference in Mr. Rusk's office.<sup>1</sup> Both U.S. trusteeship and Italian trusteeship were considered. Neither has been definitely rejected, but they were laid aside in order that a suggestion involving multilateral trusteeships could be examined. Tentative drafts have now been completed for two types of multilateral trusteeships. In one, the United Nations is the trustee and administering authority; in the other, the trustee and administering authority is a council composed of representatives of the U.S., U.K., France, Italy and Egypt. In both plans, the administration is carried out by Italy in Tripolitania, by the U.K. in Cyrenaica and by France in the Fezzan. These two drafts should be the subject of a conference in the next day or two.

After multilateral trusteeship has been considered, it should be possible to choose a plan from among the several suggestions (U.S. trusteeship, Italian trusteeship, multilateral trusteeship) which will safeguard the interests of the United Nations, the trust territory and the trustee, which will fulfill our commitment to the British, and which will gain wide support both in the United States and abroad.

After a plan has been adopted, you may wish to discuss the matter further with the British Ambassador.

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<sup>1</sup> Dean Rusk, Assistant Secretary of State for United Nations Affairs, took on during the early months of 1949 the duties of Deputy Under Secretary of State, a post to which he was formally designated on May 26.



865.014/3-949

*Memorandum of Conversation, by the Director of the Office of Near Eastern and African Affairs (Satterthwaite)*

SECRET

[WASHINGTON,] March 9, 1949.

Participants: Mr. Gerald Meade, Counselor of the British Embassy  
Mr. Joseph C. Satterthwaite, NEA  
Mr. James S. Moose, Jr., AF

Mr. Meade called on Mr. Satterthwaite by request at 4:30 p. m., and stated that he had informed the Foreign Office, after a previous conversation with Mr. Satterthwaite, that one of the plans for Tripolitania under consideration by the State Department involved multiple trusteeship for the area. The reaction of the Foreign Office, he said, was "sharp", and he had had a prompt reply expressing fear that multiple trusteeship ran the risk of "Slav" participation in the administration. He then endeavored to obtain further information about the nature of the multiple trusteeship. He inquired specifically whether the multiple trusteeship applied only to Tripolitania or to all Libya.

Mr. Satterthwaite replied that the United States would honor its commitment to support British trusteeship in Cyrenaica. The multiple trusteeship plan had been discussed for all of Libya if the British would consent, and had been discussed for Tripolitania and the Fezzan (without Cyrenaica) if the British insisted on direct trusteeship in Cyrenaica. The names of the possible trustee countries: UK, U.S., France, Italy and Egypt were mentioned. Mr. Meade asked a number of further questions, but Mr. Satterthwaite declined to give any further information.

Mr. Meade then expressed the grave concern of the British Ambassador at the short time left in which to hold Anglo-American conversations with regard to the disposition of the Italian colonies; and asked if Mr. Satterthwaite could give him some indication of when the Department would be in a position to begin discussions with the British Embassy. Mr. Satterthwaite replied that the discussions were now on the level of the Under Secretary; but that he would not dare set a date when conversations with the British Embassy could begin.

Reverting to the proposal of multiple trusteeship, Mr. Meade opined that it would be difficult to secure approval of multiple trusteeship in Tripolitania because of the number of Latin-American countries which supported Italian trusteeship. Mr. Satterthwaite replied that there was some feeling in the Department that multiple trusteeship would have a wide appeal, and he believed that a considerable number of the Latin American countries could be persuaded to vote for such a proposal. The corollary of awarding the day-to-day administration of

Tripolitania to Italy would appeal to those who might otherwise advocate an outright Italian trusteeship.

There was a small amount of inconsequential talk, and Mr. Meade repeated what he had said to Mr. Moose a few days earlier; that the Foreign Office had told Mr. Manzini<sup>1</sup> the British would not keep their troops in Tripolitania for the purpose of introducing Italian administration and troops while the British maintained order. On the contrary, as soon as a trusteeship had been awarded to the Italians, the British would withdraw their troops "at the earliest possible moment".

Mr. Meade left with Mr. Satterthwaite's assurance that the British Embassy would be informed promptly as soon as the Department was able to discuss with it the disposition of the former Italian colonies.

JOSEPH C. SATTERTHWAITE

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<sup>1</sup> Raimondo Manzini, Italian Consul in British West Africa.

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865.014/3-1049

*Memorandum of Conversation, by the Assistant Secretary of State for United Nations Affairs (Rusk)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] March 10, 1949.

Participants: Mr. Meade, Counselor, British Embassy  
 Mr. Tebbit, Second Secretary, British Embassy  
 Mr. Rusk, G  
 Mr. Moose, AF  
 Mr. Dowling, SWE

I explained to Mr. Meade that in response to the recent British request we had been reviewing the problem of the disposition of the former Italian colonies, and that we thought an exchange of preliminary views at this stage might be mutually helpful although we were not yet in a position to give the Foreign Office our final views on all of the areas involved.

As regards Somaliland and Eritrea, I said we assumed there would be no change in the recent position of either the US or UK, unless the British Government wished to bring forward some new suggestion for the western province of Eritrea. The question before us was therefore that of the disposition of Libya. We had already agreed to support British trusteeship for Cyrenaica, or an alternative which would meet British requirements in that area. The UK had recently proposed US trusteeship for Tripolitania. This seemed to us to be unacceptable because of our declarations against American territorial expansion as a result of the war, because of the impact it would have upon US-

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<sup>1</sup> Drafted by Walter C. Dowling.

Italian relations, and because of the unfortunate impression it might make upon other friendly and neutral powers. I pointed out that the USSR would criticize both of us, regardless of the disposition made of Libya, but that Communist propaganda would undoubtedly be especially strident if the US were to "penetrate" the Mediterranean in this way.

I reminded Meade also that the commitment which the US would assume in the proposed North Atlantic Pact would be a radical departure from traditional American policy, and a commitment to administer a Mediterranean area would be a further and perhaps too great a change at this time.

Other alternatives for Tripolitania, including immediate independence or Italian trusteeship, were not desirable for reasons which we all know. There was another possibility, which arose primarily out of the fact that British forces were already occupying the area and that British administration had always been acceptable to us. This possibility was a multilateral trusteeship with British administration in both Cyrenaica and Tripolitania, and with France continuing to administer the Fezzan. We had thought that the April session of the General Assembly might approve in principle a trusteeship for Libya exercised by the US, UK, France, Italy and Egypt, at the same time requesting these five powers to work out a trusteeship agreement for submission to the Trusteeship Council in September. While the GA resolution need not mention British administration of Cyrenaica and Tripolitania, or French administration of the Fezzan, our ideas on this subject would undoubtedly be known to the GA delegations. We would, however, have several months in which detailed arrangements could be worked out satisfactorily, including the financial requirements of the area, in which the US would assist as one of the five trustees.

While this multilateral plan represented only State Department thinking, and had not yet been discussed with other government Departments or Congress, we believed it might be possible to demonstrate that US participation would be advantageous. Aside from military strategic considerations, it would, for example, provide a basis for inclusion of the US in any eventual development of Africa without furnishing at the same time reasons for including the USSR.

Meade said he would of course submit our suggestion to London, adding that he would have liked to be able to tell them something more definite about US assistance on the trust area budget, but that he understood we could not make any specific statement on this point at present.

He added that although he should perhaps not speculate on the reaction of the Foreign Office, he feared they would not be enthusiastic

about the suggestion. After presenting again the British arguments for US trusteeship, he recalled that the UK had never favored multilateral trusteeships, and reminded me that our suggestion of UK trusteeship for Tripolitania had been consistently turned down, one reason being its repercussions on Anglo-Italian relations. Meade went on to say that he felt certain our suggestion would not satisfy Italy or France, and that this factor might influence the attitude of the Latin American states. He wondered therefore if there might not be a possibility of Italian administration for Tripolitania under our proposal for multilateral trusteeship. I replied that this might present a possibility which, under our suggested procedure, could be studied during the April to September interim, when we could consult the Tripolitanians further about it.

In conclusion, there was a brief discussion of the possibility, which Meade seemed not to like, that the present British occupation might be continued for a period of years without formal action on trusteeship by the General Assembly, and Meade promised to give us the Foreign Office's views on our suggestion as promptly as possible.

DEAN RUSK

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865.014/3-1749: Circular telegram

*The Secretary of State to Certain Diplomatic and Consular Offices*<sup>1</sup>

SECRET

WASHINGTON, March 17, 1949—2 a. m.

[Reference] Depcirtel Nov. 26, 1948, 3 a. m.<sup>2</sup> In replying to official inquiries re Itcols you may state present US position:

1. Somaliland be placed under UN trusteeship system with Italy as admin auth under Trusteeship Agreement to be negotiated between Ital and TC.

2. Eritrea—Cession to Ethio all of Eritrea except Western Province, Itals formerly resident in Eritrea allowed to return to their homes. Appropriate guaranties sought to protect human rights all inhabitants territory, thus providing protection rights both Itals resident Eritrea and those who may return.

3. US remains committed support UK trusteeship for Cyrenaica.

4. US favors minimum period of trusteeship in order achieve independence for inhabitants of Libya at earliest practicable date.

5. Disposition Western Province of Eritrea, Tripolitania and Fezzan being given further consideration. Will inform soonest.

ACHESON

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<sup>1</sup> Sent to American diplomatic missions at Ankara, Athens, Baghdad, Bangkok, Cairo, Canberra, Jidda, Kabul, Karachi, Manila, Nanking (repeated to Canton), New Delhi, Pretoria, Rangoon, Tehran, Wellington, Addis Ababa, Beirut, Damascus, and Monrovia.

<sup>2</sup> For text, see *Foreign Relations*, 1948, vol. III, p. 961.

865.014/3-2149 : Telegram

*The Consul at Tripoli (Taft) to the Secretary of State*

SECRET

TRIPOLI, March 21, 1949—11 a. m.

55. Returned from Benghazi evening March 18 after successful visit during which following information obtained:

(1) There is serious lack of any understanding of philosophical meaning of word "trusteeship" or system word implies. Majority of Cyrenaicans believe synonymous with "colony", that "domination", based on desire to maintain strategic bases, will continue indefinitely and that independence not forthcoming. Administration published only one explanation in its Arabic language newspaper which had little effect on the cynical attitude of the Cyrenaicans who do not wish to accept either status or word. Article rebutted in opposition press by publication old photo of Italian mass execution without comment under headline identical to that over administration story. I saw no indications of any pending change in attitude on part of administration or military authorities from present complete control slightly disguised by using Emir when necessary through fictitious and mutually bothersome cooperation. Emir has refused draft constitution pending revision. It apparently follows and based on other Middle East British sponsored constitutions. He will return from Egypt on March 24. There will be no Cyrenaican delegation to UNGA.

(2) Influence of Omar Mukhtar Club is growing in cities and chief administrator states "free elections held now their candidates would win in Benghazi". Organization is looked down on by Emir and his group as proved collaborationists with Italians and it looks down on the Senussi as reactionary and conservative. Moslem brotherhood ideas and techniques are gaining importance but no signs of pending violent action on part of Club. It furnishes vital field for Communist infiltration and will probably be vehicle if such takes place. Members consider themselves only progressive element in country and are extremely dissatisfied with present conditions.

(3) There will be no serious reaction to imposition of British trusteeship but it will not be accepted without rancour. Cyrenaicans object to imposition of trusteeship although they agree if given opportunity they would seek close ties with and protection of British.

(4) Unity question still alive. Emir apparently would accept Tripoli request if Beshir Saadawi<sup>1</sup> and Dr. Shukry<sup>2</sup> had no connection therewith but as they are considered "agents Libyan League receiving money from that source to swing Libya into Egyptian orbit"

<sup>1</sup> President of the Libyan Liberation Committee.

<sup>2</sup> Fuad Shukry, Advisor to the Libyan Liberation Committee.

their presence is permanent bar. If native leader resident in Tripoli emerged and union requested under his aegis, merger would be rapidly effected probably under federal formula. Omar Mukhtar Club sets unity above all else and brushed personality difficulties aside.

(5) Return of Italy to Tripoli would have reaction in Cyrenaica and some Cyrenaicans would join Tripolitans in resistance. Return would be considered entering edge of wedge, and greatly feared, by Senussi. It would also be permanent bar to union. Nevertheless, while return of Italian Government to Cyrenaica is considered impossible, skilled Italian technicians and specialists will be welcome in the future.

(6) Egyptian Consul General is being recalled at request of administration on account of black market activities and meddling in local politics. He has attempted to swing public opinion against administration and towards Egypt. He apparently has had some success with the Omar Mukhtar Club. French policy is mildly in support of administration but Consul states thus "of course Italy could do a better job than the British but strategic necessities, of value to all of Europe, require British presence here."

Repeated to London, Rome. Paraphrase by pouch to Cairo.

TAFT

865.014/3-1049

*Memorandum by the Director of the Office of Near Eastern and African Affairs (Satterthwaite) to the Secretary of State*

TOP SECRET

[WASHINGTON,] March 21, 1949.

*Discussion*

On March 10, 1949, Mr. Rusk conveyed orally to Mr. Meade, Counselor of the British Embassy, tentative proposals, approved by the Secretary, for the disposition of Libya. The preferred solution was a five-power trusteeship for all Libya, with the British acting in Cyrenaica and Tripolitania as administering agent and the French so acting in the Fezzan. It was suggested that the US might be willing to assume some of the expense of administration of the proposed British area. An alternate solution consisted of the same arrangement for Tripolitania and the Fezzan, while the UK would become trustee of Cyrenaica. These suggestions in no way modified the US commitment to support UK trusteeship over Cyrenaica (Tab A <sup>1</sup>).

On March 17, 1949, Mr. Meade called on Mr. Rusk and read two first-person telegrams from Mr. Bevin. These telegrams objected strongly to any kind of multiple trusteeship on grounds of possible

<sup>1</sup> *Ante*, p. 532.

Slav participation, unworkability, possible disputes among co-trustees, and political undesirability.

The telegrams expressed the opinion that the impending signature of the Atlantic Pact might make a material change in the views of the various nations toward the Italian Colonies; and requested that further consideration of Tripolitania be deferred until Mr. Bevin, who expects to reach Washington on April 1, 1949, can discuss the matter personally with the Secretary. It was indicated that the British would expect outright British trusteeship over Cyrenaica (Tab B<sup>2</sup>).

Mr. Rusk responded that there will not be sufficient time between April 1 and April 4 to arrive at a solution of the problem of the Italian Colonies; that consideration might have to be given to the plan of independence for Libya, and that the time now remaining is barely sufficient to consult with the other branches of the American Government and to prepare for a solution involving multiple trusteeship. It would be more difficult, continued Mr. Rusk, to prepare for a proposal involving US trusteeship over Tripolitania. It was further pointed out by Mr. Rusk that Mr. Acheson will be extremely busy between the time when the Atlantic Pact is signed and the opening of the General Assembly session on April 5th. The final briefing of the US Delegation to the General Assembly will doubtless take place on April 2.

On March 18, 1949, Mr. Meade again called on Mr. Rusk and read a telegram which had just been received from the Foreign Office in response to his report on the conversation with Mr. Rusk on March 17. The message stated that Mr. Bevin considers the best and indeed the only practical solution for Tripolitania is US trusteeship. In his previous communication, he did not ask the Embassy to press this view because there was little apparent chance that the US would accept this solution prior to the convening of the GA. Mr. Bevin had thought that perhaps a more favorable atmosphere would prevail after the signing of the Atlantic Pact. These considerations had led him to the conclusion that further postponement is the best policy for the moment. (Tab C<sup>3</sup>).

#### *Recommendation*

In view of the foregoing, it is recommended that Mr. Rusk be authorized to convey an oral message from you to Mr. Bevin embodying the following points: (1) You appreciate the prompt attention which Mr. Bevin has given our suggestions regarding the disposition of the former Italian Colonies; (2) You regret that Mr. Bevin, for reasons

<sup>2</sup> Tab B, not printed, was a copy of the memorandum of the conversation of March 17.

<sup>3</sup> Not printed.

which we can appreciate, has not found our suggestions acceptable; (3) We still attach the greatest importance to coordinating the British and American positions before the opening of the General Assembly; and (4) In the short time remaining, you feel that our two governments should continue at the staff level to make every effort to evolve a mutually satisfactory solution.

It is further recommended that Mr. Rusk be authorized to deliver the attached *Aide-Mémoire* (Tab D <sup>4</sup>) to Mr. Meade to summarize the conversation indicated above.

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<sup>4</sup> *Infra.*

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865.014/3-1049

*The Department of State to the British Embassy*

TOP SECRET

**AIDE-MÉMOIRE**

Mr. C. A. G. Meade, Counselor of His Britannic Majesty's Embassy in Washington today called on Mr. Dean Rusk, Assistant Secretary of State, at the latter's request.

Mr. Rusk referred to recent conversations between them and asked that Mr. Meade convey to Mr. Bevin an expression of the Secretary of State's appreciation of the prompt attention given to the tentative suggestions of the Department of State for the disposition of the former Italian Colonies. Reference was also made to Sir Oliver Franks' previous conversation with the Secretary of State urging an early formulation of policy.

The Secretary of State, continued Mr. Rusk, regretted that Mr. Bevin, for reasons which we can appreciate, has not found our suggestions acceptable. The Secretary of State wished to emphasize that this Government still attaches the greatest importance to coordinating the British and American positions before the opening of the General Assembly. In this light, the Secretary of State feels that in the short time remaining, our two governments should continue at the staff level to make every effort to evolve a mutually satisfactory solution.

The Secretary of State asked that the sense of the foregoing be conveyed to Mr. Bevin for his consideration.

WASHINGTON, March 25, 1949.



865.014/3-2549

*Memorandum of Conversation, by the Assistant Secretary of State  
for United Nations Affairs (Rusk)*<sup>1</sup>

SECRET

[WASHINGTON,] March 25, 1949.

Participants: The Italian Ambassador  
Assistant Secretary Rusk  
Mr. Sale, SWE

Ambassador Tarchiani had requested an appointment for the purpose of making a courtesy call and also to discuss the question of the disposition of the former Italian Colonies. The Ambassador stated that his Government was most anxious that every effort be made to achieve, before the opening of the next session of the General Assembly, a compromise position on the question of the disposition of the colonies which could be supported by Italy as well as the United States, United Kingdom, and France, and which could be presented to the Assembly as the agreed position of the four powers.

Mr. Tarchiani reviewed the Italian position with respect to the colonies. He said that Italy would of course accept trusteeship over Somaliland, and observed that it appeared that such a proposal would have general support in the Assembly.

With respect to Eritrea, he stated that Italy recognized that Ethiopia had a justifiable claim to an outlet to the sea and that Italy had on numerous occasions expressed its complete willingness to the cession of the port of Assab and a portion of southern Eritrea to Ethiopia for that purpose. He said that Italy appreciated that Ethiopia might fear that the reestablishment of Italian administration in Eritrea could provide the opportunity for renewed aggression. For this reason Italy had suggested that a multilateral trusteeship for Eritrea, with Italian administration, would provide more than adequate assurances for the Ethiopians. The Ambassador suggested that besides Italy, France and the United Kingdom might participate in such a multilateral trusteeship. He observed that such a solution would not only satisfy justifiable aspirations on the part of Ethiopia, but would also assure the continued advancement of the territory toward eventual self-government under Italian tutelage. The Ambassador expressed the opinion that the great numbers of the indigenous Eritreans who are Moslems, as well as the Italian settlers in the territory, would be most resentful at being placed under the rule of the comparatively backward Ethiopians. He pointed out that there could be no question of "returning Eritrea to Ethiopia" since most of

<sup>1</sup> Drafted by William B. Sale.

Eritrea had never been under the rule of Ethiopia and that both racially and culturally the area was more closely akin to the Arab peoples across the Red Sea.

Ambassador Tarchiani said that Italy recognized the paramount strategic needs of Great Britain in the Eastern Mediterranean and viewed with sympathy the British desire for trusteeship over Cyrenaica for that reason. As the Italian Government had assured us and the British on numerous occasions, Italy would not press its own claims to a trusteeship over Cyrenaica provided at the same time that Tripolitania was placed under Italian trusteeship. He further stated that Italy did not object to France's remaining as administrator in the Fezzan should an acceptable disposition be agreed upon for Tripolitania. He stated that Italians have made great contributions to the advancement of Tripolitania and have in the past maintained excellent relations with the native population. He felt certain that should provisions be worked out for an orderly transfer of administration, Italian authorities would have no serious difficulties in taking over administration from the British.

With respect to the U.S. position, I assured Ambassador Tarchiani that we continued to favor Italian trusteeship in Italian Somaliland. I added that we would support such a position before the General Assembly.

With respect to Eritrea, I reminded the Ambassador that we had made our position on this question clear in Paris last Fall, and that we continued to believe that the cession of all of Eritrea, with the exception of the western province, was a solution which would best meet the interests of all of the inhabitants. It was pointed out to him that the final decision would of course lie with the General Assembly and that the necessary two-thirds majority would require the support of the Near Eastern and the Far Eastern members, as well as others, and that a resolution acceptable to such a wide group would certainly have to be based on the best interests of all concerned.

I explained to Ambassador Tarchiani that our overall ultimate objective with respect to Libya was independence for the territory, not in the distant future, but at a very early date. We realize that the people of Libya are not yet far enough advanced for immediate independence and that they will require a limited period of tutelage. It was pointed out that the British have an outstanding record of taking up the responsibility for assisting backward peoples toward independence, and, when they have achieved an adequate stage of development, establishing them as independent states. For this reason we have supported British trusteeship for Cyrenaica. I added that up until now at least the British have felt that they would not be able to

accept similar responsibility as well for the administration of Tripolitania. I explained also that we feel that there might be serious reasons why it would be difficult for us to assume the administration of Tripolitania ourselves. It was explained to the Ambassador that we have had serious doubts as to the possibility of the reestablishment of Italian administration in Tripolitania without the outbreak of open hostility on the part of the natives. I added that we were not prepared to agree to a solution which might result in consequences comparable to the most regrettable hostilities in Palestine.

I further pointed out to Mr. Tarchiani that we have received no information which would indicate that the natives desired a return to Italian administration.

With respect to the alleged Arab opposition to the return of the Italians to Tripolitania, Ambassador Tarchiani expressed the opinion that should the native populations of any of the areas of North Africa be consulted, it would almost certainly develop that the natives would be against French administration in Morocco, Algeria, and Tunis, and British administration in Cyrenaica, for it is well-known that all of the Arab people aspire to immediate independence and an end to any form of control by Europeans. He said that in the past Tripolitania, under Italian administration, has been one of the most tranquil areas of North Africa, that Italians in Tripolitania even today are on the friendliest of terms with the natives. This fact can be proven by recent elections in Tripoli and other Tripolitanian towns in which numerous Italians and definitely pro-Italian natives have been elected to office. Before the Fascist administration, Italy had taken the lead in establishing democratic institutions in her colonies and had provided education for the natives which had enabled them to make great strides toward self-government. It is the Italians' desire now to continue this work of tutelage until the people of Tripolitania are ready for independence. The Ambassador said that Italy had proposed to the British that Tripolitania might be established immediately as an independent state with special treaty ties with Italy which would provide an opportunity for Italian protection and assistance in the development of the territory. The British had not looked with favor upon this suggestion for the reason that it would affect their position in Cyrenaica where they were not prepared to grant independence to Cyrenaica at this time. I told the Ambassador that we were inclined to favor a solution which would provide for independence for all of Libya within ten years. He agreed that it was desirable to prepare the territory for independence as soon as practicable but expressed doubt that this could be achieved in such a short period as ten years. He suggested rather that an arrangement might be worked out whereby

independence might be established as soon as some such competent body as the General Assembly or the Trusteeship Council might determine.

Ambassador Tarchiani made the point that Italy's interest in participating in the administration of her former African colonies is but one aspect of her larger interest in participating in the general advancement of the underdeveloped areas of the African continent. He expressed the opinion that Italians, through their scientific skills developed through many years of colonial administration in Africa, and the natural adaptability of Italian colonists to climatic conditions in Africa, would enable the Italians to contribute greatly to the future development of Africa. The Italian Government felt that it was essential that Italy participate in the direct administration of at least an important part of her former Italian colonies if Italy and the Italian people were to be able to make the maximum contribution in the general development of Africa.

I assured the Ambassador that our Government was equally as anxious as the Italian Government to arrive at a solution of this important problem which will meet with the acceptance of as many parties as possible and at the same time provide a just and equitable settlement in the best interests of all of the inhabitants. I assured him that we would keep in touch with the Italian Embassy and make known our further views as soon as we have completed our review of the many aspects of the problem.

DEAN RUSK

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### *Editorial Note*

The problem of the disposition of the former Italian colonies in Africa was first considered by the General Assembly of the United Nations in the spring of 1949, at the second part of its Third Session in New York. Initial proposals were made at this time individually by the United Kingdom, India, Iraq, the U.S.S.R. and jointly by 19 Latin American states.

The United Kingdom draft, which was supported by the United States, proposed the following: independence for Libya after 10 years, with Cyrenaica to be placed under British trusteeship during the interim period, and the remainder to be placed under a trusteeship to be determined later; incorporation of most of Eritrea into Ethiopia with special protection for minorities; the western province of Eritrea to be incorporated into the adjacent Anglo-Egyptian Sudan; a United Nations trusteeship for Italian Somaliland, with Italy as the administering power.

This and several other proposals were thoroughly considered by a small subcommittee of the First Committee to which the problem was given on May 9, 1949, for study and recommendation. On May 10 and 11 the small body developed a compromise based on modification of the earlier British plan, which in brief embodied the following elements:

a. Independence for Libya in 10 years with immediate British trusteeship in Cyrenaica, and French trusteeship in the Fezzan, and Italian trusteeship in Tripolitania to be instituted by the end of 1951. In each case the administering authorities were to administer the respective territories so as not to prejudice their eventual incorporation in a united Libya;

b. Union of Eritrea, except for the western province, with Ethiopia, with provision for the protection of minorities and, without prejudice to the sovereignty of Ethiopia, for appropriate charters for the cities of Asmara and Massawa; union of the western province with the adjacent Anglo-Egyptian Sudan; and

c. Italian trusteeship for Italian Somaliland.

This plan was adopted by the First Committee on May 13, 1949, except for a proposed solution for the western province of Eritrea (union with the adjacent Anglo-Egyptian Sudan). When the draft resolution was considered in Plenary Session of the General Assembly on May 17 and 18, 1949, those portions of it providing for Italian trusteeship in Somaliland and in Tripolitania after 1951 failed to obtain the necessary two-thirds majority support. The defeat of the provisions for Italian trusteeship made the rest of the plan unacceptable to a majority of the members. Consequently, on May 18, 1949, the whole problem was put over for further consideration by the General Assembly in September.

A summary of these considerations is in *United States Participation in the United Nations; Report by the President to the Congress for the Year 1949* (Department of State publication 3765, May 1950, pages 51 ff). A more detailed account is in the Department of State *Bulletin*, September 12, 1949, pages 363 ff. For documentation on the United Nations consideration of the Italian colonies question, see United Nations, *Official Records of the General Assembly, Third Session, Second Part, Plenary Meetings*, 1949, April-May, pages 528 ff. Hereafter cited as GA (III/2), *Plenary*.

IO Files : 1 US/A/C.1/771

*Memorandum of Conversation, by Mr. John Foster Dulles of the  
United States Delegation to the U.N. General Assembly*

SECRET

[NEW YORK,] April 12, 1949.

Participants: Mr. Schuman, Foreign Minister of France  
Mr. John Foster Dulles, United States Delegation

I called to see Foreign Minister Schuman at his invitation on Tuesday, April 12 at 10:30 a. m. at the Hotel Pierre. He said he wanted to discuss Italian colonies before his departure tonight. He was seeing Mr. McNeil<sup>2</sup> at 11:30 a. m.

Mr. Schuman invited an expression of my views and I told him, in substance, as follows:

The Italian colonies must be looked on as part of the general problem of Europe and Africa. Tensions between the East and West and the iron curtain have largely interrupted East-West developments and require us to think in terms of North-South, i.e. Western Europe and Africa. There are in Africa vast resources which can be developed to the natural advantage of Africa and West Europe and more than make good the loss of access to the natural resources of eastern Europe and the loss of Asiatic colonies. This North-South development, however, requires friendly collaboration between the native peoples and the peoples of Europe and perhaps some financial and technological assistance from the United States. The Italian people have the qualities needed to make a great contribution toward development, but this cannot be imposed at the risk of disturbing the basic essential which is political tranquillity. If the Italian colonies were dealt with in a manner which excited a Moslem Holy War or a race war of black against white, then the foundation for North-South development would disappear. Certainly, as far as the United States is concerned, private capital would not be available under these circumstances and it would be doubtful whether financial aid through the Marshall Plan or "Point IV" assistance<sup>3</sup> would be forthcoming. Already there was strong pressure in the United States to cut off aid to the Netherlands on account of Indonesia and a great deal would be risked if it seemed that American military and economic assistance to Western Europe was being employed to build up a colonial empire that would be resisted by the native population.

In view of this, I said I thought that the political question was whether or not Italian administration would, in fact, be accepted by the peoples of Tripolitania.

In deciding this question, a great deal depended upon the British. They were, in fact, presently administering the territory. Their judg-

<sup>1</sup> Master Files of the Reference Documents Section of the Bureau of International Organization Affairs, Department of State.

<sup>2</sup> Hector McNeil, British Minister of State.

<sup>3</sup> Documentation on the genesis of the Point IV Program is scheduled for publication in volume I.

ment was bound to carry great weight and also a great deal would depend upon whether they were willing to attempt to facilitate the reestablishment of Italian administration. Mr. Bevin had said that they would not affirmatively do anything, and their general attitude would be bound to be reflected in the attitude of the native peoples. If the Italians had to fight their way in as administrators, it would be a serious matter.

I suggested that the best solution might be to continue *de facto* British administration until, say, 1952 with an assurance from the British that they would attempt to bring Italians and Arabs together in various advisory and technical tasks and that the Assembly might then be in a position in 1952 to make a decision in favor of Italian administration of a Tripolitanian trusteeship with confidence that this would not lead to violent resistance.

Mr. Schuman said that he wholly agreed with my general diagnosis of the situation. He thought there could usefully be a short period of transition rather than an abrupt shift from British to Italian administration, but that he felt it imperative that there should be a present decision for Italian administration of Tripolitania. The French Government could never agree to a result which limited Italy to the administration of Italian Somaliland. He did not believe that in Tripolitania there would be any major disturbances unless the British wanted it. He would not, however, be willing to rely upon a prolongation for several years of British administration without any present decision as to even ultimate Italian administration. The British, if they were there for two or three years more, would never get out except perhaps as part of an independence scheme, like that of Trans-Jordan, which would give the British a continuing special position. He referred to the British history in Egypt. The British had a quality, for which he did not reproach them, of looking out for themselves.

The Italian people, naturally emotional, were greatly excited, and that if they did not measurably realize their present colonial aspirations, this might have a serious effect upon the continuance in power of the present government and on Italy's ratification of the Atlantic Pact and entry into the European union. He regretted the latter, extemporaneous, portion of Sforza's speech in Committee 1, but it illustrated Italian impetuosity.

I said that it was my impression that Italy was in the Atlantic Pact because she wanted to be, not because she had been pressed into coming in, and that I doubted whether the United States would, or should, take action that seemed in itself unwise merely because Italy threatened otherwise not to ratify the Atlantic Pact. Mr. Schuman said he agreed that Italy had wanted to be in the Atlantic Pact, but he said

also that France regarded Italy's participation as very important because the Italian Alps were vital to a defense of Western Europe.

Mr. Schuman asked whether we had given any consideration to some form of joint, or multiple, trusteeship. I said that this had been tentatively explored and my impression was that it was unacceptable to the United Kingdom.

In conclusion, I said that the United States had only the friendliest feelings for Italy, but that the best interests of Italy and Western Europe would not be advanced by measures which would create political disturbance in North Africa. The United States, I felt, would be prepared to back Italian aspirations in Tripolitania to any degree that the British administering authorities would consider to be compatible with peace and order. Mr. Schuman said that in his forthcoming talk with McNeil he would press strongly for a British position that would be more sympathetic and more helpful, as he was confident that given such a British attitude, a transition to Italian Administration could be effected without any major disturbances.

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IO Files: US/A/C.1/802

*Memorandum of Conversation, by Mr. John Foster Dulles of the  
United States Delegation to the U.N. General Assembly*

SECRET

[NEW YORK,] April 13, 1949.

Participants: Count Carlo Sforza, Italian Minister of Foreign  
Affairs

Mr. John Foster Dulles, U.S. Delegation

Also Present: Sr. Alberto Tarchiani, Italian Ambassador at  
Washington

Sr. Gastone Guidotti, Director General, Italian Foreign  
Office

Mr. William B. Sale, U.S. Delegation

At his request I called on Count Sforza at his apartments at the Waldorf-Astoria for the purpose of having a direct exchange of views with respect to the Italian Colonies question.

Count Sforza began the conversation by alluding to the paradoxical position in which he now finds himself in view of his ardent opposition, throughout his long career, to the entire concept of colonies. He explained, however, that what he and the Italian Government are really advocating now is not the re-establishment of Italian administration under the old colonial system but an opportunity for Italy to share in the European task of developing Africa for the mutual benefit of the two continents. He felt that it was essential that Italy be



an administering authority on the continent of Africa in order to ensure a place for Italy in the planning and direction of this task. He pointed out that Italy's claims are in reality extremely modest; she has raised no objection to, and in fact would welcome, British administration of Cyrenaica. He fully appreciated the strategic importance to the security of all western Europe of the development of strong British bases in Cyrenaica and, for this reason, he would raise no objection whatsoever to British trusteeship. He pointed out also that the Italians would not object to a continuation of French administration of Fezzan. With respect to Tripolitania, Count Sforza said that the Italian position asking for an Italian trusteeship was well-known. He stressed his own belief that Italian administration could be re-established with an absolute minimum of disorder and that the Italian Government had at its disposal all of the forces which might be necessary to maintain order in the territory. He expressed the personal view that the fewer the troops that would be sent, the less would be the need for their use. However, the British had recommended a large force which the Italian Government was prepared to send. Count Sforza dwelt at some length on the peaceful relationship between the Italians and natives in this area. He admitted that there had been difficulties in the past with the natives in Cyrenaica but maintained that there had never been serious difficulties between the Italian authorities and population and the inhabitants of Tripolitania. As evidence of the good relations existing between the Italians and Tripolitarians Count Sforza referred to the results of recent elections in Tripoli and other Tripolitanian cities in which the Italians and pro-Italian Arabs have won large majorities.

With respect to Eritrea, Count Sforza said that he believed that the great majority of the inhabitants would much prefer a form of trusteeship which would assure them eventual independence and that there would be amongst the inhabitants in the territory strong opposition to being placed under the rule of the Ethiopians. He suggested that the Ethiopians could be given adequate assurance with respect to their security if a joint trusteeship consisting of Ethiopia and Italy and other members of the European Union were to be named as the administering authority. Such a solution should give the Ethiopians an adequate, positive guarantee that there could never again be any question of aggression against them being launched from Eritrea. He said that the Italians found it incredible to believe that the General Assembly would recommend that the two Italian, European cities of Asmara and Massawa be placed under the comparatively very backward rule of Ethiopia.

At this point Count Sforza suggested the possibility that, if our principal reason for advocating the cession of Eritrea to Ethiopia was to avoid the re-establishment of an Italian "pinchers" around Ethiopia, it might be more desirable from the Italian point of view if Italian Somaliland were to be ceded to Ethiopia if, by such a concession, it would be possible to restore Eritrea to Italy under Italian trusteeship. Count Sforza pointed out that while as Foreign Minister he had full powers, such a proposal would require the approval of the Italian cabinet should it be found possible to give serious consideration to it.

Count Sforza then undertook to explain at some length the most unfortunate reaction which would result in Italy should the General Assembly recommend an unjust solution of the Italian Colonies problem. Should the solution agreed upon be such as to seem to treat Italy in a punitive manner in line with the very unjust Italian Peace Treaty he could not foresee what far-reaching reaction might result in Italy. As for himself, he said, it would be simple for he would resign. The Italian people would never be able to understand, particularly against the background of the brilliant recent history of western cooperation under OEEC,<sup>1</sup> the Atlantic Pact, the Customs Union between Italy and France, and the forthcoming signature of an instrument for the creation of the Council of Europe, they could never reconcile with this new spirit of cooperation, what they could only interpret as a sign of a lack of faith and support and friendship on the part of the western powers, and in particular the United States. Count Sforza said that he had no desire or intention to suggest the use of blackmail in any form, but that he felt he must point out that if what the Italian people considered to be only their just rights are disregarded in the settlement of the Colonies question, it is quite possible that the Italian public and parliamentary support for continued close cooperation with the western powers, and support for the Atlantic Pact itself, would become dubious to say the least. Count Sforza expressed the personal opinion that such a development would have its direct reaction also in France, where this question is viewed in almost identical terms as in Italy. He felt that the adverse reaction might be so grave as to seriously retard the growing integration of western Europe.

I then presented our point of view at some length to Count Sforza along the same lines on which I had spoken yesterday to Foreign Minister Schuman. I pointed out to him that since the very close and interdependent relationship between Eastern and Western Europe has been so effectively cut by East-West tensions and since Asiatic colonies have largely become independent, it is becoming increasingly im-

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<sup>1</sup> For documentation on the OEEC and related subjects, see pp. 367 ff.

portant that cooperation and mutual assistance between western Europe and Africa should be encouraged and developed in every possible way. This new relationship between Africa and Europe can be developed only in an atmosphere of mutual respect and consideration. It should be possible for Africa to be developed in such a way as to take the place of Eastern Europe which may very well be cut off from Western Europe for many years to come. Within the framework of this concept the question of the disposition of the former Italian Colonies assumes a greater importance. I explained to Count Sforza that the United States Government attaches much importance to the relationship between the non-Africans and the native population. For this reason we must give every consideration to the desires and needs of the native population and avoid imposing upon them, in cases where we have a proper voice in preventing it, a system or administration which they would oppose.

I pointed out that from information which is available to us from our officials in the area, and more importantly on the basis of the views and estimates of the British authorities now in actual charge of the administration, we have reason to believe that it would not be possible for the Italians to resume the administration of Tripolitania under existing conditions without grave danger of opposition and resistance on the part of the native population. I mentioned to Count Sforza that, as he is aware, the British Government is not willing to take the responsibility for using British troops to impose by force the installation of an Italian administration upon the natives of Tripolitania. We of course understand the British position in this respect, particularly in the light of their experience in Palestine.<sup>2</sup> The United States Government itself could not recommend a solution in Tripolitania which we would have reason to believe might result in bloodshed and stir up in North Africa a holy war of Moslems against Christians, or a war of blacks against whites, or the creation of a situation comparable to that which existed in Indonesia. I added that it was altogether wrong to interpret our position with respect to this question as being less than friendly as far as the Italian Government and people are concerned. I referred, as a comparable situation, to the fact that the American Government and the American people have the very highest regard and friendship for the Netherlands and yet we find ourselves at the present time in opposition to the Netherlands policy in Indonesia. We have had to cut off Marshall Plan assistance to Indonesia and there is very considerable pressure to stop further aid to the Netherlands itself on the ground that that aid is at least indi-

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<sup>2</sup> Documentation with respect to Palestine is scheduled for publication in volume VI.

rectly assisting the Netherlands Government in the pursuit of what we consider to be an unjust policy in Indonesia.<sup>3</sup>

I assured Count Sforza that the United States Government has given and continues to give every possible consideration to the desires and aspirations of the Italians with respect to the Colonies question. I expressed the hope that he and the Italian people would appreciate that our inability to support the Italian claims in their entirety in no way indicated a lessening of our friendship and support for the present Italian Government. I agreed that it would be most unfortunate if our position should be interpreted otherwise in Italy.

I then inquired of Count Sforza whether he had given any consideration to the possibility of a solution for Tripolitania which would provide for a continuation of the present British administration for a limited period of years. During this time the British authorities might undertake by positive measures to endeavor to establish an atmosphere of cooperation and mutual trust and respect between the Italians in Tripolitania and the native population. I pointed out that such a proposal would of course require the agreement of the British and that we did not know just how far they would be willing or able to go in this respect. I explained that after such a period, during which Italian administrators and technicians might be integrated into the governmental administration, it might well be possible, under much more favorable circumstances, to consider the possibility of the establishment of an Italian trusteeship over the territory. Count Sforza stressed the view that in the opinion of the Italian Government the solution for Libya which would give Cyrenaica to the British, and possibly the Fezzan to the French, must simultaneously provide definitely for Italian trusteeship of Tripolitania if there were to be any possibility at all of acceptance by the Italian people. (Count Sforza did not indicate specifically whether he believed it worthwhile to give serious consideration to this suggestion. I have, however, the impression that it may provide a basis at least for further discussion.)

In closing Count Sforza referred to a telegram which he had received from Prime Minister DeGasperi informing him of an interview which he had had with Ambassador Dunn and which had been reported to us in Rome's 1044 of April 11.<sup>4</sup> In this interview Mr. DeGasperi had expressed the opinion that a policy on the Colony question which demonstrated a lack of confidence in the Italian Government would make Italy's participation in the Atlantic Pact and Italy's rearmament futile. DeGasperi had further said that his government cannot

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<sup>3</sup> For documentation on U.S. policy with regard to Indonesia, see volume VII.

<sup>4</sup> Not printed.

continue to carry on effectively its battle against communism if it also has to face distrust on the part of democratic nations.

Count Sforza said that his reaction to this statement by Prime Minister DeGasperi was two-fold. In the first place he, Count Sforza, felt that of course on the basis of actual facts, and when viewed rationally, the contention that a lack of complete support on the Colonies question would indicate a lack of support for Italy is absurd. However, giving proper consideration to the psychological and emotional factors involved, and he stressed that these factors should not be underestimated when dealing with Italy, he believed that Prime Minister DeGasperi's statement was absolutely correct.

On the question of future procedure, Count Sforza and Ambassador Tarchiani suggested it might be best if Committee I took up Libya first.

On leaving we both agreed that this exchange of views had been most helpful and further that we should have further talks in the near future.

JOHN FOSTER DULLES

501.BB/5-449 : Telegram

*The Secretary of State to the United States Representative at the United Nations (Austin)*

SECRET US URGENT

WASHINGTON, May 4, 1949—4 p. m.

Gadel 27. Alternative U.S. positions on possible proposals GA for disposition Icols are outlined below as guidance to Del in voting on specific resolutions:

1. Support strongly, or co-sponsor if tactically advisable, UK resolution (Delga 60<sup>1</sup>) with appropriate modification para 4 so that TC would not report to GA through non-UN body. On other similar resolutions Del shld vote according US commitments to UK, Ethio and Italy on Cyrenaica, Eritrea and Ital Somaliland respectively. Del can agree minor modifications proposal to refer Tripolitania and Fezzan to Five Power group to consider with TC prior next session GA, but US cannot agree any formula which would commit US before next session GA to any final disposal Tripolitania whether or not US would participate in recommended solution.

2. If preferred solution outlined para 1 above not approved by GA and if move develops for immediate independence Libya, Del shld propose that UK be requested study problem and submit recommendations to 1950 session GA on means for attaining Libyan independence.

<sup>1</sup> Not printed; it submitted the text of a British draft resolution on the Italian colonies which was being sent to the Foreign Office for approval. (501.BB/4-2849)

Or, alternatively, TC could be substituted for UK in this proposal. In either case proposal shld include GA recommendation that in interim Libya shld be administered in accordance provisions Chapter XI Charter. This wld allow Brit some freedom of action in Cyrenaica. Del shld abstain on proposal which wld result in immediate and unqualified independence. While US favors eventual independence we feel period of guidance and assistance necessary before real independence can be achieved.

3. Del shld vote against resolutions not in harmony with foregoing. But on separate paras such resolutions Del shld vote according US commitments UK, Ethio and Italy on Cyrenaica, Eritrea and Somaliland. Before voting against any resolutions containing both acceptable and unacceptable provisions Del shld explain US position to those adversely affected in each case (Brit, Ethio and Ital).

4. If majority members GA insist on one resolution covering all territories Del can agree but it shld be emphasized that such procedure may result no decision being reached on any territories this session GA. If, on other hand, there appears to be chance obtaining GA decision any territory on basis approved by Dept (as in US or UK draft resolutions) Del shld strongly support such action. In particular, it is highly desirable that Eritrea and Somaliland be disposed of this session GA.

ACHESON

865.014/5-949

*Memorandum by the Assistant Secretary of State (Rusk) to the Secretary of State*

TOP SECRET

[WASHINGTON,] May 9, 1949.

In view of the probability of voting in the General Assembly tomorrow on all Italian Colonies resolutions,<sup>1</sup> it is necessary to clear with the President our approval of two alternatives which may open up the way for the necessary two-thirds vote.

*A. Bevin-Sforza Agreement*<sup>2</sup>

*Subject to approval by the Italian Government, Sforza-Bevin have agreed as follows:*

1. Immediate British trusteeship for Cyrenaica—in accord with present U.S. position.

<sup>1</sup> Voting in the General Assembly on all the Italian colonies resolutions actually began on May 17, 1949. After two days during which every resolution put before it had been defeated, the General Assembly on May 18 adopted without opposition a Polish proposal for postponement of further consideration of the problem until the next session. (GA (III/2), *Plenary*, pp. 599 ff.)

<sup>2</sup> The Bevin-Sforza formula for the disposition of the Italian colonies was an arrangement worked out between Ernest Bevin and Count Carlo Sforza during

2. Immediate French trusteeship for the Fezzan—*in accord with present U.S. position.*
3. Cession of all of Eritrea except the Western Province to Ethiopia with special guarantees for the Italian cities of Asmara and Massawa—*in accord with present U.S. position.*
4. Incorporation of Western Province of Eritrea into the Sudan—*in accord with existing U.S. position.*
5. Italian trusteeship for Italian Somaliland—*in accord with existing U.S. position.*
6. Continuation of British administration in Tripolitania until end of 1951, followed by an Italian trusteeship for Tripolitania. During period of British administration, establishment of an advisory council composed of the U.S., United Kingdom, France, Italy, Egypt or another Arab State, and a representative of the people of the territory.

*It is recommended* that the United States Delegation be authorized to support this proposal for Tripolitania provided (a) the principle of independence for Libya as a whole at the end of ten years is retained and (b) the trusteeship agreement between Italy and the General Assembly would be considered at the 1951 session of the General Assembly. This latter proviso would place a premium upon a conciliatory attitude by the Italians toward the Arabs, would give the Assembly a chance to review the situation if Arab hostility in Tripolitania made an Italian-Arab war likely, and would give all of us a chance to look at the domestic political situation in Italy before taking a final step to place Italy in Tripolitania.

Although the above proposal for Tripolitania is not ideal, there is no alternative proposal which as yet appears to have necessary support for passage by the Assembly.

#### *B. Uruguayan Amendment to Present British Resolution*

The Uruguayan Delegation has suggested informally that a multiple trusteeship for Tripolitania consisting of the United Kingdom, France, Italy and Egypt be substituted for the present clause in the United Kingdom resolution which would establish a committee of five (Egypt, France, Italy, United Kingdom and the United States) to study the matter and report back to the next meeting of the General Assembly in September. The Uruguayan proposal may or may not have a clause which might permit the four to add others to the multiple trusteeship.

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talks in London in the early days of May 1949. These negotiations were conducted with a view to reconciling the United Kingdom and the Italian views. The result was the compromise formula which came to be known as the Bevin-Sforza agreement. These suggestions, which were circulated in the small subcommittee of the First Committee on May 10, 1949 evoked strong criticism from several members on the grounds that they represented a "territorial deal" which had been arrived at outside of United Nations channels.

*It is recommended* that the President authorize the Department of State to concur in the Uruguayan proposal if it should appear to furnish a basis for the necessary two-third majority in the Assembly.

### C. *Summary*

If the President approves the above recommendations, the United States Delegation would then be instructed that our position, in order of preference, is:

1. The United Kingdom resolution as it now stands (Tab A).
2. Either the Bevin-Sforza formula or the Uruguayan amendment, depending upon the prospect of parliamentary support; and
3. Some form of postponement which would not have final decisions taken at this session of the Assembly.<sup>3</sup>

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<sup>3</sup> The Secretary of State recorded in a memorandum of May 9, not printed, that the President had approved the course of action proposed in Rusk's memorandum (Secretary's Memoranda, Lot 53D444, May 1949).

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501.BB/5-2549 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, May 25, 1949—6 p. m.

2034. 1. In general, talk May 24 with Hare,<sup>1</sup> Kopper<sup>2</sup> and Jones,<sup>3</sup> Michael Wright<sup>4</sup> on personal basis expatiated on problems faced henceforward by UK in continuing to administer Italian colonies—particularly Cyrenaica (Embassy's 2016, May 23<sup>5</sup>). Wright made clear views below have not been discussed with Foreign Secretary Bevin but represent trend thinking his level.

2. Political situation is not static any [*and*] Italian colonies and conditions which it took over 6 years ago cannot be embalmed by British Administration. Care and maintenance basis without regard aspirations local inhabitants or their employment government posts increasingly difficult to maintain. It is too early to know effect recent demonstrations Tripoli but Foreign Office officials feel certain situation there will never be same again. Desire Emir's supporters hold congress to declare immediate Cyrenaican independence, puts problem squarely up to UK.

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<sup>1</sup> Raymond A. Hare, Deputy Director, Office of Near Eastern and African Affairs.

<sup>2</sup> Samuel K. C. Kopper, Special Assistant to the Director of the Office of Near Eastern and African Affairs.

<sup>3</sup> George L. Jones, Jr., 1st Secretary of the Embassy at London.

<sup>4</sup> Michael Wright, Assistant Under Secretary of State in the British Foreign Office.

<sup>5</sup> Not printed.



3. Successful British administration all Italian colonies calls for expenditure beyond scope present care and maintenance formula on economic of locals in executive jobs in internal administrations and permitting progress toward self-government.

4. Wright said Foreign Office legal adviser consulted specifically re steps UK might take to meet Cyrenaican aspirations and at same time conform to UN obligations. Adviser replied: "Legally, in our present administration of the ex-Italian colonies, I doubt if Article 73 of Charter applies to us at all. Further, we are not at present in this administration subject to The Hague rules either. Our position rests now entirely on Italian peace treaty, which means we are caretakers whose office as such may now terminate next autumn. The limitations on us derive from fact that we are caretakers and should not therefore do anything which prejudices a decision by UN as to the future of the territories. Subject to this, we are free to spend as much money there as we like and to administer the territories as we think proper. Having regard to the length of our caretaking, to the general agreement in UN that political development of territories of this kind should be encouraged, and to fact that Article 73 approves this as a policy for dependent territories, generally seen, we are right to encourage political development in these ex-Italian colonies up to the point that we do not do anything which prejudices a free choice by UN in the autumn. I cannot put it more definitely than this."

5. In light above opinion, Foreign Office officials believe there would be very little valid objection to UK forthwith recognizing Emir as leader of his people and making him head of internal administration with local government at first appointed but later moving toward elections and constitution framing on Sudan pattern. Wright admitted that such steps in Cyrenaica would give rise to agitation for comparable action Tripolitania and possibly other Italian colonies, but it was clear he personally favored going ahead in Cyrenaica because of special British interests there and Emir's willingness to cooperate with UK.

6. On understanding that no UK decision has been taken, Wright inquired whether Embassy could secure urgently comments Department's legal adviser on opinion quoted paragraph 4 above. At this working level stage it would be most helpful to know in general way whether Department concurs that internal reforms Cyrenaica along lines sketched could be undertaken legally by UK.

7. Wright said UK delegation NY pessimistic re possibility obtaining two-thirds vote for any solution in foreseeable future and consequently UK must take into account possibility September UNGA will not terminate UK responsibilities. *Inter alia* Wright referred

nostalgically to Greater Somaliland as "best" solution those areas and reiterated standard UK thinking re stabilizing effect on ME of US assuming trusteeship Tripolitania.

DOUGLAS

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501.BB/5-2549 : Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*

SECRET      NIACT

WASHINGTON, May 25, 1949—8 p. m.

Telac 15.<sup>1</sup> Re Actel 8, May 24.<sup>2</sup> Italian Peace Treaty provides Brit administration Cyrenaica continue until final disposal area by UNGA. Having signed Treaty and having further agreed to accept and to put into effect GA recommendations, UK can hardly establish permanent regime in Cyrenaica without limiting freedom GA to deal with problem. When Brit raised this question at N.Y. Dulles informed McNeil of US view that Brit wld be unwise to take such hasty and unilateral action as to recognize Emir immediately and set up autonomous state in treaty relationship with UK. Dulles also pointed out that US Govt might be obliged take public stand critical of Brit if they act in violation of obligations laid down in Italian Peace Treaty.

In pointing this out to Bevin you cld explain that we understand Brit concern because Emir of Senussi feels necessity for definite action on future Cyrenaica in order for him to retain effective tribal leadership (see London's 2016 rptd Paris as Telac 9<sup>3</sup>). Dept is sympathetic to any concessions Brit may make to Emir's requests so long as Treaty provisions are respected. Our hope, therefore, wld be that internal changes in local administration Cyrenaica can be made sufficient to satisfy, at least for time being, demands of inhabitants for self-government without prejudicing future status Cyrenaica. You might ask why hurried action is necessary since GA will renew its consideration this matter at its Sept session.

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<sup>1</sup> This telegram was sent to Embassy Paris for Secretary Acheson, who was attending the Sixth Session of the Council of Foreign Ministers, documentation concerning which is included in volume III.

<sup>2</sup> Not printed; in it Acheson asked for the views of the Department of State in preparation for a conversation with Bevin, who felt that the decision of the General Assembly had left the problem of Cyrenaica "in bad shape". Bevin had referred to "the desire of the Sultan to proclaim the independence of Cyrenaica and set himself up as King", and Acheson had mentioned this to Dulles, who said that the British had referred to the proposal several times, and that "under direction from the Department" he had then stated to them that "we would have to denounce such a move". Acheson added that he had asked Dulles to accompany him if and when Bevin raised the matter again. (740.00119 Council/5-2449)

<sup>3</sup> Not printed.

As to your taking initiative this matter, seems to us important that British be under no misapprehension as to US views this question.

WEBB

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865C.01/5-2649 : Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET

PARIS, May 26, 1949—5 p. m.

2164. From Secretary. Bevin called on me this morning. He raised first question of Cyrenaica. Sketching history of situation he concluded UK unwilling face resistance movement of Arabs or commitment British troops. Considers Arabs excited by progress of Jews and Amir eager secure independence. Bevin does not believe UN can reach decision in September. He accordingly had drawn up proposed statement by their Chief Administrator in Cyrenaica to be made in meeting of Cyrenaicans on or before June 1 as follows: "In accordance with proposal for independence of Libya which was made and supported at recent meeting of General Assembly of United Nations, HMG state:

"(a). That they formally recognize desire of Cyrenaicans for independence and will take all steps compatible with their international obligations to promote it.

"(b). That they desire to associate Cyrenaicans with administration of their own affairs and will, therefore, set up a Cyrenaican government for internal affairs in consultation with Amir and will recognize Amir who is acknowledged leader of his people as head of such a government.

"(c). That in taking these steps wish to make it clear that nothing will be done to prejudice eventual unity of Libya".

After discussion with Dulles and our calling attention inconsistency paragraphs (a) and (c) Bevin agreed to change word "independence" in paragraph to "self-government". Bevin said he was not submitting this proposal for concurrence and said he did not think Schuman would concur.

[Here follow two paragraphs unrelated to the Italian colonies question. The first concerns Greece and the second concerns Palestine. Both are scheduled for publication in volume VI.]

I indicated to Bevin we would communicate our views to him on these several points.

[ACHESON]

865.014/5-2749

*Memorandum by the Assistant Chief of the Division of African Affairs (Palmer)*

SECRET

[WASHINGTON,] May 27, 1949.

While the events of the Second Part of the Third Regular Session of the General Assembly are fresh in mind, I should like to contribute some thoughts regarding the position in which the U.S. found itself on the question of the disposal of the former Italian Colonies. To my mind, there are certain lessons to be learned from these events which may serve as sign posts for the future and prevent our again finding ourselves in a situation whereby proposals which we support are defeated.

In my opinion, the major factor which mitigated against the successful conclusion of this difficult and complex problem was failure of the U.S. to go into the General Assembly with a firm position on all phases of this matter and its consequent inability to exert the leadership which most members of the General Assembly expect of us. Our lack of a firm position resulted in the following series of events:

1. Our inability to undertake advance diplomatic preparation among all U.N. members and particularly, the Latin Americans and other states friendly to Italian interests.

2. As a consequence, we gave a clear field to the Italian Government which was successful in exacting firm promises of support for Italian claims in Tripolitania, Somaliland, and Eritrea.

3. Our failure to undertake advance diplomatic preparation among the Arab and other Asiatic States from the point of view of convincing them that from a strategic point of view a British trusteeship over Cyrenaica is essential for the security of the Mediterranean and hence, to their own security.

4. As a result of the foregoing, we found ourselves in a middle position between the pro-Italian bloc (consisting primarily of the Latin American States plus the French) on the one hand and the anti-Italian, pro-independence group (principally the Asiatics) on the other hand.

5. In these circumstances and in view of the delicate balance between the two groups, we attempted to take the initiative in playing the role of mediator in seeking to devise a formula which would reconcile the views of these two groups. This formula took the form of a five-power trusteeship over Libya with Egypt, France, Italy, U.K. and the U.S. as the administering authorities. This effort, however, was, from the beginning, doomed to failure because of the following factors:

- (a). It was unacceptable to the British from a security point of view.

- (b). It was devised before ascertaining whether the U.S. could participate. When U.S. participation was found to be doubtful, the scheme was far less attractive to other states.

(c). The Asiatics made it clear that their acceptance of five-power trusteeship would be conditional on the five assuming direct administration over Libya as a whole, thereby preserving its unity.

(d). The Latin Americans made it clear that their acceptance of a five-power trusteeship would be conditioned on Italy assuming a preponderant role in Tripolitania.

Consequently, there was never a basis of understanding between the Latin Americans and the Asiatics which would have made a compromise formula possible.

6. After the British insistence that we live up to our commitment on Cyrenaica and the consequent breakdown of the five-power effort, we found ourselves supporting a British resolution which, at the best, could have commanded not more than a dozen votes had it been put to a test.

7. The foregoing is the back drop against which the Bevin-Sforza formula was presented to the General Assembly. Aside from the question of merit, the manner of presentation was particularly unfortunate and aroused a great deal of resentment both among the Latin Americans and the Asiatics, who felt with considerable justification that they had been presented with a decision which they were expected to ratify. In defense of the British role in the Bevin-Sforza agreement, however, it might be said that if we had exerted a greater effort prior to the General Assembly and devised a formula that would have enabled us to assert positive leadership, the necessity in British eyes of such an arrangement might well have been obviated.

8. Although we were under no obligation to support the Bevin-Sforza formula, we had no alternative, since it presented the only means under the circumstances prevailing at that time of carrying out our commitment to the British. In doing so, however, we placed ourselves in the position of supporting, in the eyes of the Asiatics, a regime for Tripolitania which was not in accord with the wishes of the inhabitants. In taking this action, we incurred the strong resentment of the Asiatics who felt that for reasons of political expedience, we had taken a position which was not in conformity with our basic principles.

9. As a result of the Bevin-Sforza agreement, the Asiatic and the Soviet groups coalesced into one bloc which might be roughly termed the "anti-Italian bloc", as opposed to France and all of the Latin American States, except Haiti, which composed the strongly "pro-Italian bloc". The U.S. found itself in the position of more or less "tagging along" with the latter group.

The basic question at issue in the final phases of Committee One's work and in the plenary was Italy's suitability and acceptability as a trust power. Although the Asiatic States had strong feelings regarding early independence for Libya, I do not believe that they would have taken such a strong stand for immediate independence if it had not been for the fact that Italy had been suggested as one of the trust powers. From that point of view, independence was the most effective weapon of the Asiatics in trying to combat an Italian trusteeship

over Tripolitania. The basic struggle in the Assembly was, therefore, between the pro-Italian forces and the anti-Italian forces. From the voting in plenary, I would group the various points of view somewhat as follows:

A. *Pro-Italian. 33 Votes.*

1. Those States whose primary motivation was to support Italy:  
Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela. *20 Votes.*
2. Those States whose primary motivation was to support the United Kingdom and incidentally supported Italy:  
Australia, Canada, Denmark, Greece, New Zealand, Norway, United Kingdom, United States. *8 Votes.*
3. Those States with mixed motivations, desiring to support both Italy and the United Kingdom:  
Belgium, Iceland, Luxembourg, Netherlands, Union of South Africa. *5 Votes.*

B. *Anti-Italian. 17 Votes.*

1. Those States whose primary motivation was to prevent the return of Italy as trustee:  
Burma, Egypt, Haiti, India, Iraq, Lebanon, Pakistan, Philippines, Saudi Arabia, Syria, Yemen. *11 Votes.*
2. Soviet Group:  
Byelorussia, Czechoslovakia, Poland, Ukraine, USSR, Yugoslavia. *6 Votes.*

C. *Neutrals. 9 Votes.*

1. Neutral but with strong anti-Italian leanings:  
Afghanistan, China, Ethiopia\*, Iran, Liberia\*, Siam†, Turkey†. *7 Votes.*
2. Neutral but with strong anti-British leanings:  
Israel. *1 Vote.*
3. True neutrals:  
Sweden. *1 Vote.*

I have already mentioned the manner of presentation of the Bevin-Sforza formula as a factor in shaping the foregoing groupings. Another most important influence was the immediate reaction of the inhabitants of Tripolitania towards the suggestion that Italy should be

\*Voted against Italian trusteeship for Italian Somaliland. [Footnote in the source text.]

†Voted for Italian trusteeship for Italian Somaliland. [Footnote in the source text.]

restored in the capacity of trustee. This served to strengthen the anti-Italian bloc and proved to be a trump card in the hands of the Soviets in their endeavor to assume the leadership of the anti-Italian forces. It also served as a source of great embarrassment to the U.S. which found itself in the position of supporting a proposal which was against the clear wishes of the inhabitants of the territories and, in my opinion, served to dissipate—temporarily at least—a large amount of the reserve of good will which we enjoy among the Asiatics as the result of our treatment of the Philippines.

From the foregoing groupings, it is apparent that the present balance of power lies in the hands of the neutrals. It was only as a result of the greatest persuasion that those in Group C.1. abstained (or in the case of Afghanistan was absent) on the voting. Most of the States in this grouping had natural sympathies with those Asiatic States in Group B.1. and abstained principally because of instructions from home not to oppose the U.S. or the U.K. I think it probable that in any future General Assembly they would find it even more difficult to maintain a neutral attitude on a question involving such important matters of principle for them and that many of them would naturally gravitate toward the anti-Italian grouping.

In the light of the foregoing, I feel that this experience has pointed out the following lessons:

1. The necessity of developing as early as possible a firm position which would enable us to exert leadership.

2. The necessity of undertaking as early as possible the necessary advance diplomatic preparation in order to counter the preparation of others and to insure that we will go into the next session of the General Assembly with the maximum possible support and understanding.

3. As a nation concerned with matters of principle and enjoying a reputation based largely upon that concern, we cannot afford to support a proposal which runs counter to the obvious wishes of the inhabitants of a territory.

4. Any future solution must look toward the early independence of Libya, i.e., not later than ten years, and the Power or Powers chosen to prepare Libya for independence must enjoy a reputation such as would convince the General Assembly of their willingness and capability to undertake that task and their acceptability to the local inhabitants.

5. Any future solution must provide effectively—and not merely by lip service—for Libyan unity. This was a major defect in Committee One's draft resolution, which, while paying lip service to the concept of Libyan unity, divided it into three zones under different regimes.

JOSEPH PALMER 2ND

865.014/6-149 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State, at Paris*

TOP SECRET

ROME, June 1, 1949—1 p. m.

[164.]<sup>1</sup> For the Secretary. My British colleague confirmed to me Sforza's very strong reaction against proposed British statement re Cyrenaica (Embtel to Paris 162 repeated to Department 1591 May 31<sup>2</sup>). Mallet said that after reading text of statement he did not expect such violent objections on part of Sforza. He said he thought the text was mild in nature and no stronger in many respects than the Italian text issued re Tripolitania prior to UN vote. He maintained it was no more than necessary to cope with internal situation in Cyrenaica. He said that Sforza regarded it as breach of faith on part of Bevin and that he had to do utmost to persuade Sforza not to resign immediately. He now does not know whether Sforza will resign upon return from Toulouse. His decision may depend on degree of protest from Italian public opinion. In any event Mallet felt Sforza's resignation at this time would be most unfortunate in connection with forthcoming debate on Atlantic Pact<sup>3</sup> and future trend of Italian policy.

Sent Paris 164; repeated Department 1605.

DUNN

<sup>1</sup> The source text was sent as 1605 to the Department of State.<sup>2</sup> Not printed.<sup>3</sup> For documentation with respect to the Atlantic Pact, see pp. 1 ff.

501.BB/5-2549 : Telegram

*The Acting Secretary of State to the Secretary of State, at Paris*

SECRET

WASHINGTON, June 3, 1949—7 p. m.

Telac 55. Legal Adviser's office of Dept has studied questions raised in paras 4, 5, and 6 of London's Tel 2034 May 25 regarding steps which UK might take to meet Cyrenaican aspirations. Legal Adviser's office takes no objection to legal view of FonOff.

Revised Brit statement recognizing Emir as head of Cyrenaican Govt and desire of Cyrenaicans for self-Govt (Telac 36 to Paris, May 31<sup>1</sup>) does not appear to Legal Adviser's office to violate UK obligations under Ital Peace Treaty. Our view is that primary duty of occupying power is to assure public order and safety and that any organization of internal administration or local Govt conducive to this

<sup>1</sup> Not printed.



primary end is legal. Furthermore, such internal changes in local administration Cyrenaica do not appear to prejudice final disposal of territory which, of course, depends on recommendations by UNGA.

WEBB

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S/S-NSC Files, Lot 63D 351, NSC 40 Series

*Memorandum by the Acting Secretary of State to the Executive Secretary of the National Security Council (Souers)*

TOP SECRET

WASHINGTON, June 15, 1949.

Pursuant to NSC Action No. 123, October 6, 1948, the following progress report on the implementation of NSC 19/1,<sup>1</sup> "Disposition of Former Italian Colonies," is submitted for the information of the Council:

1. The Department of State has sought to obtain a solution of the problem in conformity with the conclusions contained in NSC 19/1. When the Council of Foreign Ministers could not reach agreement on the disposition of any of the former Italian colonies, the matter was referred to the General Assembly of the United Nations on September 15, 1948, in accordance with the Treaty of Peace with Italy. At its Paris session in 1948 the General Assembly did not reach this item on its agenda. At the recent New York session of the Assembly the problem was discussed extensively for six weeks without any substantive decision being taken and further consideration of the matter was postponed until the next regular session of the Assembly which convenes in September 1949.

2. The position last supported by the United States, and which was defeated in the General Assembly, was as follows:

- a. *Italian Somaliland*: To be placed under Italian trusteeship.

- b. *Eritrea*: All of Eritrea except the Western Province to be ceded to Ethiopia with appropriate guarantees for minorities and municipal charters for Asmara and Massawa. (The proposal that the Western Province be incorporated in the Anglo-Egyptian Sudan was defeated in the Political Committee.)

- c. *Libya*: To be independent in ten years.

Cyrenaica: to be placed under British trusteeship.

Fezzan: to be placed under French trusteeship.

Tripolitania: to be placed under Italian trusteeship by the end of 1951. During the interim the present British administration in Tripolitania would continue with the assistance of an Advisory Council including representatives of the United Kingdom, France, Italy, and the United States. (First Egypt and then Turkey refused to participate in this Advisory Council because of the opposition of the Arab bloc to the partition of Libya and to Italian administration.)

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<sup>1</sup> For the concluding portion of NSC 19/1, July 21, 1948, see *Foreign Relations*, 1948, vol III, telegram 2898, July 23, p. 923.

The resolution embodying the position outlined above was defeated in a plenary meeting of the General Assembly when the paragraphs providing for Italian trusteeship of Tripolitania and Italian Somaliland failed to receive the two-thirds vote necessary for their adoption. The other paragraphs of the resolution were passed by a two-thirds majority but the resolution as a whole was rejected. The proposals which received the greatest support, in the paragraph by paragraph voting, were those providing for the independence of Libya and Italian Somaliland (after periods of trusteeship) and the cession of part of Eritrea to Ethiopia.

3. The Department of State is reconsidering the position of the United States with respect to the disposition of all of the former Italian colonies. As a result of the recent session of the General Assembly we are confronted with a situation where the only solution for Libya which might obtain a two-thirds vote appears to be independence at a specified date in the near future. The British acknowledge this and have undertaken to cement their relations with the Emir of the Senussi by recognizing the desire of the Cyrenaicans for self-government and by agreeing to establish a government for internal affairs in Cyrenaica of which the Emir would be the head. It is likely that the Tripolitanians soon will seek to associate themselves with the Cyrenaicans under the leadership of the Emir in the hope of achieving a united and independent Libya, presumably including the Fezzan. Under these circumstances, it is essential for this Government to take a position which will not antagonize the Libyans in their efforts to achieve unity and independence. A contrary course might jeopardize the continued use of our military facilities, particularly Wheelus Field, in Tripolitania and the continued use by the British of their facilities in Cyrenaica. With regard to Eritrea, the position previously supported by the United States has a good chance of being adopted at the next session of the General Assembly if the support which was granted it at the last session is maintained. The solution for Italian Somaliland will probably involve some form of trusteeship, but one in which the Italians might not be the sole administering authority.

This interim report is submitted for the information of the Council. A more detailed paper recommending that certain definitive positions with respect to all of the territories concerned be supported by this Government at the next session of the General Assembly will be submitted to the NSC for action in the near future.

JAMES E. WEBB

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865.014/6-2949 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

TOP SECRET

ROME, June 29, 1949—2 p. m.

1960. Remytel 1682, June 7.<sup>1</sup> Sforza has informed me that he has not yet made any decision regarding his pending resignation over

<sup>1</sup> Not printed.

colonial issue. He told me that he was tremendously discouraged by general failure to understand basic importance of colonial issue to Italy and the lasting harm that would be created by an unwise policy in that regard. He was attempting informal confidential discussions with British in order to reach some basis for joint consultation between US, UK, French and Italian Governments. These conversations had been so far without result and he was beginning to suspect that fundamental British objective was to exclude Italy entirely from participation development North Africa.

Following their unilateral action establish independence of Cyrenaica, he noted that instructions to British working party now being sent to Tripoli included consideration of such long-range problems as education and social welfare.

With regard to British argument that two-thirds General Assembly had approved solution for cession of Eritrea to Ethiopia, Sforza pointed out that arrangement had been supported by states favorable to Italy on basis of understanding that Italy would be given favorable consideration on question of Tripolitania. He did not believe cession of Eritrea to Ethiopia would receive two-thirds vote in Assembly if considered completely aside from question of Tripolitania. He believed there should be sufficient number of Latin American and other votes to support Italian view that Eritrea should under no circumstances be ceded to Ethiopia which state was in no condition to improve or even take care of the territories in question which had been developed by Italy.

My British colleague<sup>2</sup> has had no recent word from Foreign Office as to how British regard recent new Italian overtures but he believes Bevin is adamant on question of cession Eritrea to Ethiopia.

Sforza concluded by saying he had made every possible effort to further Italian cooperation with western democracies in broad interests of Europe as against narrow Italian nationalism. If he were to be driven to the wall on the question of former Italian colonies and it were to appear that US and UK had no regard for Italy's justifiable desire to participate in economic and cultural development of North Africa, public opinion would insist that he would have to go.

I am convinced that we would make a grave mistake if we support a solution for Eritrea and Tripolitania that completely excluded Italy. De Gasperi's and Sforza's deep concern is completely justified by seriousness of this issue throughout Italy. Both the forces of extreme nationalism and Communism will be permanently aided in their violent attacks against Italy's cooperation with western democracies by the lasting resentment which would be created by a settlement in total disregard of all that Italy has aspired to and accomplished in her former colonies.

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<sup>2</sup> Sir Victor Mallet.

In present strained situation here it would be extremely helpful if Department could give some public assurance to Italian Government and people that aside from political disposition of the areas involved as may be decided by UN, the US fully recognizes what Italy has contributed in past to economic development of North Africa and that just arrangements should be made whereby Italian people can continue to play a peaceful and industrious role in the further development of North African continent.<sup>3</sup>

DUNN

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<sup>3</sup> The Secretary of State made these assurances to Ambassador Tarchiani in Washington on July 18, 1949 just before Tarchiani's departure to Rome for talks with De Gasperi, Sforza, and other Italian leaders. (Secretary's memoranda, Lot 53 D 444, July 1949.)

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865.014/7-1449 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, July 14, 1949—7 p. m.

2760. Deptel 2416, July 13.<sup>1</sup>

1. Clutton's thinking re postponement was reported Embassy's 2565, July 1,<sup>2</sup> as "strictly personal" on his admonition at that time. During discussions with De Margerie, it was presented to French as an idea which had occurred to Foreign Office. It was never an exclusive line of thought and Clutton today stated that after further study, Foreign Office does not think much of idea, although he added that "no one in Foreign Office would cry their eyes out if there were no solution in September."

2. Clutton furnished information in following paragraphs in highest confidence, with request it not be discussed outside Department, not even with British Embassy Washington. He emphasized embarrassment which would be caused if French or Italians learned of it.

3. Foreign Office now thinking in terms early independence for United Libya. This idea has been passed "high" for a "tentative decision" which he hopes will be forthcoming by end of week. He anticipates that it would be discussed with Department soon thereafter.

4. Commenting on complications which such a decision would cause in Anglo-French relations, Clutton stated there would be "first class row." Foreign Office now believes, however, that independence is in-

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<sup>1</sup> Not printed; it asked whether Clutton's views described as "strictly personal reflections" had Foreign Office approval (865.014/7-149).

<sup>2</sup> Not printed; it reported on the personal views expressed by Clutton on various issues of the colonial question (865.014/7-149).

evitable regardless of GA decision. Clutton stated "we may be able to control situation in GA by defeating undesirable proposals but we cannot control them in the field." Since independence inevitable, it would be to UK and US advantage to climb on bandwagon and thereby gain good will of Arabs.

5. Foreign Office now studying possible lines of action in intervening period between GA resolution for independence and actual implementation. Clutton felt it would be preferable if UK alone gave effect to recommendation in accordance with reasoning that being in control of territory, it alone of four powers mentioned in Italian peace treaty is capable of doing so. (Asked about Fezzan, Clutton stated that if UK introduced resolution for independence, they would probably omit reference to Fezzan and leave it for others to amend resolution to include it.) He recognized UN would wish retain some control over situation during intervening period in order satisfy itself that GA resolution being carried out and British Government would be willing make reports to GA during this period. He supposed idea of advisory council during transition period would be raised and he had mixed feelings re desirability. On one hand it would reassure Assembly its resolution being carried out and it might be helpful to administration to have other states involved in turnover. On other hand it could be hindrance to British plans and center of intrigue.

6. If Foreign Office decides in favor independence, British wish make every effort obtain maximum satisfaction for Italians in Libya. Foreign Office does not, however, feel this could be best accomplished by endeavoring to incorporate in GA resolution provision for negotiation economic treaty between Libya and Italy. If Italy willing to take its chances on negotiating such a treaty after independence, British willing do everything possible facilitate such negotiations.

7. Clutton envisages future Libyan state as probably federalized with large degree local autonomy Tripolitania. When asked re UK treaty, Clutton stated this would be negotiated in interval between GA resolution and implementation independence.

8. If tentative decision taken on new line of thinking, matter be discussed with Emir within next two weeks and his aid enlisted.

9. In view frankness displayed by Clutton in recent conversations, Embassy convinced that attitude attributed to Blackley<sup>3</sup> in final paragraph Tripoli's 171 to Department does not represent British policy.<sup>4</sup>

DOUGLAS

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<sup>3</sup> Travers Robert Blackley, British Chief Administrator in Tripolitania.

<sup>4</sup> Not printed; in it Taft referred to Blackley's "personal opinion" that the Bevin-Sforza plan was dead and that a solution should be arrived at by talks among the European powers. Taft indicated that Blackley's comments showed that "he feels US should be kept out of the final solution" (865.014/7-1349).

865.014/7-2849

*Memorandum of Conversation, by the Deputy Under Secretary of State (Rusk)*<sup>1</sup>

CONFIDENTIAL

[WASHINGTON,] July 19, 1949.

Participants: Ambassador Tarchiani  
Mr. Rusk, G  
Mr. Greene, SWE

Ambassador Tarchiani called by appointment; he said that he is leaving at the end of the week for a month's leave in Italy, and wanted to be able to report to the Foreign Minister in Rome the views of the United States on the disposition of the former Italian colonies.

I told the Ambassador that the Department of State has been considering the question in the light of developments at and since the last session of the General Assembly. I added that the Department felt somewhat handicapped by not having available the current thinking of our friends, or their informal reactions to the views which, I understood, had been informally conveyed to them at a working level.

I observed that I would be glad to outline for him the general lines of the Department's current thinking, and wanted to be sure that it be understood that these views do not necessarily constitute a fixed position and that we would welcome the comments of other interested governments.

I told the Ambassador that for Libya we are thinking about independence at an early date, probably not more than three years hence; that the nature of the Libyan state should probably be left to the determination of the inhabitants; and that during the interim prior to complete independence, there should be an advisory council, comprising the United Kingdom, France, Italy, United States and Egypt, to advise the present administration on the development of the area toward independence. After the interim period, all governments desiring to enter into relations with the Libyan Government will of course be free to seek appropriate treaty arrangements.

Regarding Eritrea, I said that we continued to favor the cession of all except the western province to Ethiopia with appropriate municipal charters for Asmara and Massawa; we felt that the best disposition of the western province would be its annexation to the Sudan.

With regard to Italian Somaliland I said that Italian trusteeship is our preference.

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<sup>1</sup> Drafted by Joseph N. Greene, Jr.

In reply to the Ambassador's question, I said that the Department has had no indication of the views of the British Government. The Ambassador observed that in his opinion, the French Government might not like the idea of establishing an independent Libya, and he went on to discuss the differences between the social structures in Cyrenaica and Tripolitania, indicating that these differences are not in his view conducive to successfully uniting them into one country. At the same time, he said, he appreciates the difficulties attendant upon the creation of small states in the present world situation as well as the difficulties of determining the disposition of Fezzan if Tripolitania and Cyrenaica are separated.

I again assured the Ambassador that the Department would be glad to have a detailed expression of the Italian Government's views on the whole question.

DEAN RUSK

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865.014/7-2249 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET

LONDON, July 22, 1949—8 p. m.

2897. From recent conversations between Embassy officials and Foreign Office officials re Italian colonies, it is apparent Foreign Office in considerable dilemma re future Libya (Embtel 2818, July 19<sup>1</sup> and previous). On one hand, there is realistic view that trend toward Libyan independence and unity cannot be stopped and that even if approaching session GA adjourns without decision, events in territories will make it difficult, if not impossible, prevent local inhabitants taking matters into own hands and declaring effective independence. In these circumstances, there would appear to be every reason climb on band wagon and indeed take initiative, thereby recapturing some of prestige lost locally in Libya as well as elsewhere in Near and Middle East because of events in Palestine<sup>2</sup> and at last session GA on Italian colonies issue.

2. On other hand, French are pressing particularly strongly at this time their view that immediate independence Libya would have serious repercussions French North Africa. For sake Anglo-French amity, Foreign Office must necessarily give full weight to French views.

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<sup>1</sup> Not printed; it reported Michael Wright's statements on the colonial question and his views on the reasons why the formulation of a British position was greatly complicated (865.014/7-1949).

<sup>2</sup> Documentation with respect to the Palestine question is scheduled for publication in volume VI.

3. It is apparent that we face corresponding dilemma. Libya is important cornerstone US-UK strategic plans in NE. Similarly there is no gainsaying importance France and French North Africa in Western European and strategic picture. Nevertheless, following factors should be carefully considered :

(a) From strategic viewpoint, US and UK facilities in Libya can best be maintained in long run under circumstances in which we enjoy respect and cooperation local inhabitants. There can be no doubt overwhelming majority these inhabitants desire early independence and unity, and as previously pointed out, from realistic point of view, it is only question of short time before they obtain them. We are most likely gain goodwill local inhabitants by supporting them in what they want at time when we have it to offer. That time appears to be present. Should we again take stand contrary to what inhabitants consider their best interests, we may create situation which would seriously prejudice our continued enjoyment of strategic facilities which Secretary Defense has characterized as of "vital strategic importance" (Department's 2382, July 11).<sup>3</sup>

(b) Although delay in granting independence would suit French, we should not lose sight of fact that large block of states stretching from Eastern Mediterranean through to Philippines, as well as many countries in Latin America, will accuse us of sacrificing principle to political expediency if we oppose early independence. Moreover, possibility cannot be discounted that Soviets will support immediate independence at next session GA with obvious propaganda advantages. For us to oppose early independence might be justified in event of extreme necessity and there may be factors in situation of which are not apparent from here that are dictating such a course, but this appears to be a case in which principle and political expediency clearly coincide to our own advantage.

(c) There might be some advantage in attempting delay independence for longer period of time, if we could be sure French would use that time to prepare French North Africa for any repercussions which Libyan independence might occasion by introducing reforms which we have long urged on them. On other hand, with best intentions, we have tried for several years with little success to make French realize that unless they made concessions looking toward democratic self-government in French North Africa and gained confidence nationalist leaders, situation would eventually arise which they would be unable, in long run, to control. There is still little evidence that French are sincerely awake to realities of this situation. Moreover, it appears to me that basic illness in French North Africa must be cured in French North Africa, and that if French are sincerely concerned about it, they should take appropriate local steps to cure it there, rather than bend their efforts toward a further postponement of evil day, by pressing US and UK to take course of action in neighboring

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<sup>3</sup> Not printed.



territories which would not be in our best interests nor French in the long term.

4. From recent conversations between Embassy officers and Foreign Office officials, we have impression that British less concerned re repercussions Libyan independence on French North Africa than on Anglo-French relations. While undesirability of taking entire onus for urging unpopular course of action on French is recognized, our views on French North Africa, which are known to French, may well give us more excuse to approach them than British, who have in recent years pursued "hands off" policy there.

Therefore, it is suggested we might consider finding early opportunity to discuss this matter frankly with French at high level, placing our emphasis on fact that early independence for Libya represents reality of situation and that French in their own best interests should take immediate and effective action in French North Africa along lines urged by us in past. This may be only effective means preventing situation French North Africa deteriorating as it did in Indo-China.<sup>4</sup>

DOUGLAS

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<sup>4</sup>For documentation on the situation in French Indochina, see volume VII.

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S/S-NSC Files, Lot 63D351, NSC 19 File

*Memorandum by the Executive Secretary of the National Security Council (Souers) to the President*

TOP SECRET  
NSC 19/5

WASHINGTON, August 4, 1949.

U.S. POSITION ON THE DISPOSITION OF THE FORMER ITALIAN COLONIES

Reference: NSC 19/4.<sup>1</sup> The National Security Council, at its 44th Meeting,<sup>2</sup> adopted NSC 19/4 subject to amendment of paragraphs 8 and 22 as shown herein.

The National Security Council recommends that the President approve the "Recommendations" contained herein, as a basis for negotiations by the Secretary of State.<sup>3</sup>

SIDNEY W. SOUERS

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<sup>1</sup> Not printed.

<sup>2</sup> August 4, 1949.

<sup>3</sup> A handwritten notation on the Secretary of State's copy indicates that the document was approved on August 5.

[Attachment]

TOP SECRET

August 4, 1949.

DRAFT

REPORT BY THE NATIONAL SECURITY COUNCIL ON U.S. POSITION ON THE  
DISPOSITION OF THE FORMER ITALIAN COLONIES

## DISCUSSION

1. The Department of State has reconsidered the position of the United States on the disposition of the former Italian colonies\* in the light of existing circumstances and in terms of the solutions most likely to be approved by the General Assembly when it convenes in September 1949.

2. *Libya*. In the settlement of the future status of Libya the national interest of the United States requires that this Government pursue a course of action designed to achieve the objectives stated in paragraph 13 below, particularly the first and second. Attainment of the first of these, i.e., insuring that our strategic requirements in the area are adequately provided for in the future as well as the present, requires that particularly the U.K. and also the U.S., have sufficiently strong influence with the government of an independent and united Libya. In this connection several facts should be noted. First, the British have spent a great deal of time, money and effort in successfully establishing close relations with Sayed Idriss, the Emir of Cyrenaica. Second, the Emir is the only accepted leader of the people of Cyrenaica and, in addition, is the only figure in Libya who has wide support among the Tripolitani as a leader. Therefore, one means of assuring U.K. and U.S. influence throughout the area is the creation of a unified and independent Libya in which Sayed Idriss would be Chief of State.

3. The achievement of the first objective can be facilitated by taking actions consonant with the second. Thus, if the United States actively promotes the unity and independence of Libya, as desired by its people, the new government to be established in the area should look to the United States for guidance and assistance and this, in turn, should facilitate the conclusion of arrangements for American use of whatever military facilities may be considered essential to our security in that region of the Mediterranean. A further objective is to solve this problem in such a way that not only will there be an opportunity for

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\*See previous papers on this subject: NSC 19/1, NSC 19/2, NSC 19/3, and the Progress Report on the Implementation of NSC 19/1, dated June 15, 1949. [Footnote in the source text. For a reference to NSC 19/1, see *Foreign Relations*, 1948, vol. III, p. 923, and for a reference to NSC 19/2 and the text of NSC 19/3, see *ibid.*, p. 933.]

the peaceful development of Libya but that the other countries of the Mediterranean area which are most directly concerned will find the solution acceptable. It is desirable, therefore, that this Government should try to carry out its policy on this matter in agreement with the United Kingdom, France, Italy, Egypt, and perhaps other states which may be concerned.

4. The last session of the General Assembly witnessed the defeat of a resolution calling for the independence of Libya in 10 years with an interim period of trusteeship during which the British would administer Cyrenaica, the French would administer the Fezzan, and the Italians would administer Tripolitania beginning at the end of 1951. The Arab, Asiatic, and Soviet opposition which defeated this proposal was directed primarily against the partition of Libya and Italian administration of Tripolitania. This opposition bloc is so strong that it could probably defeat any proposal for the trusteeship of Libya in the future. On the other hand, the one principle for which there was overwhelming support was the independence of Libya which, by itself, was approved by a vote of 48 in favor to 8 against, with one abstention. Furthermore, the indigenous Moslem Arab inhabitants of Libya, who constitute 93 percent of its population, desire a united and independent Libya in the near future.

5. Under the circumstances, the U.S. is confronted with a situation where the only solution for Libya which might obtain a two-thirds vote appears to be independence at a specified date in the near future. This being the case, it is essential for this Government to take a position which will not antagonize the Libyans in their efforts to achieve unity and independence. A contrary course might jeopardize the continued use of our military facilities, particularly Wheelus Field, in Tripolitania and the continued use by the British of their facilities in Cyrenaica. If Libya is declared independent on a definite date such as January 1, 1952, our strategic interests will be protected until that time by the continuance of the British administration. The interim period of two or more years preceding independence should allow us sufficient time to make suitable arrangements for the continued use of such military facilities as Wheelus Field with whatever new government may be established in the area. United States influence through economic assistance, the USIE program, and technical assistance through the Point IV program should be directed toward this end.

6. The "Recommendations" in the second part of this paper indicate the general terms on which independence should be granted to Libya. These general terms are designed to temper the demand for immediate independence of Libya in the light of the realities of the situation. It will take at least two years to work out the form of government to

be established as well as to pave the way for arrangements which will protect U.S. strategic interests in the area. If the interim is more than three years the people will not regard independence as being achieved "in the near future" and, from our own standpoint, the political situation and leadership in the territory might change to such an extent that it would be more difficult for us to secure the continued use of military facilities that is desired. Therefore it is desirable that the interim period prior to independence continue for a minimum of at least two years and not much longer than three years. Since the General Assembly will want to exercise some supervision over the preparations for making Libya an independent state, it is advisable that the U.S. promote a formula for such United Nations supervision which will help us to obtain our long-range objectives. The Advisory Council recommended in this paper could provide for such United Nations supervision and help to meet the views of those states chiefly concerned. The five members of the Advisory Council are the same states as those originally named in the draft resolution presented to the last session of the General Assembly which provided for an Advisory Council for Tripolitania prior to its being placed under Italian trusteeship. At the last Assembly Egypt and Turkey both refused to serve on the Council because Italian trusteeship was contemplated. In this case, however, the objective is independence and therefore it is reasonable to expect that all five of these states would be willing to serve on the Advisory Council. U.S. and British participation, coupled with British administration, would help to protect our interests in the area.

7. The French may object to the proposal of early independence for Libya because of their interest in the Fezzan and particularly because of possible repercussions among the nationalist elements of French North Africa.

8. *Eritrea.* Next to independence for Libya the substantive proposal which received the most favorable vote in the last General Assembly (the vote was 37 for to 11 against, with 10 abstentions) provided for the cession to Ethiopia of all of Eritrea except the Western Province. This included provisions for appropriate guarantees for minorities and, without prejudice to the sovereignty of Ethiopia, for appropriate municipal charters for Asmara and Massawa. This solution should meet legitimate Italian needs in the area and yet satisfy Ethiopian demands as well.

The U.S. Government<sup>4</sup> should be able to make arrangements with the Ethiopian Government for the continued use of certain military

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<sup>4</sup> In NSC 19/4, July 26, not printed, this sentence read as follows: "After the cession of the area to Ethiopia, the U.S. Government . . ."

facilities in the Asmara-Massawa region. Since the Ethiopian Government, and the Emperor <sup>5</sup> in particular, are quite grateful to the U.S. for its stand on Eritrea the conclusion of such arrangements should not be too difficult.<sup>6</sup> Therefore no change should be made with respect to the U.S. position on that part of Eritrea to be ceded to Ethiopia.

9. Although the incorporation of the Western Province of Eritrea in the Sudan was rejected by the Political Committee of the last General Assembly that solution still appears to be the most reasonable way of disposing of the province. The inhabitants of the Western Province are largely Moslem nomads who are more akin in race, language, religion and mode of life to the neighboring peoples of the Sudan than to those in the rest of Eritrea or to the Ethiopians. The area has no strategic or commercial value and is certainly not qualified for independence. Since the future of the province lies, most naturally, with the Sudan it is recommended that the U.S. continue to advocate that the Western Province be incorporated in the Sudan, a solution which might be more acceptable under future circumstances. If it does not prove to be acceptable, the U.S. should support British trusteeship or, if agreeable to the United Kingdom and Egypt, joint Anglo-Egyptian trusteeship of the Western Province. Either of these solutions would result in the area being administered as part of the Sudan.

10. *Italian Somaliland.* The proposal at the last session of the General Assembly that Italian Somaliland be placed under Italian trusteeship was defeated by more votes than the proposal of Italian trusteeship for Tripolitania in 1951. Although it is problematical whether sole Italian trusteeship would be acceptable in the future, the fact that Italy would be substantially excluded from participation in the administration of Libya and Eritrea, might well increase the possibility of agreement on Italian trusteeship over Italian Somaliland. It is because Somaliland remains the only area affording a possibility of restoring Italian administration in Africa and because of the importance of saving as much face as possible for the Italian Government in this connection that this proposal has been given first choice in the recommendations.

11. The several other forms of trusteeship conditionally recommended in this paper depend largely on their acceptability to the United Kingdom, to Italy, or to both. The establishment of a Greater Somaliland including British Somaliland and Italian Somaliland,

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<sup>5</sup> Haile Selassie I.

<sup>6</sup> In NSC 19/4 this passage read as follows: "... too difficult. Thus it is fortunate that in this case an act of justice (the granting of Ethiopia's legitimate claims in Eritrea) and U.S. national interest (the use of military facilities) coincide in the policy supported by this Government. Therefore no change . . . ."

which the British proposed at a CFM meeting in 1946<sup>7</sup> (and which is ardently desired by a majority of the Somalis), should facilitate the long-term development towards independence of a large area inhabited chiefly by Somali people. If accepted by the British, this would be the first instance in which any nation voluntarily placed one of its colonies under the international trusteeship system.

12. Finally, in connection with the desires of the inhabitants, it should be noted that the representatives of the Somali people have requested trusteeship because of a recognition on their part of the need for foreign assistance and tutelage, but Italian administration would not be generally acceptable to the people.

#### RECOMMENDATIONS

13. The Department of State recommends that United States policy should be directed toward a solution consonant with the following objectives, in the order stated :

a. The preservation of United States and United Kingdom strategic interests and positions;

b. political stability through orderly long-term evolution in North Africa as a whole; and

c. the continuance of a Free Democratic Government in Italy.

14. The difficulty of achieving these objectives is realized. The Department of State plans to seek their achievement, in consultation with other interested governments, using the following proposals as a basis for negotiations.

15. *Libya.* The United States should support strongly the establishment of a united Libya which would achieve independence in some form at a definite date in the near future but which would in effect be so tied to the United Kingdom as to assure enjoyment of adequate strategic rights to the United Kingdom and, therefore, also to the United States. The details of how and when Libya will become independent are, of course, subject to consultation and negotiation with those states chiefly concerned (United Kingdom, France, Italy and Egypt) and dependent on the action of the General Assembly. In these negotiations the United States should advocate that independence be granted to Libya on the following general terms :

a. The form of the government to be established in Libya should be worked out by the inhabitants of Libya and should not be imposed by any outside power or by the United Nations. In order to determine the form of government to be established the General Assembly should recommend the convening of a representative constituent assembly for

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<sup>7</sup> For the text of a memorandum of April 30, 1946, by the United Kingdom Delegation at the Council of Foreign Ministers at Paris, see *Foreign Relations*, 1946, vol. II, p. 194.

all of Libya which would determine the form of government. The present British and French administrations, each in its own area, should be charged with the responsibility of preparing Libya for independence and should be required to report to the General Assembly on the measures they have taken to promote this end during the interim period preceding independence.

b. The realities of the situation make it desirable that the interim period prior to independence continue for a minimum of at least two years and not much longer than three years. The date of independence, therefore, should be specified as January 1, 1952 or January 1, 1953, or any time between those two dates that may be agreed upon by the states concerned and acceptable to the General Assembly.

c. United Nations supervision during the period prior to independence should be exercised, on behalf of the General Assembly, through an Advisory Council which would advise the British and French administrations as to how assistance might be given to the inhabitants with regard to the formation of a government for a unified Libya and such related problems as common services, a common currency, and boundary changes. The Advisory Council should include: the United Kingdom and France, which administer parts of Libya; Italy, which is greatly concerned with this problem; Egypt, an Arab state which borders on Libya; the United States, which has strategic interests in the area; and possibly one or two representatives of the inhabitants of Libya.

16. *Eritrea*. Since the situation remains unchanged with regard to this territory it is recommended that the United States continue to advocate that:

a. Eritrea, except for the Western Province, be incorporated into Ethiopia with the provision of appropriate guarantees for the protection of minorities and, without prejudice to the sovereignty of Ethiopia, appropriate municipal charters for the cities of Asmara and Massawa; and that the

b. Western Province be incorporated in the Sudan. If this solution for the Western Province is not acceptable to the General Assembly, the U.S. should favor placing the province under trusteeship (either British or a form of joint trusteeship agreeable to the British) by which the area could, in fact, be administered as part of the Sudan since there is no other reasonable disposition of that area.

17. *Italian Somaliland*. Although a proposal for Italian trusteeship of Italian Somaliland was rejected at the last session of the General Assembly, it is possible that, taken together with the other dispositions outlined above, such a proposal might be acceptable in the future. Accordingly, if the Italians insist on Italian trusteeship of Italian Somaliland, the United States should support that solution unless it becomes apparent that such solution will not be approved by the General Assembly.

18. Alternatively, and if agreeable to both Italy and the United Kingdom, the United States should support a solution whereby the

administrations of Italian Somaliland by Italy and British Somaliland by the United Kingdom might be recognized as having common problems requiring joint or parallel action by the administering authorities.

19. Should the Italians not insist on Italian trusteeship of Italian Somaliland or should it become apparent that such trusteeship will not be approved by the General Assembly, the United States should seek the support of other powers concerned for the formation of a Greater Somaliland to be placed under the international trusteeship system with a view to its independence at a date to be determined in consultation with other interested states. The trust territory of Greater Somaliland would include British Somaliland, Italian Somaliland, and perhaps the Somali-inhabited part of Kenya. The United States should favor the designation of the United Kingdom as the administering authority of Greater Somaliland.

20. If none of these proposals are acceptable to the states concerned or to the General Assembly, the United States should support British trusteeship of Italian Somaliland alone, if acceptable to the British who must undertake the responsibilities of such a task.

21. If a decision is not reached by the Assembly on the basis of any of the preceding proposals, and if a proposal is made for direct United Nations trusteeship of Italian Somaliland, the United States should not oppose this solution.

22. *General Recommendations.* *a.* The United States should undertake to obtain support for our position as a whole.

*b.* If, however, any one part of our favored position fails to receive the necessary two-thirds vote in the General Assembly the U.S. should urge the adoption of those parts which are acceptable. If, in the final analysis, a packaged decision cannot be obtained then as many of the areas should be disposed of separately as is possible.

*c.* In addition to action in the UN along the foregoing lines, and as a collateral political move to contribute to success in the UN, the United States should actively consider possibilities of supporting the Italian Government's endeavors to achieve Italian participation in the development of Africa through means other than direct administration of territory, such, for example, as full Italian participation in some body established to promote the economic development of Africa.

*d.*<sup>8</sup> In the light of their particular strategic importance to the United States, every effort must be made to assure the maintenance of essential U.S. military rights particularly in the Asmara-Massawa area.

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<sup>8</sup> This section did not appear in paragraph 22 of NSC 19/4.



865.014/7-3149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

LONDON, August 4, 1949—1 p. m.

2751. Dept pleased to note few differences remain between Brit and US thinking on Itcols reported urtel 3014 <sup>1</sup> July 31. Replies to points raised urtel follow :

1. Dept realizes that criticism of proposals for Brit trusteeship Ital Somaliland inevitable but considers it wld be best solution in event of and only after failure Ital trusteeship.

2. In feeling that US cld not oppose UN trusteeship Ital Somaliland, Dept considers GA formula cld be adopted excluding Slav participation in admin. Only Slav influence wld be in Trusteeship Council as at present.

3. In proposing early independence Libya Dept has no thought of trusteeship during interim for either Tripolitania or Cyrenaica.

4. Power of Advisory Council for Libya prior to independence is important matter which Dept hopes can be worked out to meet views parties concerned. US proposal envisages Council with advisory role only. Dept hopes Emir can be persuaded accept Council including Itals since it wld assist in achieving independence all Libya. Dept does not feel strongly on matter of where Council shld sit and feels it shld be decided by mutual agreement of powers concerned.

5. Consult position paper air mailed London July 28 for details US plan.

ACHESON

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<sup>1</sup> Not printed.

865.014/8-1749 : Telegram

*The Secretary of State to the Embassy in Italy*

SECRET

WASHINGTON, August 17, 1949—6 p. m.

1852. During call on Perkins <sup>1</sup> Aug. 11, Ital Chargé brought up question Ital colonies. After discussing background in terms their polit importance Italy and events at last GA, Lucioli outlined in most gen terms current thinking Ital Govt as follows: Re Somaliland, Ital Govt willing undertake trusteeship provided it long enough to justify Ital expense.

Eritrea shld achieve early independence under sponsorship internatl group including Ethiopians. Responding question whether Eritrean population not similar Ethiopian, Lucioli mentioned Moslems, substantial Ital populations Asmara Massawa, preference other population against incorporation Ethiopia, and theory that as result European influence Eritrea more advanced than Ethiopia so that incorpora-

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<sup>1</sup> George W. Perkins, Assistant Secretary of State for European Affairs.

tion therein wld be backward step. Recognized it no longer possible for Italy enjoy special position Eritrea.

Re Libya, Ital Govt recognizes situation Cyrenaica and prepared see it achieve early independence in close relations with UK; Tripolitania shld also achieve early independence in close relations with Italy. Continued that Ital Govt advocates early elections Tripolitania and subsequent establishment independent state, and conclusion Treaty recognizing close relations with Italy, all to be accomplished under internatl sponsorship. No mention Fezzan.

Lucioli was told Dept wld appreciate receiving comprehensive statement Ital position as a whole on colonies, including details of ramifications and methods proposed for implementation. Lucioli said he assumed Dept informed of progress Alessandrini talks London<sup>2</sup> but wld seek instrs.

Dept is in fact receiving reports from London, both of Ital views expressed there and Brit views.<sup>3</sup> In considering our own position and reactions there to other interested govts, notably Brit and French, Dept has however felt handicapped by absence authoritative and comprehensive expression Ital position as first indicated by Rusk to Tarchiani in conversation July 19.<sup>4</sup> Dept hopes Ital Govt will not have understood from Dept's reluctance engage in formal four power talks that we do not continue to be hopeful that through bilateral discussion considerable areas agreement may be established between ourselves Brit, French and Itals prior GA. It is with this objective in mind, that we asked Lucioli obtain comprehensive statement.

Pls approach FonOff to support this request in manner you consider most appropriate referring to Rusk-Tarchiani conversation and using such of foregoing discussion as appears desirable. FonOff shld of course understand Dept cannot commit itself in advance to accept

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<sup>2</sup> Adolfo Alessandrini, an official of the Italian Foreign Ministry and Italian observer at the U.N. General Assembly on the colonies question, had been sent from Rome to Tripoli to pave the way for some form of Italian informal representation in that area, to familiarize himself with the situation in Tripoli, and to maintain liaison with the Italian colonies and with the British Economic Working Party in Tripolitania. He subsequently took part in talks in London on July 25 and 27.

<sup>3</sup> On August 3 Tebbit came to the Department of State and gave Wellons a summary of the Alessandrini talks. He indicated that the British Foreign Office and Alessandrini appeared to be agreed in principle on independence for Libya. Alessandrini suggested that independence for Libya and particularly for Tripolitania might best be achieved in stages. The Foreign Office made it clear that the British were strongly opposed to any restrictions on British freedom of action in Libya prior to the achievement of independence. Alessandrini said that the Italian government had no thought of political or military control and that it was interested primarily in economic cooperation and the protection of the Italian residents of Tripolitania. Memorandum of conversation by Wellons, not printed (865.014/8-349).

<sup>4</sup> For text of the memorandum of conversation, see p. 568.

and support Ital position when conveyed to us, but will give it most serious consideration together with views Brit and French Govts in further considering our position. Likewise hopes other govts will take into account our views.

Further indication urgency from our point of view is fact that views expressed to USUN New York by BrazDel on Libya strikingly similar Ital views as expressed by Luciulli, from which appears Itals already lining up Latin American support their position.

ACHESON

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501.BB/8-2149 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

TOP SECRET

LONDON, August 21, 1949—12:00 p. m.

3312. At dinner Ethiopian Legation August 19, Clutton told Embassy Officer "we now have policy for Itcols" and added telegram being sent Washington to apprise Department. He gave Embassy office bare details which were amplified August 20 by Stewart as follows:

1. HMG favors independence for Libya as soon as possible, but without intervening period trusteeship.

2. GA resolution for independence should be implemented by powers entrusted under Article 23 peace treaty<sup>1</sup> with administration territories, i.e. UK for Cyrenaica and Tripoli and French for Fezzan.

3. Question of unity should be decided by inhabitants themselves after independence and meanwhile nothing should be done to prejudice eventual unity. HMG believes unity, when attained, should take form of federated and not unitary state.

4. HMG willing support mention in GA of Italy's close economic ties with Tripoli, but is not prepared advocate any stipulation in GA resolution regarding treaty between it and Tripoli. HMG considers this matter for negotiation between Italy and Tripoli and would be willing use its good offices with Tripolitanian Government regarding such treaty.

5. HMG feels period before independence should be long enough to lay necessary foundations for nationhood and to avoid repercussions French North Africa. Anything between 2 and 5 years would be acceptable. HMG recognizes period preparation may vary for each territory. Also that it might be more practical for independence to be achieved in 2 stages, i.e. self-government at this session and decision on when independence should be granted at subsequent session GA.

6. Question advisory council should be avoided if possible because effect on Emir and UK administration Cyrenaica. However UKDel

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<sup>1</sup> For the text of the Treaty of Peace with Italy, see Department of State Treaties and Other International Acts Series (TIAS) No. 1648, or 61 Stat. (pt. 2) 1245.

had discretion regarding AC for Tripoli provided AC would have no mandatory powers and would not be permanently resident territory.

7. HMG still favors incorporation all Eritrea in Ethiopia except western province which it feels should be incorporated Sudan.

8. HMG opposes independent Eritrea, since it feels it would be weak state open to undesirable influences and hence constitute danger to security East Africa.

9. HMG favors Italian trusteeship Italian Somaliland. If this not acceptable GA, HMG thinks postponement to next session would be best solution. HMG could not accept British trusteeship over Italian Somaliland at this time because of effect on UK-Italian relations.

Asked who would occupy same Political position Tripoli after independence as UK would occupy Cyrenaica, Clutton replied "US or UK; we do not think Italy should occupy it." (Despite this, Stewart said later Foreign Office has not yet received reply Chief's of Staff to question mentioned paragraph B Embtel 3195 August 12).<sup>2</sup>

Stewart enquired yesterday whether Embassy had had any reaction question posed paragraph C Embtel 3195. Embassy hopes Department can give us its early views this subject for discussion Foreign Office, including prospects US giving technical and financial assistance.

DOUGLAS

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<sup>2</sup> Not printed.

501.BB/9-749 : Telegram

*The Ambassador in Ethiopia (Merrell) to the Secretary of State*

CONFIDENTIAL

ADDIS ABABA, September 7, 1949—9 a. m.

189. Stafford<sup>1</sup> sent telegram on August 31 from Asmara to Clutton FonOff re political situation Italian Somaliland of which substance follows: "situation is at present quiet but political feeling will flare up as soon Assembly begins. Activity will be wholly anti-Italian in direction and will be possibly serious disorder should Assembly decide on return of Italy. Opposition to Italian return in any shape or form is strong. Almost any other trusteeship solution would be accepted with comparative equanimity. About 60% of [garble] population are disinterested and politically unaware of situation. Remainder including all intelligentsia and semi-literates except minority or less than 10 percent is opposed to Italian return. Little propaganda being carried on by Italians themselves who number only 2500 in entire territory. Conference pro-Italian clubs are apt be still receiving financial help from Italian sources". Stafford expressed opinion that reputed success of Tripoli demonstrations and continued exhortations of

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<sup>1</sup> Frank E. Stafford, Special Adviser to the British Chief Administrator in Eritrea.

Abdulla Hiiss from New York will undoubtedly cause Somali Youth League to stage big anti-Italian demonstrations throughout country at beginning or during a meeting. This he states has already been organized and there are possibilities of disorder when this occurs. Extent of disorder if any will be conditioned by (1) degree of provocation they receive from pro-Italian faction and (2) determination of SYL to obtain as much world publicity as possible for their anti-Italian stand. Use of strike weapon to hamper administration is likely at some stage. General belief is that at this point attacks on individual Italians are unlikely and that such incidents as result will be within administration's ability to control, but once tempers are roused in Mogadishu lawlessness runs like wildfire out of control of every well intentioned leader.

Stafford believes there is substantially greater possibility of trouble now than there was last year or in April. Feeling among SYL is that they won first round at last GA and if they make good fight this time they can win next round and possibly the battle. Their strength and following is certainly as strong as it was at time of visit of Four Power Commission. He mentioned possibility of "inspired inclusions from over the Ogaden border" and "general feeling that although administration and military forces might be stretched to utmost it will be possible to control situation."

Telegram added that "further postponement of question would be accepted with sigh of relief in political circles" but has many unsatisfactory aspects. Message stated it had been completed after consultation with chief administrator and his offices at headquarters and in the provinces.

Coded text to Nairobi.

Sent Department, repeated London 6 for Palmer.

MERRELL

865.014/9-1449

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

SECRET

[WASHINGTON,] September 14, 1949.

Participants: Count Sforza  
Ambassador Tarchiani  
Mr. Acheson  
Mr. Achilles  
Mr. Unger  
Mr. Satterthwaite

Sforza said that some of his friends in the United Nations were asking what the status of the Italian Colonial problem was. He said

<sup>1</sup> Drafted by Livingston Lord Satterthwaite, Deputy Director of the Office of British Commonwealth and Northern European Affairs.

the differences between the British and Italians on Tripolitania were lessening. Bevin had told Sforza that he did not want to stay in Tripolitania indefinitely. I said I thought the problem was working itself out. Sforza said the recent compromise with Bevin adopted for the last GA session was not satisfactory to either: Although it resulted in the British and Italians subsequently coming out for independence in Tripolitania and Cyrenaica. Sforza said the Italians had a good record in Eritrea and that if the majority there are for independence, and he thinks this is true, independence would be possible and would be consistent with the proposal for Libya. Achilles said our reports from Eritrea are conflicting as to the strength of the sentiment for independence. Sforza said he thought Ethiopia should not get what doesn't and has never belonged to her.

We discussed Tripolitania since Sforza said the British want a longer period of military control than the Italians. I said I thought the British would adjust, but that they want to be there long enough to do something constructive. Sforza said he thought the British want to clear up troubles with Italy and I agreed. Tarchiani said the problem is in the hands of the United Nations. I said if the General Assembly goes along, it should be possible to agree on a commission (advisory council). We would take sympathetic views of Italy's participation in the life of Tripolitania. Sforza said the Italian policy is to create economic and cultural relations but not political relations. Sforza said Italian parliament realized that the independence of the Arab nations is inevitable. The difficulty is the change-over from military to civilian government. There is no fascism in Tripolitania, but the French are prisoners of the violence of their landowners in North Africa.

We agreed that there should be no trouble in securing Italian trusteeship for Somaliland, although Tarchiani thought there might be trouble with some of the Asiatic states who did not realize it was difficult to create a new state overnight. Sforza said that if something comes out of the Point IV Program for Africa, Somaliland would be less of a burden on Italy. Moreover Somaliland would provide a basis for Italian participation in African development. Twenty-five years of trusteeship would be needed, but in 25 years a colony which could be a state might be worked out. This might well include British Somaliland, but the French would probably never agree to relinquish French Somaliland.

We next discussed Eritrea and agreed that it might be difficult for Eritrea to become an independent state because of its geographic, economic, ethnic, and religious diversity. I suggested that the General Assembly examine the problem of Eritrea to avoid the creation of an independent state which would be a political and economic vacuum. I asked whether it was the Italian suggestion that the dis-

position of Eritrea should be held up if solutions to the other problems are found. Sforza agreed that those that can be solved should be solved, and that Eritrea could be postponed if the GA cannot agree at this session.

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*Editorial Note*

The Fourth Regular Session of the United Nations General Assembly convened at Flushing Meadow, New York, on September 20, 1949. The question of the disposition of the Italian colonies was item nineteen on the Assembly's agenda. The United States had modified its position in the light of the earlier Assembly discussion and the developing facts bearing on the matter, and in an effort to meet what appeared to be the trend of opinion generally, especially with respect to Libya. In his address at the first plenary meeting of the General Assembly, September 21, the Secretary of State said:

"... the General Assembly should work out plans for a united and independent Libya to be carried to completion in not more than three or four years.

"It is the view of my government that the Assembly should agree on provisions enabling the peoples of Eritrea to join in political association with neighboring governments and the peoples of Somaliland to enjoy the benefits of the system of trusteeship."

As in the spring, the question of the disposition of the Italian colonies was assigned to the First Committee, which undertook its exhaustive examination of a wide range of proposals on the colonial question beginning September 30, 1949. In the course of the work that followed, the United States further suggested that the form of government to be established should be worked out by the inhabitants of Libya through consultation among representatives of its component parts, Cyrenaica, Tripolitania, and the Fezzan. An advisory council should be established to "advise and assist the British and French administrations as to how assistance might be given to the inhabitants with regard to the formation of a government for a unified Libya. . . ." The United States also reaffirmed its support for union of the eastern provinces of Eritrea with Ethiopia because of the strong ethnic, religious, and economic ties long existing there and again advocated union of the predominantly Moslem western province with the Sudan. The belief was also reasserted that Italy, under a trusteeship agreement approved by the Assembly, could and would "provide an administration which will effectively and promptly assist the people of Italian Somaliland in the economic, political, and social development of their country, and will bring to fulfillment their desire for self-government and independence."

During the debate other members also presented concrete proposals. The U.S.S.R. proposed immediate independence for Libya but made no provision for the introduction and development of local governmental institutions capable of assuming the responsibilities of statehood. The Soviet proposal also called for the immediate withdrawal from Libya of all foreign armed forces and personnel. For Eritrea and Italian Somaliland, the U.S.S.R. plan envisaged direct United Nations trusteeship for five years, followed by independence.

An Indian proposal called for creation of a united Libyan state within two years, with a United Nations commission of experts to plan for a representative constituent assembly and to approve the constitution that the latter would frame. Pakistan offered a plan which was broadly similar to the United States proposal as regards Libya but which proposed that Eritrea become independent in three years subject to an adjustment providing Ethiopia with an outlet to the sea, and that Italian Somaliland be placed under a direct United Nations trusteeship for ten years with a view to eventual union with other Somali-inhabited territories. Iraq pressed for immediate proclamation of a united and independent Libya and for steps to hand over sovereign powers to the new state as soon as practicable.

To consider these and such other proposals as might be offered the First Committee established Subcommittee 17, of which the United States was a member. The prevailing disposition of opinion in the subcommittee was toward granting of independence within periods so short as to raise some anxiety on practical grounds regarding both administrative arrangements and the readiness of the peoples concerned for steadfast discharge of the responsibilities of full self-government. However, the plan developed by the subcommittee was in the main similar to that proposed by the United States in the cases of Libya and Italian Somaliland.

For the text of the address by the Secretary of State at the first plenary meeting of the General Assembly, see the Department of State *Bulletin*, October 3, 1949, page 489. For documentation on the deliberations of the First Committee, see United Nations, *Official Records of the General Assembly, Fourth Session, First Committee*.

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501.BB/10-749 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET

NEW YORK, October 7, 1949—7:37 p. m.

Delga 70. On basis most recent estimates staff fully convinced our preferred position on Eritrea has no chance of approval or of even



simple majority support. Latin-American, together with Middle East and Asiatic groups are solidly opposed to this solution and such groups as Scandinavians are at best lukewarm. If we persist, therefore, in pressing our preferred position we would run most serious risk of severely damaging both our own and Ethiopian prestige by heavy adverse vote and ending up with solution voted by Assembly over our opposition which might freeze out Ethiopians altogether and seriously impair chances advancing our own objectives in Eritrea.

We have also received reports Latin-American caucus has decided to condition support of independence for a united Libya on Arab support of Italian trusteeship in Somaliland. While this development would not in itself necessarily prejudice chances of approval Libyan position it does isolate Eritrea and encourage tendency favoring postponement this session. In order forestall postponement or development undesirable compromise formula by other delegations, staff considers we should immediately shift our orientation and work towards compromise likely command necessary support while getting all we can for Ethiopia and protecting our interests.

Two compromise formulae appear to present possibilities. Clutton (UK) has as personal proposal suggested: (a) adoption this session resolution recommending incorporation in Ethiopia of those areas Eritrea occupied by Coptic Christians and others desirous of union with Ethiopia; (b) establishment commission to draw new boundary under terms of reference similar Trieste Boundary Commission, i.e. based on ethnic economic and geographic considerations. Clutton suggests commission could not avoid finding that practically all of Eritrea, exclusive of the Western Province, should be incorporated in Ethiopia since those areas occupied by Coptics could not be separated from rest of Eastern Provinces nor could cities of Asmara and Massawa be excluded on economic and geographic grounds. Thus, Clutton's formula would accomplish our present objectives with the blessings of a commission and in accordance with a formula which presumably could not be objected to by Italy or their friends who are now insisting on independence as being in accordance with the wishes of the population. This formula might have further advantage of appealing to many delegations who think a commission should visit area.

Another possibility which staff considers feasible (and more likely than Clutton's formula to command necessary support) is formula providing for confederation of all Eritrea, including Western Province, with Ethiopia through the person of the Emperor. Emperor would control such common problems of two territories as foreign affairs, defense, finance, etc. At the same time, provisions would be made for full local autonomy in Eritrea and guarantees for protec-

tion of political and economic rights of Eritreans. Such a formula might provide for Economic and Customs Union, full freedom of movement including completely free access to sea for Ethiopia. Full provisions could be made for guarantees of human rights for Eritreans. This kind of proposal might well attract further support by including provision for expert or international commission to assist in drawing up constitution giving effect to it.

The staff believes this formula should satisfy Emperor and at same time would overcome any legitimate Eritrean fears of domination by Addis Ababa. Formula would entirely safe-guard US interest and would also take care of problem of Western Province for which any other solution seems as difficult as ever.

Sforza expressed to Jessup his acceptance principle Economic and Customs Union Eritrea and Ethiopia and we have some reason to believe that additional concession of political union at the top level with adequate guarantees for local autonomy might also be accepted by Italy and therefore by Latin-Americans.

Request Department's views urgently since developments are moving fast. In the meantime, we shall maintain Department's approved position while at same time sounding out certain key delegations with respect possible compromise solutions. We will of course keep closest touch Ethiopian Delegation.

We have this noon discussed with Aklilou (Ethiopia) our doubts re success of our position on Eritrea, and suggested to him the two possible alternatives outlined above. Aklilou, while agreeing outlook not favorable and admitting damage which would be caused by defeat of our solution, was non-committal on best way to safeguard Ethiopian aspirations. We assured him that we would continue to make every effort to obtain approval of our present position pending Ethiopian consideration of above views and further consultations with him. Aklilou was insistent that he would oppose in every way a decision on Somaliland if it appeared certain that no decision possible for Eritrea at this session. Spencer observed that Ethiopian Government would go so far as to block Italian-Somaliland trusteeship agreement by refusing to agree to delineation of Ethiopian-Somaliland boundary. He added that, while Ethiopia would never give its positive support to Italian trusteeship for Somaliland, it would acquiesce in such a settlement provided simultaneous or prior satisfactory solution Eritrea.

AUSTIN

865.014/10-849

*Memorandum by the Deputy Director of the Office of United Nations Political and Security Affairs (Wainhouse) to the Ambassador at Large (Jessup)*<sup>1</sup>

SECRET

[NEW YORK,] October 8, 1949.

It appears that general debate in Committee I on the disposal of the former Italian Colonies is very nearly complete.<sup>2</sup> Statements by representatives of the inhabitants of the territories concerned will have been completed in a few days. Argentina has already submitted a resolution providing for a 15-member subcommittee to consider resolutions submitted to the Committee and to draft a resolution or resolutions which the Committee might consider.

Thus far four resolutions have been submitted, by India, Iraq, Liberia and the Soviet Union. Only the last named deals with all three of the former colonies. It appears likely that most delegations will favor consideration of each of the colonies in a separate resolution, although the Soviets may well try to insist on a single package.

From the general debate, from our talks with many of the delegations, and from the nature of the resolutions which have been submitted, it appears likely that agreement of two-thirds of the members of the Assembly on Libya will be possible in this session, although there is still work to be done in ironing out procedural details. Two-thirds agreement on Italian Somaliland will be more difficult, but is not impossible.

The situation is most fluid with regard to Eritrea, and there is some talk of postponement. This sentiment is accompanied by considerable feeling that a commission of some sort should be sent to Eritrea to determine the situation there, especially the wishes of the inhabitants.

### *Libya*

The principle of independence for Libya without an intervening period of trusteeship appears to be almost unanimously accepted. The issues which remain to be settled involve varying assessments by the delegations of the procedures which will be required to effect an orderly transition from occupation to independence without jeopardizing the authenticity of independence itself. While some delegations not in the Soviet bloc have suggested virtually immediate independence, it seems likely that they do so through failure to appreciate the dangers to stability of too rapid a transition. On the other hand, the resolution submitted by the Soviet delegation, calling not only for immediate

<sup>1</sup> At the United Nations General Assembly.

<sup>2</sup> The First Committee did not reach a decision until November 12, 1949.

independence but for the complete withdrawal within three months of all foreign troops and bases, may well be calculated to promote confusion. This is especially so inasmuch as the Soviets can advertise their proposal as not only insuring "authentic independence", but as in line with their peace propaganda. Any necessary argument against the Soviet proposal must be careful to emphasize the necessity for proceeding slowly and carefully to assure an orderly transition, and must not further open the way to Soviet propaganda about colonialism and strategic preparation for aggression.

The Indian resolution calls for completion of the transition to independence in two years, whereas the Iraqi resolution calls for an immediate declaration of independence and immediate steps to a hand-over within as short a period as practicable. The Iraqi resolution might well be susceptible of amendment to bring it into line with our view that a definite period of three or four years should be prescribed for the transition; we could probably accept specification that immediate steps be taken to put the machinery in motion.

There has been very little specific opposition to the concept of unity of Libya, which we support, but there is some support for the British view that the inhabitants of Libya should decide the point. Both the Indian and Iraqi resolutions refer specifically to a united Libyan state, although the Indian resolution is so worded as to permit that state to be federal rather than unitary.

The question of whether there should be an advisory commission in Libya is rather fluid, although there seems to be general agreement that the General Assembly should arrange to keep itself informed of the progress toward independence. Thus, the Indian resolution incorporates the idea that a commission of experts should be appointed to supervise convening of a Constituent Assembly and to approve a constitution for Libya drawn up by that Assembly. The Iraqi resolution calls only for reports by the present administrations to the United Nations on the progress made toward independence. Of course, neither of these resolutions comes near to our position; the latter does not yet, however, appear to require modification. The British strongly favor the Iraqi resolution, with slight modifications, as it eliminates direct U.N. supervision during the interim period.

### *Eritrea*

Support for the cession of all of Eritrea except the Western Province to Ethiopia falls far short of a majority. Arguments of the merits of the case for cession and arguments of the economic and political unpreparedness of Eritrea for independence have not made much headway. It now appears that in order to head off independence, or even trusteeship, we and those who so far agree with us may have to

move onto compromise ground. The Delegation is now exploring the possibilities of finding such ground.

Only the Soviet resolution mentions Eritrea, calling for independence in five years, during which time the area would be administered under trusteeship. The resolution provides that an administrator appointed by the Trusteeship Council would be assisted by an advisory committee comprising representatives of the five permanent members of the Security Council and of Italy and Ethiopia, with one European and two native residents of Eritrea nominated by the other seven members. The Soviet resolution would also give Eritrea an outlet to the sea through Assab. This resolution is obviously unacceptable to us, as would be any resolution permitting direct Soviet participation in the Administration of an East Africa territory.

### *Italian Somaliland*

Although there is no great enthusiasm for Italian trusteeship over Italian Somaliland, there appears to be no serious threat to this proposal. In fact, it is understood that the Latin American caucus has decided to condition their support of Libyan independence on Arab support of Italian trusteeship in Somaliland. Liberia has introduced a resolution calling for independence of Somaliland after ten years of trusteeship administration, without specifying the trustee power. The Soviet Union resolution embodies the same complicated formula for Somaliland as that proposed for Eritrea. While neither of these resolutions is acceptable to us, the Liberian or a similar resolution might be susceptible of amendment which would enable us to support it.

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501.BB/10-849 : Telegram

*The Secretary of State to the United States Representative at the  
United Nations (Austin)*

SECRET      PRIORITY

WASHINGTON, October 11, 1949—1 p. m.

Gadel 45. After considering developments to date on Itcols and proposals suggested in Delgas 74<sup>1</sup> and 75,<sup>2</sup> Dept agrees it is desirable US submit single resolution on all Itcols in Comite I in order have sub-committee use our resolution as basis its discussion. This procedure advisable since Soviet resolution must be rejected altogether and other draft resolutions presented by Iraq, India and Liberia would have to be drastically amended to make them acceptable.

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<sup>1</sup> Not printed.

<sup>2</sup> Not printed; it submitted the draft of a resolution which, as amended on the basis of Gadel 45, was introduced as U.N. document A/C.1/497, printed in the Department of State *Bulletin*, June 5, 1950, p. 896.

Draft resolution in Delga 75 can be submitted as working paper with fol modifications:

1) In para A 1 change words "Libya be granted independence" to "Libya become independent". Revised wording might be more acceptable Arabs with explanation that GA is now granting Libya independence which will become effective three years from now.

2) In para A 1 (A) change "shall continue their present administrations" to "shall administer them" in order avoid implication of continuation of present caretaker admins and to allow Brit and Fr to institute reforms.

3) In para A 1 (B) insert "meet and" before "consult together" in order to insure that representatives will come together to determine form of govt.

4) In para A 1 (B) change phrase "determine the form of association" to "determine the form of government". Other part of resolution refers to "government for an independent Libya" so it wld be better to use "government" in this para and thus strengthen idea of unity of Libya, which Arabs will demand in any case.

5) In para B 1 change "re-united" to "united" in order avoid unnecessary disputes in Comite.

6) Delete whole of para B 7 which wld refer boundary problems of Eritrea to IC. This unnecessary since para B 5 establishes procedure for demarcating boundary between Ethiopia and Western Province and govts concerned are to report to GA on matter in any event.

7) In para C 2 delete "at the next session" to allow TC to consider matter at its next two sessions in Jan and June, 1950.

8) In para C delete "toward self-government" since independence is mentioned in following para.

9) In para C 3 Dept doubts advisability having TC fix boundaries Ital Somaliland and recommends those boundaries be settled by Comm consisting of representatives of Ethiopia and Italy and third member appointed by SYG.

Dept is greatly disappointed learn Latin-American states have decided to condition support of independence for united Libya on Arab support of Ital trusteeship of Somaliland (Delga 70).<sup>3</sup> Del shld urgently point out to all other Dels concerned that US had hoped each of the former colonies wld be disposed of separately on its merits and shld reaffirm danger that no solution for any terrs will be reached, with consequent serious blow to UN prestige, if disposition of one area is made contingent on a particular disposition of another terr. Dept had hoped, and wld still prefer, see Libya disposed of this session GA even if Eritrea and Ital Somaliland are postponed. However, if other Dels insist on linking one area with another, US Del shld strongly urge that Libya, Eritrea and Ital Somaliland be disposed of simultaneously in one single package resolution along lines suggested in Delga 75 as approved by Dept in this Tel.

ACHESON

<sup>3</sup> *Ante*, p. 586.

501.BB/10-1749 : Telegram

*The Secretary of State to the United States Representative at the United Nations (Austin)*

SECRET

PRIORITY

WASHINGTON, October 17, 1949—8 p. m.

Gadel 61. Ref Gadel 57.<sup>1</sup> USDel should inform UKDel and Emb London shld inform FonOff that US Govt agrees with Mr. Bevin on over-riding importance of Brit and Amer military strategic objectives in Cyrenaica and Tripolitania and agrees every effort shld be made to avoid prejudicing attainment those objectives. US Govt, however, is not alarmed over developments in GA and does not feel that resolution providing unity and independence for Libya by 1952, as now emerging from sub-comite, need prejudice attainment our objectives. While favoring unity of Libya, US has no objection to federation which wld permit agreements applicable to separate parts of Libya. Our view is that such arrangements cld be made with a federated Libyan govt.

Dept notes that GA sub-comite approved appointment of UN Commissioner to be assisted by Advisory Council with terms reference which appear to meet most of Mr. Bevin's objections.

US is also opposed to any direct UN trusteeship unless Slav participation therein is precluded.

Consequently, US Del will continue its efforts to achieve disposition Itcols acceptable to GA which will not cut across major aims on which our two govts are agreed.

ACHESON

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<sup>1</sup> Not printed; it reported the text of a statement handed to Under Secretary Webb by the British Ambassador on October 14, 1949, expressing Bevin's concern about developments in the General Assembly on the disposition of the Italian colonies (501.BB/10-1549).

865.014/10-1849 : Telegram

*The Secretary of State to the Embassy in Italy*

SECRET

NIACT

WASHINGTON, October 18, 1949—8 p. m.

2559. Tarchiani reports Council of Mins meets tomorrow and wld consider then any new instrs re Itcols.

Before meeting of Council request you convey following urgently to Sforza.

Consider question Itcols approaching critical stage Comite one and sub-Comite and if solution to be found this session it is essential that problem be viewed in light of stark realities. US Del is convinced tone

and temper other Dels such that Ital trusteeship Somaliland now dependent simultaneous solution Eritrea acceptable Ethiopia and that failure reach solution those territories wld seriously jeopardize reaching any solution Libya. Further Dept gravely concerned that another postponement of disposition of even one of territories, much less all of them, wld only serve aggravate relations all countries concerned and wld adversely affect prestige of UN.

Point out we have worked hard for solution Libya which will safeguard Italy's interests in that territory and say are convinced developments thus far are encouraging. We shall continue work for Ital trusteeship Somaliland in support of which Jessup made strong statement in sub-Comite this morning.

Pls explain Sforza our compromise formula Eritrea (Delga 87,<sup>1</sup> Gadel 55<sup>2</sup> and related tels rptd you today) and say we believe such a solution offers best possibilities effecting solution and at same time safeguarding rights and interests of all elements population Eritrea. While Emperor wld have control Fon relations and external defense the people of Eritrea wld have control of their internal affairs. Econ Customs Union wld undoubtedly benefit both territories and role of Ital population in Eritrea in Admin might enable them play increasingly important part development Ethiopia as well. We believe this solution might mark beginning new era Italo-Ethiop friendship and collaboration, while on the other hand failure reach satis solution Eritrea owing to Ital opposition wld most certainly further embitter their relations and perhaps preclude all possible future Ital participation development Eastern Africa. While we are not convinced popular support sudden upsurge independent movement Eritrea, much less genuineness of espousal that cause by Latin Amer Dels, establishment "autonomous state" shld go far to satisfy element supporting independence Eritrea.

Finally you shld state to Sforza in all frankness that we hope Ital Govt will cooperate with us in finding compromise solution Eritrea which will make it possible dispose finally problem Itcols and remove this cause of dissension. To this end we hope Ital Govt will be able urgently instr Tarchiani support solution along lines our compromise formula in order agreement may be achieved current sub-Comite deliberation.

ACHESON

<sup>1</sup> Not printed; it presented the working text of a draft resolution on Eritrea developed by the United States Delegation Advisory Staff (501.BB/10-1149).

<sup>2</sup> Not printed; it outlined alternative solutions for Eritrea to be discussed and supported by the United States (501.BB/10-1349).



865.014/10-1949: Telegram

*The Secretary of State to the Embassy in Italy*

TOP SECRET

PRIORITY

WASHINGTON, October 20, 1949—8 p. m.

NIACT

2594. Jessup has reported from New York a deep concern at the situation developing with respect to the Eritrean question which threatens to break down entire settlement of the Itcols question. He feels that the unreasonable Ital attitude is blocking any solution in view of their grip on the Latin American delegates. If you feel that there is any possibility of changing the Ital attitude, you should immediately make the strongest representations to Sforza. You could point out that in our considered view the threatened failure to reach agreement on Eritrea will probably entail failure to reach agreement on Somaliland and Libya. The resulting postponement would greatly decrease the chances of achieving any satisfaction for Italy.

You might also point out that his feeling that independence is preference of majority of UN is not in accord with our information (reurtel 3296, Oct. 19).<sup>1</sup> We also recognize that there does not appear to be a majority in favor of our first solution, and it is for this reason and due to the great importance we attach to a speedy solution that we so strongly urge this compromise proposal.

Finally, you might point out that we do not wish in any way to depart from the position we have taken on the disposition of Ital Somaliland, but that in view of the assurances given us by the Ital that they would allow each territory to be disposed of on its merits rather than make a disposition of one territory conditional on their solution for another territory, we are most disturbed by the action of the caucus Latin-American reps in linking a solution on Libya with that of Somaliland.

ACHESON

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<sup>1</sup> Not printed; it reported that Dunn had just seen Sforza and that Sforza felt that the majority of the United Nations preferred independence for Eritrea (865.014/10-1949).

865.014/10-2049

*Memorandum of Conversation, by the Deputy Director of the Office  
of African and Near Eastern Affairs (Moose)*

SECRET

[WASHINGTON,] October 20, 1949.

Participants: Secretary of State, Mr. Dean Acheson  
British Ambassador, Sir Oliver Franks  
Under Secretary, Mr. James E. Webb  
NEA—Assistant Secretary, Mr. George C. McGhee  
ANE—Mr. James S. Moose, Jr.

The Secretary opened the conversation by observing that the British Foreign Secretary, Mr. Bevin, appears to be disturbed over recent developments in the General Assembly regarding the disposition of Libya and Eritrea, and inquired of the British Ambassador what Mr. Bevin wants.<sup>1</sup> The British Ambassador briefly described the position with regard to Eritrea agreed upon by the United States and the UK prior to the opening of the General Assembly, adding that the British really were not prompted by a desire to increase the size of the Sudan in proposing to annex thereto the western province of Eritrea.

Recently it appeared Mr. Jessup had mentioned to Mr. McNeil in New York a plan to establish an autonomous Eritrea united with Ethiopia through the person of the Emperor. Mr. McNeil apparently did not consider this mention as being serious enough or important enough to report to London, and London's first knowledge of Mr. Jessup's suggested solution came with its introduction into the deliberations of the Committee. The scheme, said the Ambassador, is distasteful to the British Government, and Mr. Bevin personally was disturbed by what appeared to him to be unilateral action by the United States in an area of policy subject to an understanding with the UK. Mr. Bevin was, therefore, worried both by the substance of the suggestion and by the method in which it was made.

The Secretary of State remarked that the result of the suggestion was unfortunate but that it had been done and the problem was now

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<sup>1</sup> In the summary of the Secretary's daily staff meeting for October 20, 1949, not printed, the following statements are recorded: "Mr. Webb reported that Dr. Jessup called on the Italian colonies problem. Dr. Jessup felt that the U.S. position had not been made clear to Mr. Bevin and that we needed a real advocate to push our position. He thought it might be desirable for the Secretary to send Mr. Bevin a message on this subject. Jessup said that Bevin was mixed up about the problem and that, contrary to Mr. Bevin's views, the British and the U.S. Delegations in New York were quite familiar with one another's views and actions on this matter. The Secretary said he was inclined to be sympathetic with Mr. Bevin's point but that he would like to have the question looked into carefully". It was then decided to discuss the matter with the British Ambassador, Sir Oliver Franks. (Secretary's Daily Meetings, Lot 58D609, October 1949)

what further steps should be taken. He inquired what the British Ambassador would suggest. The Ambassador stated that, failing to achieve the solution previously agreed upon, that is, cession of the western province of Eritrea to the Sudan and cession of the remainder to Ethiopia, Mr. Bevin would prefer postponement of the solution for one year. Meanwhile, a United Nations Commission which would give a predetermined answer would carry out an investigation and report back to the General Assembly. The predetermined answer would consist of the cession of the eastern part of Eritrea to Ethiopia.

The Secretary of State observed that many small nations are opposed to the outright cession of parts of Eritrea to Ethiopia or to the Sudan. The proposal of the Indian Delegate, Sir [B.] N. Rau, was an example of the impractical suggestions made by the smaller nations. He inquired whether or not the British Ambassador thought it would be useful for Mr. Jessup at this stage to propose a change in the resolution. The British Ambassador replied that an amendment to the resolution was what Mr. Bevin had in mind. Mr. Bevin had indicated that if an amendment along the lines just indicated were not feasible, then he would favor a similar procedure but with a commission not bound to give a predetermined answer, and a commission in which there would preferably be no Slav participation.

Mr. McGhee observed that the problem was in large measure tactical: that of assessing the willingness of the Sub-Committee to alter the resolution and a determination of the method through which such alteration should be achieved. He believed that Mr. Jessup and Mr. McNeil would be in the best position to decide this point. The British Ambassador asserted that the British authorities can scarcely accept the most recent suggestion of Mr. Jessup with regard to Eritrea. Especially objectionable is the provision for a United Nations Commission to operate in the territory while the British are still in administrative control.

Mr. McGhee replied that the U.S. Delegation would be glad to assist the British Government in any proper way to divest itself of the burden of administering Eritrea at the earliest practical moment.

The Secretary remarked that he considered it improper for the U.S. Delegation to suggest, without British consent, a plan for the disposition of Eritrea which would in large measure be carried out by the British Administration.

The Ambassador repeated the British objection to a United Nations Commission in Eritrea during the period of British administration.

The Under Secretary offered to call Mr. Jessup on the telephone and to discuss with him the possibility of exploring with Mr. McNeil plans for reaching a mutually acceptable result. The Secretary ap-

proved this suggestion and remarked that after conversation with Mr. Jessup, it might be possible to arrange a solution.

Reverting to Libya, the Secretary remarked that he considered Mr. Bevin to have jumped to an erroneous conclusion in blaming the United States for the objectionable features of the Sub-Committee's resolution. The Ambassador stated that Mr. Bevin was not annoyed with the U.S. on this score. He added that there was a complete understanding between the U.S. and the UK on UK military requirements in Cyrenaica and the necessity for a treaty to safeguard them. The UK did not wish to assume responsibility for all Libya; neither did it wish to bar the Italians from some form of participation in Tripolitania. However, continued the Ambassador, the Sub-Committee had produced an unacceptable resolution. Mr. Bevin was worried over the establishment of a "single united Libya". If Sayid Idris became the head of the united Libya, the UK might find itself taking responsibility for the entire area in order to accomplish its aims in Cyrenaica. Further, a united Libyan state might offer more difficulty to Italian cooperation with Tripolitani. The Foreign Office had thought that the U.S. Delegation in New York had become so involved with tactical considerations that it had tended sometimes to lose sight of the joint US-UK aims. While Mr. Bevin offered no criticism of the US attitude or tactics in this connection, he desired an amendment to the resolution passed by the Sub-Committee.

The Secretary observed that the resolution has already been approved by the Sub-Committee and that the offending words had been borrowed from a draft proposed by Iraq. One method of accomplishing Mr. Bevin's aim would be to propose that the offending words be stricken out and that the resolution provide for the creation of "one or more independent states". If this plan were adopted, there is considerable probability that it would be defeated and that the present provisions would be confirmed with a legislative record which would make them stronger than they now are. Perhaps a better plan would be to leave the wording as it now stands and to clear up in debate any necessary points, for example, to establish the right of the Libyan National Assembly under paragraph A-2 to form a federation if it so desires. In this matter, would it not be better to trust the judgment of Messrs. Jessup and McNeil, who are on the spot and who are in touch with the sentiment prevailing in the GA?

Mr. McGhee stated that it was his understanding that members of the British Delegation in New York believe that a federated state is possible without alteration or amendment to the present wording of the resolution.

The Ambassador quoted Mr. Bevin as desiring to have the unity of Libya decided by the people and not by the General Assembly. The

Under Secretary remarked that Mr. Bevin's wishes could be carried out through the procedure just outlined by the Secretary. The Secretary added that he was sure Mr. Jessup would be happy to let Mr. McNeil take the initiative either in amending the resolution to suit Mr. Bevin's views or in the debate which would interpret the resolution through the legislative record.

The Ambassador said that he would report to London that no differences existed in US and UK policy aims and that such differences as exist are purely tactical. The answer to tactical problems is not to be found either in Washington or in London but must be worked out in New York. He will add that the Secretary will take into account the points raised by the British and that Mr. Jessup and Mr. McNeil will endeavor to evolve a solution.

The Secretary expressed his agreement and added that the Under Secretary would talk to Mr. Jessup on the telephone on the subject of Libya.

The Under Secretary asked the British Ambassador if he could have a written indication of the objections raised by Mr. Bevin, and the Ambassador supplied a written statement as requested.

Since the Ambassador desired to speak to the Secretary on another matter, the Under Secretary, Mr. McGhee and Mr. Moose went to the Under Secretary's office where the Under Secretary placed a telephone call to Mr. Jessup in New York. They were joined shortly by the British Ambassador.

The Under Secretary suggested that it would be useful if the Ambassador would talk with Mr. Jessup, and the Ambassador agreed to do so.

Mr. McGhee reminded the Under Secretary that Mr. Bevin's suggestion of postponement, with the appointment of a United Nations Commission to investigate between sessions of the GA, was, in fact, a reversion to the United States second position with regard to the area.

The Under Secretary remarked that he had talked with Mr. Jessup this morning and that Mr. Jessup had reported that he was working closely with Mr. McNeil. Mr. Jessup had stated that he thought the differences between the US and UK positions were less than Mr. Bevin thinks.

The Ambassador expressed the personal opinion that the burden in Eritrea, which is so galling to Mr. Bevin, is political rather than administrative and fiscal. Mr. Bevin has taken a dislike to the suggestion that the British, who are thoroughly experienced in the administration of dependent areas, should be subjected to the supervision or even observation of a United Nations Commission in Eritrea.

Mr. McGhee remarked that the resolution approved by the Subcommittee provided a commission for Libya also.

The Ambassador distinguished between the commission in Libya, which would be a relatively short-time operation, with the commission for Eritrea, which would operate over a much longer period.

Mr. McGhee pointed out that if the General Assembly arrived at no solution of the disposition of the former Italian Colonies, the burden of administering those areas will remain largely upon the British for an indefinite period, perhaps a period longer than the life span of the proposed commission for Eritrea.

The Ambassador stated that Mr. Bevin objects to the commission for Eritrea, nevertheless, and he pointed out that members of the commission might well turn out to be unfriendly to the administering British authorities. He inquired whether or not the U.S. would like to take over the responsibility from the British of administering the area.

Mr. McGhee replied that the British were more experienced in such matters than Americans are and that they do a better job. The proof of this is in their administration of the United States when it was still a colonial area.

Mr. McGhee made the point that the British authorities had shown some disapproval of US consultation with Rome on the disposition of the former Italian Colonies without consulting the British. He pointed out that the exchange with the Italian Government did not involve substantive policy but referred to the relationship between Italy and certain Latin American states which the United States was inclined to consider in a special category. The Ambassador said that he understood.

The Under Secretary's telephone call to Mr. Jessup was put through and the Under Secretary stated the British objections. He expressed the opinion that perhaps there had been some confusion of Libya with Eritrea in the discussions in New York. He added that the British and American positions were not far apart and that to reconcile them would require an amendment of the resolution regarding Libya, or the establishment of an appropriate legislative record. He added that the Secretary had suggested that Mr. Jessup and Mr. McNeil confer on the matter, and that they could cooperate in establishing the desired and desirable record in debate. Should it be decided that amendment is required, Mr. McNeil would take the initiative in the matter but would have U.S. support. He observed that perhaps the British Ambassador could authorize this procedure.

Turning to the British Ambassador a moment later, the Under Secretary remarked that Mr. McNeil's instructions with regard to

Eritrea deal principally with abstention. The British Ambassador remarked that London was talking mostly in terms of objectives and that his own wire dealt with amendment. However, Mr. Jessup and Mr. McNeil should consider how the desideratum could be obtained and should endeavor to get consideration of the matter back into the hands of the two delegations in New York and out of the Department and the Foreign Office.

The Ambassador, at the Under Secretary's suggestion, took the 'phone and, talking to Mr. Jessup, said that he would reiterate to London the identity of US and UK aims and the desire of the United States to concert on measures to achieve them. While his messages from the Foreign Office spoke only of amendments to the resolution, he thought that Mr. McNeil had later instructions.

Referring to Eritrea, the Ambassador stated that Mr. Bevin is worried about the U.S. suggestion of a "federated scheme" for Eritrea and about British tutelage under the supervision of a UN Commission. This worry was caused by political considerations and by the belief that the arrangement is unworkable and will cause difficulty hereafter. The impression of the Foreign Office had been that Mr. Jessup's suggestion was brought forward probably before the British Delegation had been consulted.

The Ambassador added, with reference to the administration of Eritrea as suggested by Mr. Jessup, that the British "cannot carry a baby with that number of nurses to help".

After a considerable pause, the Ambassador remarked that he thought a misunderstanding had occurred and that London considered the Eritrean suggestion unworkable. Mr. Bevin would prefer to send a UN Commission to Eritrea to investigate and to wait a year before reaching a decision.

The Under Secretary returned to the telephone and informed Mr. Jessup that the Department desired him to work out the best possible solution with Mr. McNeil in New York. He remarked that when the U.S. puts forward proposals unacceptable to the British and expects the British Administration to carry them out, it inevitably makes a difficult situation. Mr. Jessup, the Under Secretary continued, could talk to Mr. McNeil and decide whether or not it could establish a legislative record with regard to Libya for future use. If Mr. Jessup and Mr. McNeil can agree on a plan of procedure with regard to amendment or legislative record, no further intervention from the Department would be needed. If they should not agree, however, Mr. Jessup might refer the matter back to the Department.

With regard to Eritrea, the Under Secretary stated that the Secretary is sympathetic with British aims. Should further amendment be

attempted, the Secretary believed that Mr. McNeil should take the initiative and the U.S. Delegation should support him.

Leaving the telephone, the Under Secretary remarked that Mr. Jessup was worried over the turn taken by events in the Sub-Committee. Should the UK abstain from voting on the resolution with regard to Eritrea, it might result in no agreement on that area. Failure in Eritrea might result in successive failures in both Somaliland and Libya.

The Under Secretary inquired whether or not the Ambassador had any suggestions as to how to remedy this situation. The Ambassador replied that he had no suggestions now. The Under Secretary added that Mr. Jessup thinks postponement of consideration of any area is dangerous as it is likely to inspire proposals for postponement of consideration of other areas as well.

Summing up, the British Ambassador said that he would report to London that the Department is still in general agreement with the Foreign Office on the objectives to be striven for in New York, and that the US and UK Delegations there would endeavor to work out an arrangement for accomplishing these objectives.

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501.BB/10-2149: Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET

NIACT

NEW YORK, October 21, 1949—1:32 p. m.

Delga 127. Jessup and Ross discussed with McNeil and Clutton last night all aspects current status Itcols, reviewing common US-UK interests in these territories and most practical means achieving common objectives in light of political realities in Assembly. Jessup emphasized the following points with which McNeil in light of discussion appeared to agree fully:

1. Under subcommittee draft on Libya there would be no difficulty in achievement UK objective treaty protecting special interests in Cyrenaica because form of Libyan unity would be either unified Libyan state under Senussi or very loose confederation.

2. Regardless of US and UK pledges to Ethiopia solution along lines our original proposal, that is annexation eastern provinces to Ethiopia with western province going to Sudan, does not have slightest chance getting necessary majority in Assembly. There is, furthermore, serious risk that independence for Eritrea would get majority vote at least in subcommittee, thus tending to block off any other solution. Solution along lines latest US suggestions that is personal union of



Eritrea with Ethiopia under Crown of Emperor with control over defense and foreign affairs vested in Emperor but with autonomy for Eritrea in local affairs, probably only solution short of postponement that could command necessary two-thirds vote and at same time be wholly acceptable to Ethiopians in discharge of our obligations to them.

Although Clutton argued strongly for postponement on grounds autonomy for Eritrea with personal union under Emperor is not "workable," McNeil agreed that postponement would involve delay in British being able to withdraw from Eritrea of at least 18 months. Such delay, McNeil felt, would be intolerable to his government and he agreed, therefore, that solution along lines our personal union suggestions would be preferable to postponement on condition that procedure could be worked out whereby authority would be turned over to Ethiopia by UK as present administering authority in not more than six months. On this condition McNeil felt it might be possible for UKDel here not to oppose our compromise suggestions. He was not willing, however, to commit himself to positive support of our suggestions at this stage.

3. It was agreed that the possibility of two-thirds majority in Assembly for Italian trusteeship for Somaliland hung on thinnest of margins and that failure to get definitive solution of Eritrea in principle at least at this session might be factor causing loss of Somaliland proposal. In this event it was agreed there was serious risk defection enough LA votes to lose Libyan solution as well. Thus, there would be another failure on all fronts which would either leave British holding bag in all three territories indefinitely or force them to unilateral withdrawal as in case of Palestine which would be most damaging to British prestige.

4. We tentatively agreed on following tactics concerning Eritrea in Subcommittee:

(a) Vote on independence would probably have to come first because of pressures in Subcommittee in this direction.

(b) We would next have vote on original US proposal for annexation eastern provinces to Ethiopia.

(c) We would vote on compromise solution along lines latest US suggestion.

(d) Finally, we would vote on postponement with commission of investigation.

As indicated, conversation was most friendly throughout. We feel we are on excellent working basis with UKDel here and hope Douglas may be able to persuade Bevin that this is the case.

Please relay Embassy London as USUN 50.

AUSTIN

865.014/10-2149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET PRIORITY

WASHINGTON, October 21, 1949—6 p. m.

3795. For the Ambassador from the Secretary. Please deliver the following message from the Secretary to Mr. Bevin:

"Immediately upon receipt of your message on October 14<sup>1</sup> through Sir Oliver Franks, I got into the Italian Colonies matter myself. As a result of talks within the Department, between us and our representatives in New York, and between Oliver Franks and us and our representatives in New York, I hope and believe that we are now straightened out and are working harmoniously and concertedly along lines which you will find satisfactory.

I understand from your Embassy that they have given you a complete report, which I shall not repeat. If my understanding of the situation is incorrect, or if there is anything further which you think I might be able to do, please let me know about it.

I hope that you are taking care of yourself and are going to be able to get some rest. My warmest regards go with this message."

ACHESON

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<sup>1</sup> Not printed; it stated Mr. Bevin's request that Acheson be informed that he was worried that the situation in the General Assembly with regard to the Italian colonies was getting out of hand, expressed various other views related to the alternative courses of action proposed at the United Nations, and sought Acheson's assurances that the United States Delegation would join with the United Kingdom Delegation in preventing anything from cutting across the major aims on which he thought the two governments agreed, particularly with regard to avoiding playing into the hands of the Russians (865.014/10-1449).

865.014/10-2949 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

TOP SECRET

NEW YORK, October 29, 1949—5:40 p. m.

Delga 159. For Rusk, McGhee and Perkins from Ross. General impression I had my conversation at lunch today with Clutton and Stafford (Delga 157,<sup>1</sup> October 29) was

- (a) They are very defeatist in attitude, and
- (b) Their preferred position based largely on London attitude is to postpone decision not only with regard to Libya and Eritrea but also with regard to Somaliland. Inference I drew, more or less explicit in Clutton's remarks, is they are fed up with UN handling whole

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<sup>1</sup> Not printed.

Italian colonies affair and would prefer proceeding on unilateral basis. Discounting for sake of argument damage to UN, I spoke strongly, but personally, against such course on grounds damage to British as well as US prestige and position, and risk of playing into hands Soviet propaganda not only in regard Africa but also other areas, particularly South and Southeast Asia. [Ross.]

AUSTIN

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800.00 Summaries/11-449: Circular telegram

*The Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

SECRET

WASHINGTON, November 4, 1949—2 a. m.

Infotel. We have informed Amb Jessup at UN and Amb Douglas in London that we believe that amendments which were worked out between UK and US dels Nov 3 wld enable British conclude treaty with independent Cyrenaica almost immediately. We believe these amendments wld allow reps of people of Cyrenaica, Tripolitania and Fezzan decide on form of their future union and govt before date on which independence becomes effective but that they will not prevent British from making prompt arrangements with respect their needs in Cyrenaica. We further believe that since these amendments do not change UN machinery provided for in Subcomite res, there is good chance GA can be persuaded approve revised text of Libyan res. Therefore we have instructed Ambs Jessup and Douglas to inform UK del and UK FonOff respectively that we will not raise any objection to British making necessary arrangements with Emir of Cyrenaica within reasonable time after GA adopts res with amendments that we have worked out with UK del. Our support of British in GA and during period prior Libyan independence is based on assumption that British govt will give full support to amend Libyan res and make every effort secure disposition of Itcol problem at this GA. Furthermore, we wld expect British administration continue in Tripolitania as long as required under GA res and assist us in providing for our common security interest in that region.

ACHESON

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<sup>1</sup> Sent to the diplomatic or consular offices at Moscow, Paris, Rome, and Tripoli.

800.00 Summaries/11-849: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

SECRET

WASHINGTON, November 8, 1949—1 a. m.

Infotel. We are informing both UK del and UK FonOff if present GA does not reach decision on Iacol, it is our view that British remain under treaty obligations and cannot divest themselves of these obligations unilaterally. We are therefore informing British that in absence GA decision we do not believe they cld make separate treaty with Emir of Cyrenaica and we wld probably not support UK in such move. Commenting on reactions in Pol Comite to UK amendments on Libyan draft res, USGADel reports corridor conversations indicate reaction of Arab and Asiatic dels is one suspicion based on fear that UK amendments are designed permit establishment of separate and independent Cyrenaica, thus leaving Tripolitania to inevitable domination of Italy.

We have informed USGADel we believe it best have proposed commission to investigate desires of Eritrean inhabitants consist of five neutral members. We believe that states suggested by USGADel—Australia, Brazil, Denmark (or Norway), India and Turkey (or Iran)—wld be suitable.

Re proposed Latin Amer-Arab arrangement whereby Italy, Brazil and Egypt wld serve as administering authorities for Somaliland with agreement among three that Italy shld in effect act as administering authority for all three, we have informed USGADel we do not want Egypt and Brazil become members of TC, but we have no objection to arrangement for including such states in advisory capacity to Italy which wld attend TC mtgs and become member on admission UN.

WEBB

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<sup>1</sup> Sent to the embassies at Paris and Rome.

865.014/11-1049: Telegram

*The Secretary of State to the Acting Secretary of State*

SECRET

NIACT

PARIS, November 10, 1949—2 p. m.

4701. From the Secretary.

1. When Mr. Bevin speaks to me about the Italian colonies situation, it is probable that he will urge that, in the event that amendments to the present resolution which are reasonably satisfactory to the British fail to carry in the GA, we support

(a). Postponement, and

(b). Subsequent United Kingdom action recognizing, possibly provisionally, Cyrenaican independence in the event that the Emir declares it.

2. In view of the far-reaching strategic implications of a resolution which prevents British from obtaining satisfactory treaty with Cyrenaica, Douglas and I are inclined to think that we should support 1 (a) and, if practicable 1 (b) as well. We understand that Department and our delegation in New York have taken a contrary view, largely based on opinion that 1 (b) is not in accord with the provisions of Italian peace treaty. We would appreciate urgently by this evening Department's and New York's cogent reasons why we should not support both 1 (a) and 1 (b).

3. If we cannot agree to 1 (b) why can we not agree to support postponement if resolution is not reasonably satisfactory to British?

Sent Department 4701. Department pass USUN New York 7.

[ACHESON]

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### *Editorial Note*

After six weeks of deliberations from September 30 to November 12, 1949, the First Committee approved a draft resolution received from subcommittee 17. After further discussion and some amendment, this Draft Resolution was approved by the First Committee by a vote of 49 to 1, with 8 abstentions. The First Committee presented its report and the accompanying Draft Resolution (United Nations Document A/1189) to the General Assembly at its 247th and 248th plenary meetings, November 19, 1949. On November 21, after the defeat of several proposed amendments, the Draft Resolution put forward by the First Committee was voted upon and adopted by a vote of 48 to 1 (Ethiopia), with 9 abstentions.

The resulting decision of the Assembly may be summarized as follows:

a. Libya, comprising Cyrenaica, Tripolitania, and the Fezzan, to be constituted an "independent and sovereign state," with independence to become effective not later than January 1, 1952. A constitution for Libya, providing for the form of government, would be worked out by representatives of the three parts, meeting in a National Assembly. There would be a United Nations Commissioner for Libya, assisted by an Advisory Council (consisting of representatives of Egypt, France, Italy, Pakistan, the United Kingdom, and the United States, and four representatives of the people of Libya, including minorities) to assist the people of Libya "in the formulation of the constitution and the establishment of an independent government." The administering powers (Britain and France), in cooperation with the com-

missioner, would initiate immediately steps for the transfer of power to a duly constituted independent government and coordinate their activities so as to develop necessary governmental institutions and to promote the attainment of Libyan unity and independence. When established as an independent state, Libya would be admitted to the United Nations.

b. Italian Somaliland would become independent after a period of 10 years of Italian trusteeship. As the Administering Authority, Italy would be assisted by an Advisory Council composed of representatives of Colombia, Egypt, and the Philippines. The Trusteeship Council of the United Nations would negotiate a trusteeship agreement with Italy, after which that country might arrange with the United Kingdom to take over provisional administration of the territory pending approval of the trusteeship agreement by the General Assembly. The agreement would include a declaration of constitutional principles guaranteeing the rights of the inhabitants and providing for institutions to insure the development of full self-government.

c. The problem of the disposition of Eritrea would undergo further study and investigation by a United Nations Commission consisting of representatives of Burma, Guatemala, Norway, Pakistan, and the Union of South Africa. The Commission would be under instructions to take into account, particularly, the wishes and welfare of the local inhabitants, the interests of peace and security in East Africa, and Ethiopia's geographical, historical, ethnic, and economic rights and claims as well as her presumptive need for adequate access to the sea. The Commission would prepare its report, together with such proposals as it wished to make, for consideration at the fifth regular session of the General Assembly. Prior to the convening of the next Assembly, the Interim Committee would consider the Commission's report and submit its own conclusions to the Assembly.

The United States supported this resolution in the plenary sessions of the Assembly though with expressed disappointment over the inconclusive recommendation on Eritrea.

In addition the General Assembly adopted two related resolutions. One charged the Interim Committee to study the question of methods of delimiting the boundaries of the former colonies, in so far as not already fixed by international agreement. The second provided that a committee consisting of five principal officers of the Assembly should nominate candidates for the post of Libyan Commissioner. This committee unanimously proposed Adrian Pelt, an Assistant Secretary-General of the United Nations. He was elected by the Assembly to the new position on the day the General Assembly adjourned, December 10, 1949.

For documentation on the deliberations of the First Committee during the period from September 30 to November 12, 1949, see United Nations, *Official Records of the General Assembly, Fourth Session, First Committee*. For documentation on the proposed amendments to the Draft Resolution on the colonies (A/1189) and on the voting in the General Assembly, see United Nations, *Official Records of the General Assembly, Fourth Session, Plenary Meetings*, 1949, September-December, pages 274 ff. For a summary of the final outcome of the General Assembly voting, see *United States Participation in the United Nations; Report by the President to the Congress for the Year 1949* (Department of State publication 3765, May 1950, pages 55 ff.). A more detailed account is in David W. Wainhouse and Philip A. Mangano, "The Problem of the Former Italian Colonies at the Fourth Session of the General Assembly," *Department of State Bulletin*, May 29, 1950, pages 832 ff., and June 5, 1950, pages 887 ff.

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800.00 Summaries/11-2649 : Circular telegram

*The Acting Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

TOP SECRET

WASHINGTON, November 25, 1949—4 a. m.

Infotel. Re GA Libya res, Emb London sends long analysis problem of assuring continuance US and UK strategic facilities after Cyrenaica merges into united Libya, commenting rigidity res greatly complicates task assuring rights for period longer than two years. Emb considers three alternatives now open to Brit but thinks most practical alternative wld be UK estab friendly govt Tripolitania prior or fol negotiation treaty with Emir. Soonest thereafter UK wld permit Tripolitania declare its independence, wld recognize govt and negotiate treaty with it virtually identical with Cyrenaica treaty, except for possible provision to secure US strategic interests by arranging for lease certain strategic facilities to friendly third power. Emb then lists objections to above plan such as Bevin's consistent opposition to expense and effect on UK relations with Ital and Fr; and likelihood Fr and Ital opposition. Emb believes objections cld be overcome by free and frank negots with each power separately and by assurance US financial aid to UK in Tripoli. Emb strongly recommends Dept give most serious consideration feasibility foregoing plan.

WEBB

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<sup>1</sup> Sent to diplomatic offices at Paris and Rome; to Istanbul for McGhee.

800.00 Summaries/11-2549: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Offices*<sup>1</sup>

SECRET

WASHINGTON, November 25, 1949—5 a. m.

Infotel. We are informing our GA delegation we wld prefer not have American as UN Commissioner for Libya, although if strong sentiment in that direction shld develop in GA we wld not oppose it. We believe most important consideration is that Commissioner be acceptable to UK, in view its responsibility for administering territory. Meanwhile, UK FonOff official, commenting on means by which UK cld legally conclude long-term treaty with Cyrenaica, stated formula under discussion here, involving declaration independence by Emir, UK recognition and assumption UK's responsibilities under res by Emir, wld assure UK rights for next two years, but leaves in doubt situation after Cyrenaica adheres to united Libya. Emb London stated our expectation that united Libya wld emerge under Sayid Idris, who cld assure continuation treaty re Cyrenaica. UK official remarked he by no means sure Emir wld be able assure this, but added UK might extend treaty engagements to Tripolitania as well. However, said Bevin continues oppose this on grounds expense and concern re effect on relations with Ital and Fr. UK official said Italians recently offered cooperate with UK on advisory council for Libya, which he interprets as Ital offer cooperate with UK re Cyrenaica in return for reestablishing Ital influence in Tripolitania.

WEBB

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<sup>1</sup> Sent to diplomatic offices at Paris and Rome.

865.014/12-1649: Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET

LONDON, December 16, 1949—3 p. m.

4999. Clutton, African Department, yesterday made following comments re Italian Colonies:

1. Foreign Office has recently received note from Italians urging UK intervene with Ethiopia to prevent further bloodshed in Eritrea. Clutton believed US and French received similar notes. This and other recent representations from Italians have been replete with anti-Ethiopian propaganda and in some way Italian attitude bears marked resemblance to 1935 when Italians built up propaganda case emphasizing backwardness and ineptitude Ethiopians. UK doing everything possible deal with situation and to protect Italians, but Italian Gov-



ernment not helping by engaging in such deliberate anti-Ethiopian propaganda. Clutton also critical of Italians "acting as if they were administering power in Eritrea." Foreign Office regards current terrorism as locally organized and inspired and as representing understandable if regrettable anti-Italian reaction, causes for which lie deep in past association between Italy and Eritrea. Foreign Office has no evidence to support Italian contention that Ethiopia encouraging current terrorist acts in Eritrea. Most that can be said is that Ethiopia is doing nothing to discourage such acts and British Government has made every effort persuade Ethiopian Government use its influence to endeavor stop present wave of assassinations. Clutton said UK reply to Italian note would be firm.

2. Re Somaliland, turnover to Italians will begin before TC draws up terms of trusteeship. While this may not be in accordance with letter of resolution, British consider it to be compatible spirit, since it is intention resolution that UK would be relieved of its responsibilities as soon as possible. Moreover, turnover will not be completed until after trusteeship agreement concluded. If commencement of turnover were delayed until after trusteeship agreement drawn up, monsoons would intervene and it would not be possible complete turnover until December 1950. UK anxious to avoid this, both because they wish to be relieved of financial and military responsibility and also because they increasingly feel that they are holding hot potato.

Clutton stated that UK has proposed to Italy that in taking over periphery (Embtel 4933,<sup>1</sup> December 12) latter occupy to line established by agreement with Ethiopia time British withdrawal from Ogaden. In other words, Italian forces would occupy territory which British now occupy under Anglo-Ethiopian agreement. When we expressed our astonishment at this proposal, Clutton indicated he was in personal disagreement with it, but that decision had been made over his head. Reasoning behind suggestion is that since UK anxious relinquish control territory, there must be some borderline from which Italians take over and this is only agreed line. If Ethiopia and Italy can agree on another line, this would of course be welcome, but he thought Ethiopia would only be willing to agree to a line on condition Italy give up its claims to Eritrea. In reply our question, Clutton stated UK has not yet told Ethiopia that this suggestion has been made to Italy. He added that although no reply has yet been received from Italy to suggestion, he thought Italy would turn it down because of possibility complications with Ethiopians.

Department please pass USUN New York.

Sent Department 4999, repeated Addis Ababa 20, Rome 234, Paris 1022.

HOLMES

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<sup>1</sup> Not printed.

865.014/12-1649: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, December 23, 1949—6 p. m.

4584. UK plans for early transfer admin Ital Somaliland to Italians (urtels 4998,<sup>1</sup> 4999, 5059<sup>2</sup>) surprise Dept re:

a) Plan to turn over admin before Trusteeship Council draws up terms trusteeship agreement. It is difficult reconcile this with either spirit or letter GA Res which states "Italy shall be invited to undertake provisional administration . . . after the Trusteeship Council and Italy have negotiated the trusteeship agreement".

b) Proposal that Itals occupy terr in Ogaden Province Ethiopia which Brit now occupy under Anglo-Ethio agreement. Such maneuver cld be regarded by Ethio as aggression on which they cld probably make good case in UN, not to mention local border clashes which might result. Furthermore, it appears to Dept this wld have serious effect on Anglo-Ethio relations.

Indication reported urtel 5059 that Itals may be losing enthusiasm for early transfer and have misgivings re occupying up to provisional boundary Ogaden encourages Dept to think UK plans may be revised. Clutton's thought that turnover might not begin until after monsoons and be completed by late 1950 appears most desirable procedure under circumstances. Therefore you shld take opportune moment to mention to FonOff Dept's concern on points (a) and (b) above.

During recent informal talks bet Ital (Catalano) and Ethio (Spencer) reps with Dept officers present as neutral observers we have suggested advisability Itals and Ethios reaching at least provisional agreement on Ethio boundary with Ital Somaliland. We suggested that, if agreement cld not be reached on a particular line, question be frozen pending final agreement by establishing neutral or "no-man's land" as many miles wide and long as necessary in order not to encroach on claims of both parties. Ethios are unwilling to consider settlement Somaliland boundary until their claims to Eritrea are satisfied. They might modify this view if Itals shld make some concession or reasonable proposal. This suggestion to freeze Boundary problem by mutual agreement as well as fact of talks bet Itals and Ethios has been mentioned to Brit Emb here and you may, at your discretion, pass it on to FonOff.

Final boundary bet Ethio and Ital Somaliland cld be demarcated later, perhaps by UN boundary comm. Contrary Clutton's views para 2

<sup>1</sup> Not printed; it reported a British suggestion that Italy occupy the portion of Ogaden occupied by the United Kingdom. The American Embassy in London, puzzled as to British motives, saw danger in the suggestion if Italy should acquiesce (865.014/12-1649).

<sup>2</sup> Telegram 5059 not printed.

urtel 5059, we believe Interim Komite cld set up boundary comm on this problem provided, of course, Ethiopians agree politically. Also mention this to FonOff, if you consider advisable.

ACHESON .

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*Editorial Note*

After the adjournment of the General Assembly, the Trusteeship Council of the United Nations met in special session to consider the responsibilities conferred on it with respect to Italian Somaliland. It appointed a subcommittee, composed of a representative each from the Dominican Republic, Iraq, the Philippines, France, the United Kingdom, and the United States, to negotiate with Italy the draft of a trusteeship agreement for that territory in accordance with the General Assembly resolution. The intention was to submit a draft trusteeship agreement to the session of the Trusteeship Council scheduled to begin on January 19, 1950. The five-member United Nations Commission of Inquiry in Eritrea planned to meet at Lake Success in early January 1950 to start its work.

## MULTILATERAL CONVENTION ON NORTHWEST ATLANTIC FISHERIES

[Convention signed at Washington February 8, 1949, by Canada, Denmark, France (with a reservation), Iceland, Italy, Newfoundland, Norway, Portugal, Spain (with a reservation), the United Kingdom and the United States. For text of Convention, which entered into force July 3, 1950, and which was proclaimed by the President of the United States July 17, 1950, see *United States Treaties and Other International Agreements* (UST), volume 1, page 177.]

## MULTILATERAL AGREEMENT RESPECTING NORTH ATLANTIC WEATHER STATIONS

[Agreement opened for signature at London May 12–June 30, 1949; instrument of acceptance by the United States deposited August 23, 1949; entered into force January 13, 1950. For text, see *United States Treaties and Other International Agreements* (UST), volume 1, page 356.]

615

## AUSTRIA

(See volume III, pages 1066-1292.)

## BELGIUM

### *Editorial Note*

Documentation on United States policy with respect to procurement of uranium from the Belgian Congo and cooperation with Belgium in the field of atomic energy is included in volume I in the compilation on foreign policy aspects of United States development of atomic energy.

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#### **AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RESPECTING AMERICAN DEAD IN WORLD WAR II**

[For text of Agreement, effected by exchange of notes dated at Brussels January 17 and 31, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1969.]

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#### **AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RE- SPECTING SURPLUS PROPERTY SETTLEMENT**

[For text of Agreement, signed at Paris May 12, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 2070.]

## DENMARK

### RELATIONS OF THE UNITED STATES WITH DENMARK

711.59/10-149

#### *Policy Statement of the Department of State*

SECRET

[WASHINGTON,] October 1, 1949.

#### DENMARK

##### A. OBJECTIVES

The objectives of US policy toward Denmark are: (1) to maintain Denmark's independence and to strengthen both her will and her ability to resist aggression; (2) to encourage Danish political and economic cooperation in international activities as a member of the community of free nations; (3) to re-establish a viable economy which will enable Denmark to maintain its standard of living at a level that would assure a healthy and democratic social and political structure and would eliminate any economic conditions favorable for the growth of Communism; and (4) to maintain and strengthen friendly relations and cooperation based upon the similarity of outlook and identity of interests of the two nations. A special objective of our policy toward Denmark is the replacement of the 1941 Agreement for the Defense of Greenland <sup>1</sup> by a long-term arrangement which will be satisfactory to Denmark and which will fulfill our strategic requirements.

##### B. POLICIES

US policy with regard to Denmark is designed in general to obtain the greatest possible measure of cooperation on political, military and economic questions on the basis of recognized mutuality of interests and without the application of pressure.

##### 1. *Political*

Danish devotion to democratic processes is deeply rooted in history and firmly established in present attitudes and practices. Danish cultural patterns are basically similar to those of the US, and strong ties between the two countries have been established by the relatively

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<sup>1</sup> For documentation on negotiation and conclusion of this agreement of April 9, 1941, see *Foreign Relations*, 1941, vol. II, pp. 35 ff. For text of agreement and notes exchanged, see Department of State, Executive Agreement Series No. 204, or 55 Stat. (pt. 2) 1245.



large number of Danish immigrants who maintain their connections with the mother country. These factors have increased our cordiality and concern for Denmark's welfare.

US policy toward Denmark is also affected by the strategic location of the country. Denmark is situated at the entrance to the Baltic Sea and control of the country carries with it potential control over these waters. Denmark is also an ideal site for airports within easy range of England, Norway and the North Sea. It is thus of considerable importance that Denmark not fall into the hands of a potential enemy. So far as any internal threat is concerned, the success of this policy is relatively certain. Social and economic conditions in Denmark are such that it is not normally susceptible to the growth of Communism. During the German occupation, Communists were very active in the resistance movement and at the end of the war the USSR, as one of the principal Allies, enjoyed a considerable amount of good will in Denmark. The Communist Party was able to capitalize on this in the 1945 elections and as a result obtained 18 seats in the Folketing. Subsequently, however, their popular favor began to decline and in the elections in 1947 their popular vote and number of seats in the Folketing were cut in half. The Communist *coup* in Czechoslovakia and the increasing identification of the Communist Party with its masters in the Kremlin further lessened their support. Today the Party is no longer important enough decisively to influence Danish foreign policy against the US or seriously to threaten Denmark's internal security. Nevertheless, it remains US policy to encourage the efforts of other Danish political parties to combat the Communists and to counteract local Communist propaganda.

The external threat of Soviet aggression confronts US policy with greater difficulties. Denmark is highly vulnerable, owing to her small population and flat topography. Moreover, it is in close proximity to Russian occupation forces in Germany. The military defenses existing at the time of the German occupation were destroyed and have been only partially replaced since the end of the war. It was because of this weakness that the Danish Government, in March, 1948, appealed to the US for weapons for re-equipping the army, but at that time the US was unable to comply.

Meanwhile, Danish foreign policy has reflected on the one hand military weakness and fear of Russia, and on the other the tradition of neutrality. Denmark had for many decades taken refuge in a policy of neutrality and after the war, although it became a member of the UN, it hoped to be able to maintain a neutral position. As differences began to develop between the US and the USSR, Denmark expressed the hope that it might serve as a bridge between east and west, and its

policy was generally one of attempting to avoid giving grounds for offense to either party. It was our conviction, however, that efforts to cling to neutrality were unrealistic and rather than offering a safeguard to Denmark would expose it to greater peril.

With the widening of the division between east and west, Denmark became increasingly apprehensive about her vulnerability and entered eagerly into negotiations with Sweden and Norway for the establishment of a Scandinavian military alliance.<sup>2</sup> Denmark leaned toward a neutral alliance, such as that favored by Sweden, in the hope that it would be less likely to provoke the USSR. However, since the US could give no assurances of military aid to members of such a neutral Scandinavian group, and since Norway desired closer collaboration with the west and was unwilling in these circumstances to accept the Swedish conditions, Denmark's efforts to bridge the gap between the other two countries failed. We welcomed membership of the Scandinavian countries in the Atlantic Pact which was then being negotiated, and Denmark, feeling particularly isolated in the absence of a Scandinavian pact, decided to follow the example of Norway. Danish regret that a Scandinavian pact was not possible still persists, and it is our policy to demonstrate to the Danes that their decision to sign the Atlantic Pact was a wise one and to encourage wholehearted Danish collaboration.

It is also our policy to encourage Denmark to develop its own defenses and to strengthen its military establishment, and we plan to offer material aid to that end.

In the years between the two World Wars, Denmark was an active participant in the League of Nations, and when the United Nations was established Denmark became a member in the hope that it would be a more effective guarantor of peace and the security of small nations than the League had been. Initially Danish policy in the UN reflected Denmark's traditionally neutral attitude, and during the immediate postwar period Denmark frequently abstained from voting on questions involving major differences between the east and the west. However, in 1947 and 1948 Denmark gradually took a more positive attitude, and during recent sessions of the UN General Assembly has been less hesitant about standing with the western powers against the Soviet Union and the satellite countries. We welcome such open indications of the coincidence of Danish views with ours.

Denmark is also a cooperative member of nearly all of the specialized agencies of the UN. While upon occasion its interests may differ from

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<sup>2</sup> For documentation on the relationship of these Scandinavian negotiations to the development of the North Atlantic Pact, see the compilations on NATO, pp. 1 ff., and *Foreign Relations*, 1948, vol. III, pp. 1 ff.

ours, it has generally been possible to obtain sympathetic Danish consideration of US views in those agencies.

The US has a special interest in Denmark because of Danish sovereignty over Greenland, which is of primary strategic importance in the defense of the US and the North Atlantic.<sup>3</sup> In accordance with the Defense Agreement which was signed in April, 1941, the US established bases in Greenland. It was provided in the Agreement that these bases would be maintained "until it is agreed that the present dangers to the peace and security of the American Continent have passed", and the Danes anticipated that with the defeat of Germany the need for these bases would disappear and the US would withdraw from its installations in Greenland. However, it has become apparent that the strategic need for defenses in Greenland still exists and in view of the developments in modern warfare it is likely to increase. Our policy therefore is to achieve an arrangement which will assure adequate defenses in Greenland while respecting the sovereignty of Denmark over the island.

Carrying out this policy, however, has presented certain difficulties. Denmark itself appears to be unable to fulfill more than a part of the defense requirements. From the standpoint of US interests the most satisfactory measure would be the outright purchase of the island, but the Danes say that this would be politically impossible for any Danish government. The granting of long-term treaty rights providing for leases on particular base areas, or for US access to and control of such unspecified areas as may seem necessary in the light of future developments, has also been thus far politically impractical. Danish national pride objects to any derogation of sovereignty in Greenland, and there is strong fear of Soviet retaliatory measures should Denmark grant the US permanent bases in Greenland.

As a result of a Communist attack in the Danish Parliament in May of 1947, the Danish Government felt it necessary to announce that it had initiated negotiations for the termination of the Defense Agreement as provided in Article 10. However, the Government has given us satisfactory assurances that the status quo will continue as long as the world crisis exists.

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<sup>3</sup> Danish concern over U.S. involvement in the defense of Greenland, with the related question of termination of the Defense Agreement of April 9, 1941, ceased to be a major issue between the two governments in 1949 as the defense of Greenland became part of the military planning of the North Atlantic Treaty Organization. Occasional references to the defense of Greenland may be found in the compilation on NATO, pp. 1 ff. The more detailed correspondence on the continuing transfer to Denmark of operational responsibility for Loran, fueling, weather reporting and defense installations in Greenland is in Department of State files 859B.20 and 859B.9243. For previous documentation on this subject, see *Foreign Relations*, 1948, vol. III, pp. 584 ff.

We anticipate that a new arrangement for the defense of Greenland can be made on the basis of protecting the interests of all members of the Atlantic Pact. This may take the form of continued US operation of defense installations there with some degree of Danish participation. Meanwhile, it is the policy of the US fully to respect Danish sovereignty over Greenland and Danish authority in the administration of the affairs of the island. We therefore observe Danish regulations in such matters as contacts between US personnel and the native population. At the same time we have been carrying on only those operations considered most essential and are following the policy of keeping the Danes informed of any special projects which we may desire to undertake and of requesting their concurrence. Since the war we have turned over to the Danes for their operation most of the weather stations in Greenland established by US forces. It remains our policy to let the Danes operate installations which they are able and willing adequately to maintain.

Although the US enjoys considerable good will in Denmark, there is some uncertainty about US intentions, and distorted views of our actions at home and abroad obtain some currency. We therefore intend to maintain an information program which will seek to convey to the Danish people a true picture of the US and its policies, while avoiding any suggestion that we are carrying on a propaganda drive. Our most effective activities appear to be providing the Danish press, radio and interested individuals with full and objective reports on US policy and domestic developments, making available magazines, books, films, recordings, etc., which present an accurate picture of American life and culture, and encouraging and assisting in the exchange of students, professors, journalists and other persons, with particular emphasis on having Danes visit the US and encouraging Danish newspapers to maintain their own correspondents here.

## *2. Economic*

Our policy is to assist Denmark in the re-establishment and maintenance of a sound and vigorous internal economy and in the development of foreign trade multilaterally balanced at the highest possible level. To this end the US is extending both loans and grants to Denmark through the ECA. Denmark has also been given loans by the Export-Import Bank, and it is our policy to encourage the investment of private American capital in Denmark. The US seeks to encourage the rationalization of the Danish economy and the most effective use of our financial assistance.

Denmark has been participating actively in the OEEC, and has taken the lead in promoting economic cooperation on a regional level in Scandinavia. This program has as its immediate objective greater

economic integration, multilateral trade treaties, and common customs nomenclature, and as a long-range goal the eventual establishment of a Nordic customs union. We approve of these efforts toward European economic rationalization and integration, and of efforts toward greater freedom of trade on a regional basis to the extent that they do not conflict with our general commercial policy.

Our commercial policy toward Denmark seeks to provide for the establishment of trade relations between the US and Denmark according to the principles of the Charter of the proposed International Trade Organization. Because of balance of payments difficulties and for other reasons, Denmark has placed restrictions upon imports and has established rigid foreign exchange controls. The US has accepted the temporary necessity of these measures, but is opposed to their continuation in the long run. We have made some progress toward our objective of liberalizing Denmark's international commercial practices, since Denmark signed the final act of the Habana Trade Conference and participated in the negotiations on the general agreement on tariffs and trade at Annecy. However, since Denmark produces few commodities which have a ready market in the US and its normal demand for US goods is relatively small, both countries should expect benefits to result largely from the multilateral aspects of the agreement.

Trade with eastern Europe, particularly with Poland for coal and the USSR for grains and industrial raw materials, has become of considerable importance to Denmark during the postwar period. This slight shift toward the east and away from Denmark's traditional pattern of trade with the west is a result largely of the destruction of Germany as a producing unit and a market, and the inability of the UK to expand adequately its coal exports. The US recognizes the importance of this trade with eastern Europe for the economy of Denmark and interposes no objection to it so long as it is not disadvantageous to US security interests nor unnecessarily contrary to the principles of multilateral trade. Denmark has agreed to prohibit shipment to eastern Europe of most items which the US embargoes because of the contribution they would make to Soviet military potential, and we hope that for similar reasons Denmark will limit the shipment of certain other goods to that area.<sup>4</sup>

In the field of foreign exchange our policy toward Denmark is to obtain stable exchange rates through the International Monetary Fund and to work toward the elimination of exchange restrictions. The US has thus far accepted the necessity for the Danish Government's program of bilateral trade and financial agreements, but is now

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<sup>4</sup> Documentation on U.S. policy with respect to trade with the Soviet Union and Eastern Europe is scheduled for publication in volume v.

prepared to support and encourage the establishment of a multilateral payments system in Europe and to encourage Denmark to participate in it. Meanwhile, in connection with the unblocking of Danish assets in this country, the Danish Government has given assurances that its exchange control restrictions will be liberalized to the fullest extent that the Danish foreign exchange position allows and it has announced that Danish exchange control officials were prepared to give careful consideration to requests for monetary transfers between Denmark and the US.

#### C. RELATIONS WITH OTHER COUNTRIES

#### D. POLICY EVALUATION

US policy toward Denmark during the past year has had generally satisfactory results. Danish attitudes toward the US and its policies, though by no means uncritical, seem to reflect increased understanding and sympathy. A cooperative approach has been made to an expanding range of problems. Denmark has participated effectively in the ERP and collaborated with the ECA in the development of its economic program; at the same time, ECA aid has made a major contribution to the furtherance of our economic and political objectives. By signing the North Atlantic Pact, Denmark has turned sharply from its traditional policy of neutrality and shown a growing willingness to stand up and be counted among the western democracies, and an increased determination to resist aggression. However, Denmark's decision has been taken in the hope that the US would provide military equipment which would enable Denmark to contribute to its own defense. Without such assistance, Denmark's morale will be gravely shaken and our whole policy toward Denmark is likely to be undermined.

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#### CONSULTATIONS WITH THE DANISH GOVERNMENT REGARDING THE DISPOSITION OF GERMAN REFUGEES PRESENT IN DENMARK AND SOUTH SCHLESWIG<sup>1</sup>

#### *Editorial Note*

On March 11, 1949, the Counselor of Embassy in Denmark, Edward J. Sparks, informed the Department of State in his airgram A-100, not printed, that the last group of German refugees in Denmark had departed on February 15 for the French occupation zone of Germany

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<sup>1</sup> For previous documentation on this subject, see *Foreign Relations*, 1948, vol. III, pp. 584 ff.

(859.00/3-1449). On May 19 and again on June 27, the Danish Ambassador in the United States, Henrik de Kauffman, presented notes at the Department of State reminding the Department of the presence in South Schleswig of more than 280,000 German refugees, and calling attention to the potentially serious effects of this concentration of East Prussians on the cultural balance of the region and on the political stability of Denmark itself. On August 11 the Department acknowledged the Danish note of June 27, reiterating its intention expressed earlier in a note of June 16, to further the adoption of ameliorative measures within the framework of U.S. obligations as an occupying power and subject to the basic tenet of the occupation policy of the Western Powers that the care of German refugees and their integration into German society was essentially a German problem. The notes referred to above, with memoranda of conversations covering the presentation of the notes, and other related documentation are in Department of State files 711.59 and 859.00.

## FRANCE

### CONCERN OF THE UNITED STATES WITH POLITICAL, ECONOMIC, AND MILITARY DEVELOPMENTS RELATING TO FRANCE<sup>1</sup>

840.50 Recovery/1-2249 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

PARIS, January 22, 1949—noon.

US URGENT

276. Attention Secretary, Gross<sup>2</sup> and Nitze.<sup>3</sup> Reference Deptel 127 January 14<sup>4</sup> and conversations with Nitze. Our comments based on contributions of \$100 to \$125 million military aid to France matched by additional effort from French of order of 30 billion francs are set forth below. We have assumed that an important part of military aid would be in raw materials and processing equipment to manufacture military items or would be in free dollars to purchase such raw materials and equipment. We have also assumed that French military budget for 1949 will be voted by Assembly in March at 350 billion francs. This figure is already 30 billion francs higher than government's first recommendation to Assembly. It includes military investment and installations but not military pensions, estimated at over an additional 60 billion francs. Finally, we have of course assumed that military program would extend over a period of years.

Before discussing details of methods whereby France could best cooperate in a program of reciprocal military aid, it may be useful to set forth certain general observations regarding the present situation here which should be taken into account in any realistic approach to the problem.

We wish to make it clear at the outset that we are in entire accord with the concept of "self-help and mutual aid" not only because we

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<sup>1</sup> Continued from *Foreign Relations*, 1948, vol. III, pp. 592 ff. For documentation on the interest of the United States in nationalist opposition to the restoration of French rule in Indochina, see volume VII.

<sup>2</sup> Ernest A. Gross, Legal Adviser for the Department of State, serving temporarily as Coordinator for Foreign Assistance Programs.

<sup>3</sup> Paul H. Nitze, Deputy to the Assistant Secretary of State for Economic Affairs. For Mr. Nitze's subsequent report on his conversations in London and Paris in mid-January, see p. 54.

<sup>4</sup> Not printed; it referred to various problems of French plant capacity, manpower, raw materials, and finance (840.50 Recovery/1-1449).



appreciate that no other approach would stand a chance of obtaining the approval of the American Congress and people, but also because no other approach would be so well-calculated to impress upon the people of France and other western European nations the cooperative nature of this vast undertaking and the need of all to bear a share of the burden in our common defense. Furthermore, it may be possible for US and French Government to use participation in military program, particularly its economic aspects, as incentive to achieve ERP objectives. It should be made clear to French Government that United States and western European nations must be able to rely on France to full extent as full contributor of steel, equipment, machines, chemicals, textiles, etc., which implies that reasonable degree of social and economic stability must be achieved. French groups who might hesitate to lead country in making necessary sacrifices would perhaps be more willing to do so if the alternative were a shift of economic potential to Germany or other western European countries.

In France, two closely related obstacles to progress are, first, basic distrust of currency engendered by assumption of continued price inflation and political, economic and social instability, and second, fear of international conflict. Second obstacle is unquestionably important, but the US commitment implicit in military aid to France and western Europe, as well as the growing military strength of the US and the Atlantic community, should tend progressively to alleviate this fear.

As for first obstacle, French Government and Parliament are now engaged in carrying out ERP commitments designed *inter alia* to aid them in bringing price inflation under control. Program to this end should be adopted by March 31. Until inflation is brought under control, France cannot fulfill her political, economic or military role in western Europe and Soviet Union will continue to hope that communism can maintain or increase its ability to prevent France from developing her full potentialities as a key barrier to the expansion of Soviet power. Our immediate objective should be to bring about economic conditions which will improve moral authority of government and permit all Frenchmen to identify their future well-being with French recovery program and cooperation with the west.

We believe that France has an unusual opportunity in 1949 to lay firm basis for progress to economic recovery. Parliament and French people are more alive to consequence of continued inflation. Communist strength was successfully challenged in recent strike wave. Agricultural and industrial supply situation promises continued improvement. Tempo of price increases was slowed down and government through its recent measures is staking its position on stopping increases; non-Communist labor unions again seem willing to restrain demand for

money wage increases given prospects of price stability. Large industry seems to have accepted government's program to hold prices, though middlemen and small industry are still grumbling. Agricultural groups are becoming nervous about drop in food prices.

Government has laid groundwork for adequate financial and fiscal measures. Fiscal reform should permit improvement in tax collections. Government claims in fact to have been conservative in estimates of additional revenue, particularly from direct taxation. Assembly has approved a budget for 1949 which envisages real non-inflationary resources for nearly all government expenditures. Government has accepted commitment to ask Parliament for additional real revenue or additional economies if necessary to carry out broad program for covering all expenditures from non-inflationary sources. Bank of France has framework of credit restrictions to halt undesirable expansion of bank credit in private sector. Some ERP counterpart should be available over and above that which French Government hopes to utilize for investment in order to create deflationary impact to offset in part such inflationary pressures as will remain.

Many unknowns overhang these encouraging aspects of present situation. Budgetary and fiscal implications for US objectives in France of an additional military effort are among most serious, particularly in crucial months of first half 1949. General commitments on budget and fiscal program given by French Government in connection with counterpart negotiations represent even now a bare minimum consistent with measures situation requires. Even without higher military budget additional economies or taxation may be needed. Nearly all of program remains to be carried out. First hurdle is voluntary domestic loan of 100 billion francs which has just been launched. Government has undertaken to ask for taxes or forced loan if voluntary loan fails, but failure could result in sharp fall in government prestige. There may still be an inflationary gap in treasury financing in 1949 of upwards of 75 billion francs, most of it outside budget. Non-inflationary revenue for these expenditures are not yet assured. Assembly is scheduled to debate fiscal reform, military budget, reconstruction and investment, and special treasury accounts in coming weeks. While commitments have been accepted by government on all these aspects and general approval given by Assembly, any one of these debates could place government in serious straits.

Queuille's administration must carry out commitments in difficult political circumstances. Cantonal elections scheduled for end of March. Continuous pressure will exist to postpone difficult measures

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<sup>5</sup> Henri Queuille, since September 1948 the President of the Council of Ministers of the French Republic.

until results are in. Recent price decree was undoubtedly to gain time in hope improved supply and credit situation would permit money wage increase to be avoided. Labor unions receive support for money wage adjustment from various sections of industry and agriculture who benefit from inflation. In this atmosphere new Cabinet crises could arise. New failure of present coalition could also lead to dissolution of Parliament in attempt to seek parliamentary body with a new mandate. Situation remains touch and go and it would be extremely difficult for the government to persuade average Frenchman to accept substantially increased taxes at present time even if this were to enhance France's security.

In view of these considerations, we feel that any additional military efforts should be carried out to greatest possible extent without diverting government from its present vital tasks on which so much depends, and only after US has fairly specific proposal. Any negotiations or discussions should make it clear that French are expected to carry out their military contribution while maintaining ERP commitments. This would mean additional taxation or additional economies.

From technical viewpoint, certain but limited number of possibilities exist to make room for additional military effort without doing so through continued inflation. Tax collections (not necessarily increase in rates) on certain groups should in any case be vigorously applied. Operating deficits of nationalized enterprises might be reduced by a program to achieve operating economies or by selected price increases. It could be argued that some economies could be made in social security burden, reconstruction, and investment in favor of increased military budget. Certain administrative economies may also be possible within the military budget itself. All such possibilities are of course severely limited by what is feasible without setting in train more serious political problems, and it should be borne in mind that even present level of military budget has been subject to heavy attacks. In this connection heavy military expenditures are represented with propaganda effectiveness by Communists as a corollary to ERP assistance.

Increase in military effort would of course have an impact on import requirements, export targets, investment goals, and perhaps even consumption demands and goals. Impact could be minimized by careful review of type of military assistance France is to receive and of nature of French contribution. We assume that some way will be devised to integrate program within recovery program. Examples of ways in which impact of military effort might be reduced are following:

(a) Plan French contribution from those industries which are now operating at less than capacity, e.g. textiles, radio and communications

equipment, automobile plants, and aircraft components (see Embtel 277<sup>6</sup>).

(b) Requiring private firms which might acquire new equipment or machinery to seek financing in capital share market.

(c) Making certain that government does not use increased production as excuse for undesirable expansion of bank credit.

(d) Make certain that franc counterpart of any private participation in program has full deflationary impact.

(e) Requiring producers who may receive raw materials, for example, textile manufacturers, to pass along any reduction in unit costs to consumers.

In sum, it seems clear that whether or not France can carry an additional burden of order of 15 billion francs for second six months of 1949 depends upon success of government economic and financial program. It appears that it will be at least three or four months before degree of success or failure can be gauged.

It is our view that any approach to French should be so timed as to give government's program opportunity to develop and so as not to prejudice prospects of bringing price inflation under control. If program is relatively successful, we believe that an additional military effort by France herein envisaged should be feasible in second half 1949.

Bruce<sup>7</sup> collaborated draft this message before his departure and I am confident foregoing reflects his considered opinion as well as my own.

Section Two follows in Embtel 277.

CAFFERY

<sup>6</sup> Not printed; it presented statistics on surplus capacity in various branches of French industry (840.50 Recovery/1-2249).

<sup>7</sup> David K. E. Bruce, Chief of the Mission to France, Economic Cooperation Administration.

Paris Embassy File; Lot 55F43

*The Ambassador in France (Caffery) to the Director of the Office of European Affairs (Hickerson)*

PERSONAL AND TOP SECRET

PARIS, January 28, 1949.

DEAR JACK: I have your letter of January 13<sup>1</sup> about the possibility of my finding some way of having a talk with General de Gaulle. I have given the matter further thought and have gone over our correspondence of last February and March<sup>2</sup> on the subject.

<sup>1</sup> In addition to expressing the hope that Caffery might find some way of having a talk with de Gaulle, Hickerson had stated that "I think the hammering you and the boys have done on the importance of his not antagonizing non-Communist labor may have done some good" (Lot 55F43, Box 67).

<sup>2</sup> *Foreign Relations*, 1948, vol. III, pp. 622 and 629 ff.

In our earlier correspondence this meeting was conceived of under two contingencies: The first would be a meeting to protect the record (i.e. to avoid the criticism that our Government was not in direct touch with one of the outstanding French political leaders) and to be sure the General knew our views. The second contingency would be in the event that we had something definite and immediate to impart to the General.

To take up the second contingency first, the General spends several days a week in Paris and I think that there would be little difficulty to arrange a meeting through his aide-de-camp if I were to request it. However, I know of nothing specific at this time which it would be essential or even desirable for us to get across to the General personally and this contingency would therefore seem to be ruled out for the time being.

The first point raises a more difficult problem. Ever since the municipal elections of October 1947, I have been a little unhappy that I did not have an easy, casual and direct contact with the General. I have also been conscious of the fact that the longer this lack of contact continued, the more difficult it would be to bring about the ultimate meeting without creating a public stir. The delicacy of the question is attributable to two main factors: first, the fact that the General is far and away the most controversial figure in France and everything he does or says is immediately magnified out of all proportion to its real importance; secondly, ever since de Gaulle's retirement as head of the French Government, we have had a long series of coalition cabinets whose political lives have been so precarious that their fortunes have been seriously affected by minor incidents which would not even create a ripple in countries enjoying a reasonable degree of political stability. The circumstances attending Schuman's downfall are a good case in point.

For these reasons it has been extremely difficult—and remains so—to find the ideal circumstances in which to arrange a meeting. You will recall, from my letter of March 17, 1948, that last year an informal exchange of views was made with de Gaulle's entourage and finally word came back that the General thought it was too dangerous for us to meet at that juncture because he said that it would be impossible to keep such a meeting secret and that he feared that news of such a meeting would result in serious embarrassment to Prime Minister Schuman, which he wished to avoid at that time. (He then had hopes of reaching a satisfactory agreement with the Third Force through an agreement with Schuman.) A few days later I received a very pressing appeal from Schuman not to see the General because he said it might harm the Government's position.

Today the circumstances are quite different. Owing to a number of factors, including the economic and financial measures taken by the present Government, the stock of the RPF is very low and our latest word is that the spirits of the General and his followers are at rock-bottom. Superficially this might suggest that the present is a good moment for me to see the General. But we have also to bear in mind the unfortunate fact that recent French coalition cabinets—and I fear this one may prove no exception to the rule—have shown an incorrigible tendency to come apart at the seams over some relatively minor question of internal politics whenever, through their own efforts or the errors of their opponents, they have achieved a measure of popularity and the external pressures holding them together have been relaxed. If the present loan is successful, as it now promises to be, the Queuille Government should theoretically be in as strong a position as any Third Force Government in the last two years. However, signs of the above-mentioned tendency are already beginning to appear and we have heard rumblings of discontent from the MRP and the Socialists, neither of whom were unduly averse to having a Radical Socialist at the helm when the going was rough, but both of whom would like to take over command themselves now that they see a prospect of somewhat easier sailing ahead.

While it was the General himself who was afraid of the meeting, an approach by me at this juncture would provide a sore temptation for his entourage to endeavor to raise the General's falling prestige by distorting the interview into an indication that the United States was behind him. I should prefer this not to happen, particularly while the loan is under way.

I shall keep the matter very much in mind, however, and an occasion may well present itself, such as a Franco-American ceremony at which we would both normally be present, or the atmosphere may change in the next month or two so as to permit me without undue risk to arrange the meeting in Paris.

All the above does not, admittedly, take care of the criticism which I do not doubt has been voiced from time to time over the Embassy's failure to be in direct contact with the General. As you know, however, we are in constant touch with practically all his major advisers so that, while the above criticism is unfortunate and undesirable, I sincerely believe that our Government's best interests have not suffered as a result of the situation. I also personally believe that it is wiser to remain vulnerable to this criticism than to gamble with the fate of the present cabinet. I may add that to my knowledge there has been no meeting of the kind we have in mind between de Gaulle and my British colleague or any other diplomat.

One final word about intermediaries. There are but too many candidates among the rivals in the entourage who daily scramble for the General's favor. The problem is to use the least unsteady one and, to judge by our experience with him and his handling of John Foster Dulles' interview, I question whether General de Benouville would be an ideal choice. I would be more inclined to make the approach through someone like Major Guy, the General's aide-de-camp, who is devoted to him personally and has no political axe to grind.

With all good wishes,

Very sincerely yours,

JEFFERSON CAFFERY

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851.00B/3-349 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

SECRET

PARIS, March 3, 1949—8 p. m.

887. Communist inspired peace propaganda campaign has recently been greatly intensified by speech Maurice Thorez February 6, 1949<sup>1</sup> which will shortly be forwarded Department in translation, and by subsequent concerted utilization all media throughout France including posters, pamphlets, Communist and fellow-travelling press, and mass meeting of which latest drew tremendous crowd in Paris on Wednesday March 2.

Informal conversations have been held last two weeks with Prime Minister's office on effectiveness this campaign and on what measures can and should be taken by French Government to counteract its effects and put Communist Party on defensive. Embassy now unofficially informed by Devinat<sup>2</sup> that Prime Minister recognizes importance taking counter-measures for which however French administration singularly badly equipped both with regard to facilities and to organization. Devinat stated Secretary of Information Mitterand could not be counted on to organize and carry out such campaign effectively. Embassy feels and has informally recommended that no attempt be made by French Government to set up new organization for this purpose but that official of high authority should give attention to this problem and be able issue instructions and directives to orchestrate counter-campaign by mass utilization existing means. Devinat per-

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<sup>1</sup> For further information on the speech by the Secretary General of the Communist Party of France, see despatch 291, March 23, p. 635.

<sup>2</sup> Paul Devinat, State Secretary in the office of the President of the Council of Ministers.

sonally favors this approach and gave impression Prime Minister and himself would shortly take steps which should prove effective.<sup>3</sup>

As Department aware current campaign not limited to France but carried out by all Communist parties and fellow-travelling elements throughout world.<sup>4</sup> Embassy feels that short of energetic and able effort by present government, emotional appeal of peace campaign will have far-reaching and highly unsettling effects on French opinion not only on internal political level but with regard to Atlantic Pact, proposed military aid program, US foreign policy in general, and role in foreign affairs of present French Government.

CAFFERY

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<sup>3</sup> In telegram 1116, March 18, 6 p. m., the Embassy reported that Queuille had persuaded the parties comprising his Government coalition to agree on an effective campaign of counter-propaganda. The Embassy added, "without undue immodesty", that it believed this accomplishment to be due in no small part to its efforts to bring home to French officials and parties the need for concerting action against Communist propaganda, particularly the "phoney peace campaign" (851.00B/3-1849).

<sup>4</sup> Related documentation is scheduled for publication in volume v.

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840.20/3-1049 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

TOP SECRET

US URGENT

PARIS, March 10, 1949—9 p. m.

1004. Harriman<sup>1</sup> and I discussed MAP with Schuman<sup>2</sup> at his request and disposed satisfactorily of certain questions as discussed in immediately following telegram.<sup>3</sup> Schuman stated that in view cantonal elections to be held here on March 20 and 27 (runoffs on later date) French Government would prefer make no official public announcement that it was joining other Western Union countries in requesting arms until after March 27.

Schuman stated that position French Government in this respect did not in any way indicate hesitancy or doubt on part French Government or great majority of Frenchmen. He said, however, that some of his cabinet colleagues (he means Socialists) are worried that official announcement re MAP request might in heat of election campaign and in view particularly of Communist peace offensive cause loss of

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<sup>1</sup> W. Averell Harriman, the United States Special Representative in Europe under the Foreign Assistance Act of 1948.

<sup>2</sup> Robert Schuman, French Minister of Foreign Affairs.

<sup>3</sup> Telegram 1005, March 10, 9 p. m., not printed; it dealt largely with financial aspects of the Military Assistance Program, and it also quoted Schuman as saying that common defense presupposed full use of French facilities by France's allies in case of war or threat of war. "We will not wait to invite you to our territory until the Russians are at the Pyrenees." (840.20/3-1049)



certain number votes which government parties should retain. He said arms request might produce temporarily in these limited circles a sort of war psychosis or panic which would have undesirable effect.

Schuman said that his position was addressed only at official announcement and that he felt it desirable rather than otherwise for public opinion to be prepared for Military Assistance Program through leaks and gossip which have already arisen and which may be expected arise following London conversations March 14<sup>4</sup> and so forth. He understands that we wish formal French Government request and attendant publicity to come prior to President's formal presentation of MAP to Congress, and he does not wish make announcement until after March 27.

Harriman and I expressed belief that French Government's position would be fully understood and appreciated in Washington. Please confirm.<sup>5</sup>

Sent Department 1004, repeated London 198 (eyes only Douglas), Brussels 48 (eyes only Kirk), The Hague 19 (eyes only Baruch).

CAFFERY

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<sup>4</sup> For a report of the meeting of Foreign Ministers of the Western Union countries, March 14, see telegram 970 from London, March 15, p. 224.

<sup>5</sup> In telegram 795 to Paris, March 11, 7 p. m., not printed, the Department of State agreed to adjust the timetable so as not to require a public announcement before March 27 (840.20/3-1049).

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851.00B/3-2349

*The Ambassador in France (Caffery) to the Secretary of State*<sup>1</sup>

RESTRICTED

PARIS, March 23, 1949.

No. 291

Owing to the fact that the United States is being subjected increasingly to a world wide propaganda drive under the direction of the Kremlin which is designed to convince peoples everywhere that major American policies are "imperialist" in nature and consequently menace the world, as well as the Soviet Union, with the imminent "danger of war", we consider it appropriate that an endeavor be made fully to understand the essential conceptions held by Stalin concerning "peace" and war.

The necessity of understanding the Soviet meaning of peace has been provoked by various "peace" congresses, as well as by recent declarations and articles appearing here in Communist publications

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<sup>1</sup> The action copy, which was sent to the Office of European Affairs, was unsigned; the despatch was drafted by Norris B. Chipman, First Secretary of Embassy at Paris.

and especially by the now famous declaration made public by Thorez on February 23, 1949, to the effect that Communists would remain loyal to the Soviet Union should the Red Army be "obliged" to cross the French frontier "in pursuit of the aggressors of the western imperialist block". It was this declaration which provoked the great debate held in the National Assembly here on February 24 and which was immediately followed by the endorsements of Communist leaders throughout the world.

Actually this declaration was made about two weeks earlier by Thorez at a secret meeting of the Communist Federation of the Seine, namely on February 6, when he made what is undoubtedly the most important speech delivered and made public by any French Communist since the Liberation. The speech was not published until February 26 (in *France Nouvelle*) owing no doubt to the desire of Moscow that an announcement of such great significance should first be made public at the more important meeting of the Central Committee of the French Communist Party, that is, by the most important body of the strongest Communist Party in Europe.

The Thorez speech, of which a translation is attached herewith,<sup>2</sup> reflects the sharp turn to the Left that the French Communist Party has been effecting since the Warsaw (Cominform) Conference of 1947 and which is essentially a revival of the world wide leftist zig-zag ordered by Stalin in 1928 when the Sixth World Congress was held. It was at this Congress that the basic program of the Comintern was established with respect to the strategy and tactics to be followed by Communists throughout the world, especially with regard to the "danger of imperialist war". Since we have been struck by the close similarities, as well as certain differences, between the Thorez speech of February 6 and the program of the Sixth and Seventh World Congresses of the Comintern, we requested a well-known historian in Paris who participated on the program committee of the Sixth World Congress to furnish his views on the significance of the Thorez speech. We consider that the following observations are a valuable contribution to the understanding of Stalin's basic conceptions on war, both civil and international, and on "peace":

[Here follows a comparison of ideological principles and tactics approved by the Sixth and Seventh Congresses of the Communist International (held at Moscow in 1928 and 1935) with positions recently stated by Thorez and other Communist leaders.]

In the speech of Thorez there is a final point that should not be overlooked since it also constitutes a difference between 1928 and 1949. In 1928 France played only a secondary role in Moscow's political per-

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<sup>2</sup> Not printed.

spective and moreover the French Communist Party was relatively feeble. But by 1935, at the time of the Seventh World Congress, France had been elevated to the first rank. In his efforts to seek counter-assurances to meet eventually the German menace, Stalin thought naturally of those countries which could most easily become the center of an anti-German coalition in case of necessity. It is for this reason that France became the first experimental grounds for the tactics of the Popular Front and that Dimitrov cited the French Communist Party as a model for all other Communist parties. Today France also is considered by Stalin as the key country to gain or to destroy because he knows that without France western Europe cannot organize or defend itself and that Italy and France are the only western European countries with strong Communist parties. It is therefore natural that the declaration on unconditional aid to the Red Army should first come from France and that the chief of the French party should be responsible therefor. In his speech of February 6 Thorez affirms the necessity of "manifesting the decisive position of France" in the European situation and of "wresting it from the imperialist camp" by struggling in every domain, that is, "on the diplomatic, military and armament level."

It is thus clear that France today is the principal pawn that the Soviet Union intends to play in western Europe and that its policies in the months that follow will be dominated by this strategy.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bruce) to the Administrator for Economic Cooperation (Hoffman)*

SECRET      US URGENT

PARIS, April 4 [1949]—midnight.

Toeca 794. Counterpart Series No. 1. Reference Toeca 776 and Toeca 536.<sup>1</sup>

[Here follows a review by Bruce of the "critical problem" of French public finances, a description of proposed measures by the French Government for dealing with it, and a suggestion that the Economic Cooperation Administration (ECA) and the National Advisory Council on International Monetary and Financial Problems (NAC) might consider approving in principle, in advance, monthly releases to France of 25 billion francs (about \$70 million) of counterpart funds.]

18. I have hesitated before asking you and NAC to give this Mission discretionary power about such releases since it is not agreeable

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<sup>1</sup> Neither printed.

to us or to you to operate in a crisis atmosphere. However, I feel that as in the past a certain flexibility of decision on our part is essential. French situation is in delicate balance. There has been a marked improvement in fact but a still greater one psychologically. Present government is as concerned as we are over making possible a successful issue from its financial tribulations. Although we are not fully satisfied with efforts which have been enacted into law, we remain convinced that we must, under adequate restrictions, continue to support a policy which within limitations of political necessities is soundest that this country has adopted in a decade. As long as Queuille administration is willing to tackle difficult problems, it deserves any assistance we can properly give. Refusal counterpart would create government crisis. Aside from economic deterioration that would ensue, I do not believe at this time that any successor government could do better and seriously doubt whether it would have the courage to attempt as much. Parliament is in a restive mood and can be tactfully led but not driven.

19. Ambassador Caffery fully concurs this message.

20. OSR has participated and supports recommendation. . . .

Pass to State and Treasury.

BRUCE

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the ECA Mission in France*

SECRET      US URGENT

WASHINGTON, April 6, 1949—8 p. m.

Ecato 606. Ref. Toeca 794, 796, 797, 798 and 810.<sup>1</sup>

1. On the basis of information so far received, and after consultation with NAC Staff Committee, we concur in release of 25 billion to cover reconstruction and investment expenditures for month of April only. We wish to defer consideration of May and later releases until full review. We feel urgent need for submission full program counterpart expenditure for fiscal year 1949 in connection with review of present and prospective monetary and financial situation.

2. Apparent from information so far received from you French financial stability by no means assured and questionable whether, in spite of success of loan, French measures have been as effective as we hoped. Emphasize need for watchfulness against apparent tendency of French to give in to pressure against credit controls. Share your skepticism chances budgetary balance 1949 unless further measures taken.

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<sup>1</sup> Telegrams Toeca 796, 797, 798, and 810 are not printed.

3. Please have Information Officer call Huse<sup>2</sup> to clear timing following press release.

*Begin text substance.* "The Administrator has agreed to the release of a further installment of 25 billion francs for the financing of French investment and reconstruction programs for the month of April. Investment and reconstruction expenditures of the first three months of 1949 have been financed from resources available to the French Government, such as the proceeds of the internal loan. Break-down of the projects to be financed from the 25 billion just released will be published shortly. At the present time it is possible to indicate that these projects are of the same nature as the projects financed from counterpart funds in 1948, which included investments of counterpart funds in the field of electric power, railroads, merchant marine, agriculture, colonial developments and coal mines. In addition to investment projects in basic industries, the new release covers expenses for war-damage reconstruction, and loans to private industry." *End text.* Please pass OSR.

HOFFMAN

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<sup>2</sup> Robert Huse, an information officer of the Economic Cooperation Administration in Washington.

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851.348/3-1849

*The Acting Secretary of State to the Secretary of Defense (Johnson)*

TOP SECRET

WASHINGTON, April 21, 1949.

MY DEAR MR. SECRETARY: Reference is made to the letter from Secretary Forrestal dated March 18, 1949 concerning the request of the French Government for certain naval aircraft and aircraft engines with sets of service life spare parts.<sup>1</sup>

Secretary Forrestal proposed that the Navy be instructed to prepare for delivery surplus naval aircraft of the type most suitable for the French Navy; that this transfer take place immediately after the Foreign Military Assistance Enabling Legislation becomes effective; and that the French Government be advised of our intentions in this matter.

The Department concurs in this proposal provided, however, that (a) the aircraft are of a type included in the list of deficiencies of the French armed forces made available to us through the Western Union Organization; (b) the aircraft and equipment are included in the program of military assistance currently being prepared under the jurisdiction of the Foreign Assistance Correlation Committee; and (c) it is understood that we cannot agree at this time to charge to the proposed military assistance program costs incurred prior to the enact-

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<sup>1</sup> Not printed. James V. Forrestal resigned as Secretary of Defense in March 1949 and was succeeded by Louis A. Johnson.

ment of the enabling legislation in the preparation of the aircraft and equipment for delivery, and that if such costs are incurred, the National Military Establishment may have to meet them out of its own funds.

If you concur in these conditions, the Department believes that it would be appropriate for both Admiral Conolly<sup>2</sup> and the American Ambassador to France to explain to the French that naval aircraft and equipment are being included in the program being submitted to the Congress. In addition, it is agreed that at such time as the enabling legislation may be passed, a representative of the French Navy be invited to assist in arrangements for this transfer, with a further invitation to send a carrier into American waters for an official visit and acceptance of delivery of the aircraft. Arrangements for these invitations could be worked out by our representatives at that time.<sup>3</sup>

Sincerely yours,

JAMES E. WEBB

<sup>2</sup> Adm. Richard L. Conolly, Commander in Chief, U.S. Naval Forces, Europe.

<sup>3</sup> Secretary Johnson replied on May 3 that he concurred in the conditions and had issued appropriate instructions to carry out the understanding (851.348/5-349).

ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the ECA Mission in France*

CONFIDENTIAL

WASHINGTON, April 22, 1949—7 p. m.

Ecato 632. 1. We continue to hold to principle that French counterpart can be made available for investment expenditures provided total deficit all government operations is held within limits of counterpart and non-inflationary borrowing and provided inflationary pressures are effectively prevented from originating elsewhere. Considerable effort apparently still required to realize planned balance of Treasury operations, particularly in view of possible drop in revenue as result "disinflation." Further cutting down of expenditures may be only course if Queuille has ruled out tax increases.

2. Have noted claim that credit restrictions imposed to check inflation are having undesirable deflationary influence. Appears to us at moment that relaxation in this field would be taken advantage of immediately and could mean disastrous resumption inflation.

3. On other hand, we do not feel wedded to detail of present regulations of bank credit. Present system apparently lays Bank of France open to considerable direct pressure from businesses and banks. You may want to explore possibility of improving system by introducing

greater flexibility while maintaining intact present degree of credit restrictions.

4. In view of delicate balance between inflationary and deflationary forces and possible shift in situation, believe future counterpart releases should continue to be submitted Washington for decision.

5. If direct impact of improvement foreign balance on Treasury operations should appear to be interfering with vigorous prosecution of export drive, advise. This problem may warrant consideration in connection with later request for counterpart releases. Please comment. Under existing authority is Stabilization Fund able to borrow directly from Bank of France rather than from Treasury for purpose of accumulating foreign currency? <sup>1</sup>

6. You are authorized to release 25 billion francs for May for investment program. Please advise concerning press release text and timing.

7. Excellent analysis French financial situation in your Toeca counterpart series should be supplemented by review of developments in production, inventories, prices, employment and similar fields. Pass to OSR.

HOFFMAN

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<sup>1</sup> In telegram Toeca 895, May 8, 5 p. m., the ECA Mission in France replied that the French inability under payments agreements to "accumulate at least part of increased foreign exchange earnings as working balance is more apt to be obstacle to vigorous prosecution of export drive. Sustained monetary policy and its final success are not in fact possible unless accumulation of working balances and reduction of credits under payments agreements are permitted. Purchases by Bank of France of foreign exchange also seems appropriate way to provide French economy with increased cash facilities and does not entail unfortunate relaxation of credit restrictions." (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Acting Chief of the ECA Mission in France (Reed) to the Administrator for Economic Cooperation (Hoffman)*

CONFIDENTIAL

PARIS, April 28, 1949—7 p. m.

Toeca 860. (Section 1 of 2.) Please deliver immediately to Harriman and David Bruce. Following translation of article from *Le Monde* special correspondent in US published *Le Monde* April 27:

"Washington, April 26. During four days he spent in Washington, Mr. Paul Reynaud had important conversations with various officials on political, economic and 'parliamentary' matters.

During his conversation with Mr. Truman, Mr. Paul Reynaud drew up for his host a complete picture of France's recovery, and emphasized that need for developing spirit of free enterprise in Europe should be accompanied by effort towards giving Europe feeling of absolute security. Moreover, in this connection, Mr. Reynaud talked with

the President and with Mr. Acheson on project of peacetime lend-lease which is already referred to here under letters MAP (military aid program).

The former President of the Council explained to the 'Big Boss' of ECA the dangers that in his (Reynaud's) opinion would be entailed in excessive deflation, at times 'counseled' by his Paris representatives, whereas US itself at this very moment is seriously applying brakes to such deflation at home. Mr. Hoffman, it appears, was inclined to recognize the exactness of such reasoning and agreed that one should not 'go too fast'. With Mr. Snyder, Secretary of the Treasury, it was likewise a question of deflation, although conversation especially concerned present monetary problems.

Finally, on parliamentary level, Mr. Reynaud exposed before the die-hards, the isolationists and, in particular, Senator Taft, the absolute necessity for total safeguarding of the integrity of Western Europe. Did the former President succeed in convincing them of need for supporting military assistance with their authority? The coming work of the Foreign Affairs Committee and the debates on the floors of Congress will soon give us the answer."

Personal message Petsche<sup>1</sup> to Harriman and Bruce follows in separate telegram.<sup>2</sup>

Pass to State and Treasury.

REED

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<sup>1</sup> Maurice Petsche, French Minister of Finance and Economic Affairs.

<sup>2</sup> *Infra*.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Acting Chief of the ECA Mission in France (Reed) to the Administrator for Economic Cooperation (Hoffman)*

CONFIDENTIAL

PARIS, April 28, 1949—7 p. m.

Toeca 861. (Section 2 of Toeca 860). Please deliver immediately to Harriman and David Bruce. Reference Toeca 860.

1. Petsche asked to see Tomlinson<sup>1</sup> to request that Harriman and Bruce be informed immediately that Reynaud's statements were entirely Reynaud's responsibility and that he had not been authorized to speak in any way for French Government. Petsche said he had no information on Reynaud's remarks other than press report but, if *Le Monde's* story was accurate, he was extremely annoyed. He went on to say that he was certain Bruce realized that, if the French Government had any comments to make on ECA policy, they would be made

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<sup>1</sup> William M. Tomlinson, Representative at Paris of the Department of the Treasury, and Chief of the financial division of the ECA Mission in France.



directly to Bruce. Petsche said he was concerned because it was widely known that Reynaud had consulted officials in French administration before departure to US.

2. Petsche said French credit policy was major factor in remarkable improvement in French economic and financial conditions. He continued that Queuille intended deal immediately with additional measures necessary to consolidate financial improvement and present credit policy would continue to play its important role. Recent speech by Faure (Secretary of State for Finance) implying that credit controls were to be relaxed was without foundation. Petsche said he had asked Baumgartner,<sup>2</sup> Monnet<sup>3</sup> and other advisers to draw up new financial programs in time for presentation to Parliament when it reconvenes. Petsche would not be drawn out on estimated gaps in public finances. Only additional taxation possible in his view was from gasoline and he hoped he could convince his colleagues to obtain about 20 billion from that source in connection with free sale. Problem of additional military expenditures has not changed except that Ramadier<sup>4</sup> has upped his figure to an even higher level.

3. In connection with Reynaud comments, mission wishes to point to Reynaud's record last year. At that time his policy of a realistic line for labor but an easy one for other groups in community combined with his opposition to any limitations on credit contributed to serious deterioration of economic and financial conditions.

4. Views of French officials on possible financial measures to be taken are not crystallized enough for comment.

Pass to State and Treasury.

REED

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<sup>2</sup> Wilfrid Baumgartner, Governor of the Bank of France.

<sup>3</sup> Jean Monnet, Commissioner General of the Plan for Modernization and Reequipment of the French economy.

<sup>4</sup> Paul Ramadier, French Minister of National Defense.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Acting Chief of the ECA Mission in France (Reed) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET      PRIORITY

PARIS, May 23, 1949—2 p. m.

Toeca 949. Immediate attention Bissell.<sup>1</sup> Counterpart Series No. 26. Reference previous messages this series.

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<sup>1</sup> Richard M. Bissell, Jr., Assistant Deputy Administrator for Program, Economic Cooperation Administration.

1. ECA mission requests authority before May 25, to agree to release of 25 billion francs to meet June expenditures on selected development projects.<sup>2</sup>

2. Trend of improvement since Communist-directed strike in November 1948 continues. Industrial production only four years after war has exceeded record level of 1929. Country still benefits from last year's good harvest, and prospects this year's crop after initial disappointment are becoming more encouraging. Decline in food prices continues. Lag in fall of industrial and retail prices is disappointing, but lower world prices and continuing improvement supply position should soon bring some break in resistance and price fixing of industrialists and merchants assuming general trends continue. Black markets are largely non-existent. Consumers have much greater selection. All these factors add up to higher real wages for workers. Monnet claims pre-war level of productivity has been reached through increased production and without appreciable drop in employment or hours of work. Increase in money supply has been curbed. Bankruptcies and liquidations show slight increase with emphasis on elimination of distributive firms which profited in inflation at expense of consumer. Despite "crisis" atmosphere engendered at opening of Parliament, black market rate for dollar has been held around 370 which should capture large volume tourist receipts. Exports are increasing and payments position is improving.

3. It is unfortunate that Queuille and Petsche did not find it possible to consolidate this improvement by more decisive action on public finances. Nevertheless we must admire their firmness in insisting that unforeseen expenditures arising from Indo-China military operations and from railroad deficit be handled immediately. They are also fully aware of remaining major obstacles to Treasury equilibrium, namely, deficit electricity and gas, deficit old age pensions, and losses foreign exchange operations. Even now, administration is engaged in determination of procedures to meet these problems. Certainly Cabinet and Parliament will have to deal again with Treasury difficulties before year is out, but goal of non-inflationary financing is so near achievement that favorable trend in savings available to Treasury, plus additional administrative measures, may be adequate to enable Petsche to keep undertaking to the letter. It is to his credit that he carries the burden of asking for sacrifices and cooperation from those groups in French society from which he derives his political support. In any case, economic and financial situation remains so fluid that it is ad-

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<sup>2</sup> Approval by the ECA for release of "25 billion counterpart French francs for investment expenditures and loans to private industry" was confirmed in telegram Ecato 689 to Paris, May 24, 10 p. m. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato)

visible to continue monthly review of developments before committing ourselves to release of counterpart beyond recommended June release.

4. While Queuille and Petsche will not be able to relax efforts to re-establish balance in public finance, more serious problem is possibility that present equilibrium between prices and wages will again become subject of controversy. If Petsche can obtain Cabinet agreement to keep wheat price at present level, government should be in strong position to oppose demands for increase in money wages and thus demonstrating to labor groups that it will not permit individual interests to threaten improvement in their real wages. If wage-price equilibrium is not maintained, efforts in public finance will surely prove inadequate.

5. On the whole, piece-meal measures of Queuille and Petsche are developing into a body of consistent and sustained economic and financial policies—continuing pressure for limitation of public expenditures, effort for sound increase in fiscal receipts, insistence on maintenance restriction of bank credit, steps to stabilize prices and eliminate price distortions, and provision for high level investment and reconstruction. It is claimed by some sources these policies are leading to serious slump. In fact, however, problems of deflation, recognizing that some adjustments are both necessary and desirable, are unlikely arise in France in near future. Conditions remain essentially inflationary. Employment is at high level and labor is still a bottleneck. Drain of military operations in Indochina is added to large current and prospective demands for investment and reconstruction expenditures. French administration is now intensively discussing program for liberalization of trade and payments in international field. Assuming efforts to obtain well-balanced internal policies are not relaxed, French Government should be able to take lead in re-establishing expansionist policy in foreign trade relations which ECA is now pressing upon OEEC.

6. Again we can state that Queuille and Petsche are endeavouring to deal constructively with their economic problems. It is not possible to predict the success they will have before Parliament, but they clearly deserve at this time as much assistance as we can give them.

7. Ambassador Bruce and Ambassador Harriman fully concur in mission's recommendation.

Pass to State and Treasury.

REED

851.00/6-649 : Telegram

*The Ambassador in France (Bruce)<sup>1</sup> to the Secretary of State*

SECRET

PARIS, June 6, 1949—7 p. m.

2307. At my lunch with Queuille Saturday he gave general impression of being relaxed and confident. He stated he anticipated remaining in power at least until late this year and after official stabilization of franc unless some unforeseeable crisis should arise. He recognized that outcome of current discussions on devaluation of pound sterling would have a bearing on date of franc stabilization. He did not exclude possibility of continuing in power beyond date of stabilization but seemed to feel that by that time he would have sufficient cohesive and established majority to enable someone else to succeed him without radically modifying complexion of government.

I expressed hope that Queuille would not underestimate prestige which he had acquired in American eyes in the course of last few months. I said that present government was considered to be a "Queuille government" and that Prime Minister's own position and authority were integral elements in general picture of increasing French recovery and stability. I therefore hoped that Queuille would keep this in mind and give due weight to importance of his personal role. Queuille was obviously pleased with my remarks and assured me that he would carry on as long as he felt it was possible for him to do so.

Regarding recent flurry in Assembly created by Paul Reynaud and Independents, Queuille gave it as his opinion that Reynaud had been prompted by his group to launch political offensive which he could not carry through. I seized on his reference to Reynaud to observe that we had heard and read stories to effect that latter had received official or semi-official support and encouragement during his recent trip to US on certain internal French issues such as social security and nationalization, and that US Govt was therefore rumored to be not unsympathetic to Reynaud's subsequent political activity in Assembly. I assured Queuille that these stories and rumors were unfounded and that reception given Reynaud in US was without political significance and had been merely that which was due to a distinguished visitor.

BRUCE

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<sup>1</sup>David K. E. Bruce was appointed Ambassador to France on May 9 and presented his credentials on May 17. He succeeded Jefferson Caffery, who in July was appointed Ambassador to Egypt.

ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET PRIORITY

PARIS, June 30, 1949—7 p. m.

NIACT

Toeca 1051. For Huse from Brown.

1. Following is text of press release which we plan issue 3 p. m., Paris time Friday, July 1:<sup>1</sup>

*Begin Text.* The ECA special mission to France announces that the administrator of the Economic Cooperation Administration has agreed to the proposal of the French Government to utilize 20 billion francs of the counterpart of American aid for the effective retirement of national debt held by the French banking system, as is specifically provided for in Article IV of the Economic Cooperation Agreement between the Governments of the United States and France, dated June 28, 1948.

This release reinforces the French Treasury in meeting floating debt maturities which arise from a reduction in the French franc balances of foreign banks. This very desirable trend in France amounted to over 20 billion francs in the first six months of 1949. In addition to this improvement, the first half of the year should also witness a decrease in the floating debt held by the Bank of France and the domestic banking system. This should be compared with 1948, when the French Government borrowed about 60 billion francs from the banking system, although direct recourse to the Bank of France itself was brought to a halt.

The present release of 20 billion francs of counterpart should also be viewed as coupled with recent measures to finance accumulation of foreign currencies by the French exchange stabilization fund and to begin the creation of an appropriate relationship between internal credit policy and the balance of payments. Thus, it is seen that the objectives of the European Recovery Program are on the way to realization. Through her use of American assistance France is providing herself with real reserves—her working stocks of materials have been restored, production has reached record levels, the desired tempo of the modernization plan has been maintained, a high level of war damage reconstruction has been carried out, internal financial stability is in sight, and now through an increase—though still small—in earnings from her exports of goods and services, a beginning is made on reconstituting France's international exchange position. Much, of course, remains to be accomplished; nevertheless, the fact that real economic progress has been made is undeniable. *End Text.*

2. Mission's press release will be coordinated with French Government release. You will note that our release will not incorporate any statement by French Government, since French will issue own release.

<sup>1</sup> The detailed technical discussions leading to this announcement were reflected in telegrams Toeca 1028 and 1029 from Paris, June 24, and Ecato 736 to Paris, June 27, not printed (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca).

However, you may wish to consider including in your release some statement already made by French, for example, along lines last two paragraphs fourth semiannual Monnet plan report.

3. Please cable any comments you may have urgently.

4. Formal exchange of letters on release will take place July 1.—

5. Text French Government release will be cabled soon as available.<sup>2</sup> [Brown.]

BINGHAM

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<sup>2</sup> Not printed.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET      PRIORITY

PARIS, August 3, 1949—1 p. m.

Toeca 1119. Counterpart Series No. 52. Reference Ecato 794<sup>1</sup> and Toeca 1124.<sup>2</sup> Request your approval letter quoted Toeca 1104<sup>3</sup> and following reply:

*Begin text.* I have received your letter of August (blank) 1949 in which you request the agreement of the United States Government to the immediate withdrawal of 30 billion francs from the special account of the Credit National to finance investment and reconstruction expenditures during August, September and October. You indicate that such a release will make it possible to use resources normally allocated to such expenditures to cover other charges which the French Treasury will have to meet during this period.

I have taken note of your statement concerning the special difficulties with which it is expected the French Treasury will have to cope in the next few months by reason of the seasonal disequilibrium between receipts and expenditures and by reason of certain developments in French public finances tending to reduce unduly the working balances available to the French Treasury. I have also taken note of your statements concerning the economic and financial program which the French Government is planning to put into effect during the coming months in order to continue its efforts towards internal stabilization and to promote liberalization of external trade and payments.

I am authorized to inform you that the United States Government agrees to the immediate withdrawal of 30 billion francs from the

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<sup>1</sup> Telegram Ecato 794 to Paris, July 29, 9 p. m., not printed; it transmitted authorization "to indicate ECA's agreement to an additional release of 30 billion francs" (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato).

<sup>2</sup> Not printed.

<sup>3</sup> Telegram Toeca 1104, July 29, 6 p. m., quoted the text of a proposed letter from Petsche to Bingham (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato).

special account to finance investment and reconstruction expenditures under the arrangements proposed in your letter. As has been made clear in the discussions between representatives of our two governments concerning your proposal, the United States Government agrees to this withdrawal on the specific understanding that there will be no modification in the announced policy of the French Government to cover all public expenditures in 1949 from non-inflation resources [*non-inflationary sources?*]. In addition, it is understood that the French Government remains firm in the decision set forth in your letter of April 26, 1949<sup>4</sup> to Mr. Bruce, to take the necessary measures to sterilize any resources arising in 1949 from a net increase of outstanding public expenditure drafts or Treasury bills held by the Bank of France, the banks, or other establishments maintaining current accounts in such short-term bills. It is further understood that the proposed withdrawal would be in the nature of an advance against the balance of the grant counterpart which the French Government has indicated it will request be allocated to reconstruction and investments expenditures in 1949 and that the status of this advance would be regularized in the latter part of November of this year.

Please accept, Dear Mr. Minister, the assurance of my high consideration. *End Text.*

BINGHAM

<sup>4</sup> Not printed.

ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the ECA Mission in France*

SECRET PRIORITY

[WASHINGTON,] August 4, 1949—9 p. m.

Ecato 798. Reference Toeca 1104,<sup>1</sup> 1119, 1120.<sup>2</sup>

1. We approve texts of exchange letters Petsche-Bingham as indicated Toeca 1104 and Toeca 1119.

2. We retain serious doubts on ability of French Treasury to repay 30 billion franc advance in November or to replace ordinary December release for investment purposes with own resources and are concerned that regularization of advance may aggravate Treasury difficulties at that time. For NAC paper<sup>3</sup> we propose to describe 30 billion francs as special release for August investment expenditures in connection with Treasury stringency, the exact status of which in overall counterpart program will be determined later in year. We understand however language exchange of notes and press releases justified for

<sup>1</sup> See footnote 3, p. 648.

<sup>2</sup> Not printed; it requested approval of a draft press release on the agreement by the ECA Administrator to a request by the French Government for withdrawal of 30 billion francs from the counterpart funds of American aid (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca).

<sup>3</sup> Not printed.

bargaining purposes with French in connection with their budgetary commitments.

3. We also approve paraphrased text of press release in Toeca 1120. Release date August eight, p. m. papers. Pass Brown.

4. Draft of NAC paper will be sent for your comments shortly.

HOFFMAN

ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET      PRIORITY

PARIS, August 26, 1949—7 p. m.

NIACT

Toeca 1173. Attention James Brooks.<sup>1</sup> Counterpart series number 59.

1. Mission recommends that Administrator authorize mission to approve counterpart release of 27 billion francs for September investment and reconstruction expenditures. Reply required August 29.

2. Monthly review indicates trends in French economy remain essentially same as indicated in recent counterpart series. Pressure on prices, and developments in gold and foreign currency markets in first weeks of August confirm view that measures of French administration have not been adequate to contain inflationary pressures. It should however be remembered that agricultural and international monetary situation are less favorable than French could reasonably have expected when basic budget and financial policies were established early in year.

3. Mission and Embassy were surprised by sudden action of Cabinet last Saturday to combat economic deterioration. (See Toeca 1159 and Embtel 3514.<sup>2</sup>) French administration has apparently recognized that stabilization program is in serious danger. Measures to tighten credit controls and to liberalize imports of consumer commodities may not be adequate but certainly they represent positive steps and also courageous ones in face of immediate protests from French special interests concerned. Effectiveness depends of course upon enforcement and extension these measures, as well as prospects food production balance of year. French state precautions are being taken to trace imports to be certain they are not stockpiled and are sold at reasonable prices. Petsche hopes to carry out additional liberalization measures before leaving for Washington, and is now discussing matter with Lacoste<sup>3</sup>

<sup>1</sup> James R. Brooks, of the Local Currency Branch, Fiscal and Trade Policy Division, of the ECA.

<sup>2</sup> Neither printed.

<sup>3</sup> Robert Lacoste, French Minister of Industry and Commerce.



and later with Pflimlin.<sup>4</sup> Outcome is not certain as technical ministries claim they need more time to study proposals.

4. New measures taken are of course intended to avoid additional pressures for wage demands this fall on grounds of increased living costs. Nevertheless, government may be underestimating seriousness of labor dissatisfaction. In all likelihood, government will have to make decision on advisability of small money-wage increase, even if prices can be maintained at present level. This question will probably arise during period when government may be faced with problems of additional Treasury requirements this year and preparations for next year's budget. See Toeca 1112 and 1147.<sup>5</sup> If small wage increase is to be absorbed in present price level, reinforcement of credit controls and liberalization measures, together with maintenance of increase in production levels, become all the more important.

Ambassador Bruce and OSR concur in recommendation.<sup>6</sup>

BINGHAM

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<sup>4</sup> Pierre Pflimlin, French Minister of Agriculture.

<sup>5</sup> Neither printed.

<sup>6</sup> In telegram Ecato 831, August 26, 8 p. m., the Acting Administrator for Economic Cooperation (Foster) conveyed authorization to agree to the utilization of 27 billion francs for September investment expenditures (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato).

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851.00/8-3149 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, August 31, 1949—7 p. m.

3587. Devinat, Secretary State Presidency Council and Prime Minister's close adviser and confidant, paints following picture situation Queuille and Government at present juncture. Sterling crisis has upset Queuille's ideal timetable which called for stabilization franc in autumn and his own subsequent retirement from public office. Period financial and political uncertainty involving monetary readjustments and possible British general elections now stretched beyond foreseeable future maintaining, if not intensifying during period, all inflationary, social and political pressures which it had been Queuille's program to contain or harmonize by end this year. Disappearance beyond horizon of "better times" which Deputies reluctantly supporting sacrifices in Queuille program had expected or promised their constituents, would certainly increase coalition discord and opposition appetites. Queuille, however, had no intention trim his sails to this ill wind and was resolutely going ahead in accordance with his announced principles and face Assembly in October with

"stiffest" budget yet and additional taxes. He was likewise determined to give not an inch on prices and anticipated being target highly disagreeable crossfire between management and labor on wage-price issue.

Result Queuille's best efforts at home would be largely dependent international situation which in turn depended only partly on France. Devinat said frankly that considerable anxiety existed in minds his fellow cabinet members regarding "serious-mindedness" of UK. As her difficulties increased, French noticed growing selfishness and irresponsibility in British actions and with due allowance for instinctive reflex of self-preservation to be expected of country so disagreeably situated, French were counting more and more on restraining influence of US. Devinat pointed particularly at "British torpedoing of Council of Europe and OEEC" and reflected French fears that in addition to cost to continent of British standoffishness, there might be added further continental sacrifices to keep Britain afloat as a separate unit.

According Devinat, Queuille and Schuman argued strongly in recent cabinet meetings for official French attitude of detachment and benevolent neutrality in present sterling crisis, but feeling prevailed that issue was largely one of UK versus Continent with US as arbiter.

Sent Department 3587, repeated London 600.

BRUCE

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*Editorial Note*

The Economic Cooperation Administration suggested on September 1 that higher expenditures by the French Government to speed agricultural production might afford some hope of stimulating and redirecting private investment, and it also urged using ECA counterpart funds as inducement to reexamine projects for greater productivity. The ECA further noted that "recovery effort dependent upon satisfactory showing in increase French agricultural production". (Telegram Ecato 839 to Paris, ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato)

Bingham replied on September 8 that he agreed with the goals expressed but that the problem of gaining French agreement was very complex. The best approach might be through American efforts toward "finding, or creating through persuasion, influential groups in French Government who want to see instituted type of dynamic agricultural program we have in mind and of working with them toward its accomplishment." This had been the secret of the Mission's success in influencing the French in such matters as credit control, non-inflationary financing, and liberalization of trade. As for "using

counterpart as inducement", Bingham stated that much of ECA's strength in counterpart negotiations came from its never having encouraged expansion in overall government spending. ECA's negotiating strength would be materially reduced if it abandoned this position, which had enabled the French Government "to shift to us some of heat for holding down total expenditure". (Telegram Toeca 1198 from Paris, *ibid.*, Paris Toeca)

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Acting Administrator for Economic Cooperation (Foster) to the ECA Mission in France*

CONFIDENTIAL

WASHINGTON, September 15, 1949—4 p. m.

Ecato 856. Reference Toeca 1198<sup>1</sup> and Toeca/Torep Disp. 170.<sup>2</sup>

1. Gratified that we are in agreement on need to redirect and expand French agricultural production to approach 1952/53 recovery goals. We recognize difficult problem Mission faces in bringing influence to bear on French government in this direction and appreciate that your efforts to achieve more effective agricultural program and better balance between agricultural and industrial investment programs must be confined within framework over-all French financial program.

2. Your informal presentation to French of Nicholson memorandum (Dispatch 170), contents of which we endorse, was desirable start. This memorandum should serve as useful basis for further discussions. Tomlinson, in course of discussions here, also proposed that Chief of Mission call upon Pffimlin and others to indicate ECA concern inadequate progress French agricultural program. Further proposal is that special committee be established whereby ECA technical experts meet with French investment group *et al* to endeavor develop a more satisfactory 1950 agricultural program in investment, budgetary and counterpart sectors. Since determination of resources available to agriculture, including counterpart, is largely settled at time French budget prepared, it is obvious that representation to French along line suggested should be made immediately in order to be effective in 1950.

3. We would appreciate your continuing to keep us informed progress issues raised Ecato 839<sup>1</sup> and Toeca 1198.

FOSTER

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<sup>1</sup> See editorial note, *supra*.

<sup>2</sup> Not printed; it included the text of suggestions given to French officials by Kenneth J. Nicholson, Chief of the Food and Agriculture Division of the ECA Mission in France.

S40.50 Recovery/9-1549

*Memorandum of Conversation, Prepared in the Department  
of State*<sup>1</sup>

SECRET

[WASHINGTON,] September 15, 1949.

Subject: United States-French Conversations  
Economic Problems

	FRANCE	UNITED STATES
Participants:	M. Schuman	Mr. Acheson
	M. Petsche	Mr. Snyder
	M. Bonnet <sup>2</sup>	Mr. Hoffman
	M. Alphand <sup>3</sup>	Mr. Harriman
	M. Guindey <sup>4</sup>	Mr. Tomlinson

The Secretary of State opened the meeting by welcoming Foreign Minister Schuman, Finance Minister Petsche and the French representatives to Washington. He indicated that he had certain matters that he wished to discuss with Foreign Minister Schuman but before doing so he thought it would be useful to advise the representatives of the French Government of the results of the recent talks between the U.S., the UK and Canada. The Secretary asked the Secretary of the Treasury who had acted as chairman of these talks to review them briefly. Secretary Snyder summarized briefly the main points dealt with in the communiqué issued at the end of the talks by the three countries concerned.<sup>5</sup> At the end of the summary he stated that with the exception of the arrangements for wheat and sterling balances, it was the view of the U.S. that all of the arrangements envisaged would benefit not only the UK but France and the other free nations of the world as well. Secretary Snyder referred in particular to the provisions relating to encouragement of United States investments, shipping, tariffs, and customs procedures. He pointed out that the OEEC had advocated bilateral discussions relating to oil.

Secretary Snyder added that no separate organization was envisaged for continuing the talks. On the contrary they had been and would be carried out entirely within the framework of the international organizations that had been established to deal with economic and financial questions.

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<sup>1</sup> This memorandum was presumably prepared in the Executive Secretariat of the Department of State.

<sup>2</sup> Henri Bonnet, French Ambassador in the United States.

<sup>3</sup> Hervé Alphand, Director General for Economic, Financial, and Technical Affairs in the French Foreign Ministry.

<sup>4</sup> Guillaume Guindey, of the French Ministry of Financial and Economic Affairs.

<sup>5</sup> *Post*, p. 833.

Mr. Hoffman added that one of the first purposes of the talks had been to establish conditions under which the United Kingdom could be a real partner in OEEC.<sup>6</sup> He was of the view that the results of the talks would help considerably.

Secretary Acheson said that he agreed entirely with the remarks of Secretary Snyder and Mr. Hoffman. The British had been having certain difficulties which led to their being a drag on OEEC and its program. These difficulties in a large part could only be removed by United States participation in action to deal with the difficulties—that had been the aim of the talks. They should be of benefit not only to the countries participating in OEEC but of general benefit to the world. Secretary Acheson indicated that the United States and Canada were also prepared to interpret the discrimination clauses in the U.S.-UK financial agreement and the Canada-UK financial agreement in such a way that the UK would be permitted freer action in its commitments as a member of OEEC. The talks had been conducted in this spirit and the continuing conversations would be conducted in the same spirit.

M. Schuman thanked Messrs. Acheson, Snyder and Hoffman for their statements. He was not surprised to see the American representatives give to the French representatives this information. Such statements are in conformity with our traditions and the close solidarity of our policies. He recalled that several weeks ago during the course of conversations with Mr. Bevin<sup>7</sup> and Sir Stafford Cripps<sup>8</sup> he had given full agreement to the idea of private conversations between the United States and the United Kingdom. The French Government was today glad to know the result of these conversations.

M. Petsche noted that the assurances furnished by the American representatives were of a nature to appease certain fears of seeing formed a sort of private Anglo-Saxon organization in addition to the existing European institutions. He wished to make two remarks of a technical nature: on the one hand, France also is interested in bilateral negotiations with the United States regarding petroleum with a view to reducing her dollar payments by means of purchases from other sources, notably in the Middle East.

On the other hand, France has particular interests which can be different from those of the United Kingdom in both stockpiling and the lowering of tariffs.

Secretary Acheson replied that the extent to which the United States could step up its total purchases for stockpiling was not at all clear. The entire program was now tied up in legislation but the United States administration was doing its best. For example,

<sup>6</sup> For documentation on efforts to strengthen the OEEC, see pp. 367 ff.

<sup>7</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

<sup>8</sup> Sir Stafford Cripps, British Chancellor of the Exchequer.

the United States faced a legal requirement that a certain proportion of synthetic rubber be used in manufacture of rubber products. Accordingly, the United States had indicated a desire to do more in the talks but had not been able to say what it could do. The Secretary stressed that the United States had not entered into any agreements in the talks.

M. Petsche had the duty to present to the American representatives the present state of negotiations entered into on French initiative between France, Italy, Belgium and recently Holland with a view to liberating commerce and exchange between these four countries. These negotiations have been followed informally by the representatives in Paris of ECA who have shown themselves to be quite anxious to see them concluded.

The four ministers of finance and their experts met in Washington. Difficulties have arisen. The Italians notably have presented objections which seem legitimate: in the measure where the actual cross-rate of the pound and the dollar would be respected the projected agreement would have as a consequence the further increase of an undesirable accumulation of pound sterling by the Italian treasury. It thus appears that the putting into effect of the agreement would necessitate the breaking of the cross-rate. M. Petsche wondered whether in the present atmosphere and in view of the results of the United States-United Kingdom-Canadian conversations a step of this nature taken before the Monetary Fund would be in conformity with United States policy. Moreover, the French Government as well as the governments of the other three countries wished to keep the British Government informed and to do nothing which could change the relations of Continental Europe with the United Kingdom.

Secretary Snyder replied that the interested countries should consult the Managing Director of the International Monetary Fund as to the appropriate time for this question to be brought before the Fund. Mr. Gutt could make a decision in keeping with the Fund's agenda. The Secretary went on to say that the United States considered the proposal an important and a helpful step.

Mr. Hoffman said he would like to make two additional comments for the guidance of the French representatives. First, he wished to underline the necessity of convincing the American Congress and the American people that the European countries were making substantive progress toward European unity if the Marshall Plan were to continue. During the recent congressional hearings this had been the important question. He had tried to show that something was being done but he was afraid that he had been very unimpressive because he had so little evidence to present. At the end of the hearings Congress accepted his statement that there was a trend in this direction.

But he needed evidence before the next congressional presentation—dramatic and substantial evidence. Second, he wished to state that the attitude of Congress reflected an intuition of the American people that Europe could not be self-supporting until it had made great progress towards unity and until there was a wide, free, competitive market to lower costs, to increase efficiency, and to raise the standard of living. Mr. Hoffman urged the representatives of the French Government to recognize this urgency from the viewpoint of a continuing American contribution.

Mr. Hoffman suggested that the French representatives might also wish to discuss the question informally with the British.

M. Petsche answered that he was in agreement with the arguments presented by Messrs. Snyder and Hoffman concerning the liberalization of exchanges. The first satisfaction will be given to the wishes of the United States when on October 1 the OEEC countries will present lists which reduce quantitative restrictions on imports in intra-European trade. France for her part will present a first unilateral list comprising 15 percent of her foreign trade and a second negotiable list in such a way that a total of 50 percent of the foreign trade involving the importation of goods from European sources would be freed from quantitative restrictions.

However, M. Petsche stressed that the efforts which the four countries are making aim to go further in the matter of liberalization. The breaking of the cross-rate implied by this agreement risked indirectly bringing up again the sterling problem. The French delegation would like to know the feelings of the United States in this respect.

Secretary Snyder said that when the countries reach an understanding the best manner of proceeding would be to consult with Mr. Gutt and also with the British. The United States had no objections to this procedure and would be willing to discuss a proposal which the countries considered was in their interests now or at any time in the Fund [*future?*]. He continued that the United States had always supported the Fund as the appropriate forum for countries to work out their problems in regard to exchange rates and exchange rate policies. Secretary Snyder concluded that if the Fund will not work in meeting concrete problems, we might as well find it out now and stop wasting our time.

M. Petsche agreed. He wished to ask a subsidiary question: under what conditions will the \$150 million pool foreseen for the liberalization of European exchange function? \* Up to the present the views of ECA in this respect are vague. It is a matter of urgency to make them

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\* For related documentation on the questions of liberalization of trade and arrangements for intra-European payments, see pp. 367 ff.

more precise. The liberalization of exchange between the four European countries can present dangers and encourage speculation. It is, therefore, essential that the eventual entering into effect of the quadripartite agreement be accompanied by a precise decision regarding the use of the \$150 million pool. The two actions must be concomitant.

Mr. Hoffman pointed out that Congress had not finally acted on the aid request for 1949-50 but that Mr. Harriman would handle the pool when aid was through Congress.

Mr. Harriman said that he wants to use the pool to help the Europeans adopt the proposal they were now discussing.

M. Petsche repeated that the two actions should go along together and said he envisaged asking for an American observer as soon as a proposal was definitely formulated.

Mr. Harriman said that this is exactly what is in the minds of the ECA officials.

M. Petsche recalled the conditions under which American aid for Europe has been divided for the year 1949-50. OEEC did not take into account the existence of the \$150 million pool. The amount of \$704 million actually attributed to France should not be reduced proportionately in case the pool should be formed. An important reduction of this amount would risk having grave consequences for the French economy during the coming year.

Mr. Hoffman said that the Marjolin-Snoy<sup>10</sup> recommendation would be a blueprint for the last six months of 1949. The pool would be reconstituted definitely by proportional cuts. However, ECA had no commitment whatsoever on the allocations of aid for the first six months of 1950. The OEEC figures were not necessarily even a point of departure. ECA intended to give considerable weight to evidence of individual countries moving towards the objectives of ECA in determining allocations for the first six months of 1950. Somehow ECA is going to introduce an element of merit in the division of aid.

M. Petsche indicated that the French Government is at present trying to obtain private credits from American banks in order to promote equilibrium in its balance of payments with the United States in 1949-50 and to repay certain debts owed to the Federal Reserve Bank. The American Treasury has been aware of these negotiations. In the event that they should come to a conclusion, it would be necessary that the amount of ERP aid to France not be reduced.

Mr. Harriman replied that ECA would not penalize any country for initiative in meeting its problems.

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<sup>10</sup> Robert E. Marjolin, of France, and Baron Jean-Charles Snoy et d'Oppuers, of Belgium, were Secretary General and President of the Council, respectively, of the OEEC.



M. Petsche declared that certain economic practices in Europe constitute an obstacle to the policy of liberalization of exchange. He referred especially to the British policy regarding coal which consists in selling this product at a substantially higher price for export than for British internal consumption. The Bizone acts in the same fashion and thus the raw materials placed at the disposal of the importing European countries burden their costs of production and render European competition difficult. Moreover, Western Germany has a deliberate policy of low salaries and benefits from certain dollar resources which are beyond her needs and run counter to the normal currents of European trade. France wishes to enter into negotiations with the United Kingdom and then enter into contact with Mr. McCloy<sup>11</sup> regarding the economic policy of the Bizone.

Mr. Hoffman replied that ECA had already pressed the British about the question of coal and that ECA was also discussing with Mr. McCloy the need to harmonize economic policies in Germany. He had told Sir Stafford Cripps that it was a childish game for the European countries to try to "gyp" one another in such grand style. Each country lost under such circumstances. ECA was also aware that certain policies being followed in Germany were making the United States position untenable.

M. Petsche answered that France has during the past several months suppressed the greater part of the artificial elements of her economy. If there are any left, they are remnants of the past which he is ready to see disappear. She wished that this question be examined as a whole by the interested European countries.

Mr. Harriman suggested that a consultative group be formed in OEEC to handle this question. It would then be much easier for the United States to support publicly the need for the European countries to change their double-price policies.

Mr. Hoffman said that he would say to the consultative group exactly what he had just said to the French representatives. He continued that Mr. McCloy is fully aware of the fact that the recovery of Western Germany must proceed within the recovery of Western Europe. He had himself told the Germans that their recovery must in fact be subordinate to European recovery.

M. Schuman believed that the orientation which is to be given to German economic policy within the European framework is of great importance.<sup>12</sup> It is urgently necessary to reform the present tendencies at the time when Germany will recover part of her autonomy. If the

<sup>11</sup> John J. McCloy, U.S. High Commissioner for Germany.

<sup>12</sup> For documentation on economic problems relating to Germany, see volume III.

policies followed lend themselves to criticism when they are directed by German guardians, that country would persevere in its present errors when it became more independent.

Mr. Hoffman then commented briefly on the question of dismantlement in Germany which was a serious political problem in the United States. He urged that United States, France and the United Kingdom recognize the desirability of getting this question out of the way. For every machine tool taken from Germany now the Allied countries were losing far more in good will. He urged continued negotiations to settle the matter but stressed his view that no further dismantlement should take place.

M. Schuman wished to answer on the subject of dismantling in the course of his next private interview with Mr. Acheson. M. Petsche asked one last question: that of the economic consequences of the great financial efforts with which France will find itself faced. It is first necessary to cover her costs of reconstruction which are still enormous.

There is also the question of military expenditures. In this respect the Minister of Finance thought first of the burdens which France has in Indochina. He suggested that a solution be studied whereby the stocking of new American armaments in France would enable France to send her used material to Indochina. Secondly, M. Petsche recalled the progression of general military expenses of the French budget which should have been limited this year to 300 billion francs and which, as a matter of fact, has reached 385 billion, with the requests for credits for the coming year being approximately 500 billion.

This burden is such that there is risk of compromising the financial equilibrium acquired with such difficulty and, in consequence, the results of the Marshall Plan. It is desirable in this respect that a misunderstanding be cleared up. The United States has requested the different countries signatory of the Brussels Pact that an added effort be made in connection with the defense of Europe. The French Government, however, has always understood that did not necessarily mean an increase of its military expenditures. This contribution is evident when one considers the exceptional circumstances which have led to an increase of the military expenditures of France in 1949.

In fact, the Minister of Finance estimates that if the amount of these expenditures goes much above 300 billion francs in 1950, the financial situation would be gravely affected. He would like in this respect to know whether these views correspond to those of the American representatives in order to avoid any misunderstanding.

After some discussion, Secretary Acheson advised the representatives of the French government that in view of the technical aspects of those questions the United States would need more time to

consider them. He said that recently a committee had been formed including representatives of State, Defense, and ECA. He would ask Mr. Surrey<sup>13</sup> of his staff to consult these three agencies and suggested that the French representatives contact Mr. Surrey. During the discussion, the American representatives agreed that the priority for France as for all European countries was to achieve rapid progress towards economic and financial recovery. This had been stressed in all MAP discussions.

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<sup>13</sup> Walter S. Surrey, Deputy Coordinator for Foreign Military Assistance Programs in the office of the Secretary of State.

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751.00/9-2249 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET      PRIORITY

PARIS, September 22, 1949—9 p. m.

3947. For the personal attention of Secretary and Under Secretary. Please pass to Foster ECA.

The Premier sent for me this afternoon. Schneiter, Acting Foreign Minister, was present. Queuille said he intended to talk absolutely frankly, stated that he felt his position and that of the government was less favorable today than it had been even during crucial period last year. Last year, he had possessed certain advantage in that economic situation of country was so desperate that he could carry through measures which were evidently for best interest of country as a whole by threatening to pose them on a vote of confidence. Such a situation no longer exists. Although the economic position of the country is better than it was a year ago, political considerations of an international character, aside from immediate difficulties in regard to the budget for 1950, and demands for a rise in wages, are of such a nature that the government had greatly lost prestige and he cannot rely on maintaining it in power, if France is subjected to any further disappointments and unexpected shocks. He went on to say that there had recently been three major incidents which had caused a large amount of questioning and, in the case of the last two, of bitterness in the country.

First was the decision on the division of ERP aid whereby Great Britain became the most favored nation, and as a result the French felt that the interests of France, as well as those of other continental countries, had been sacrificed to some extent to British claims. He said, however, that he personally realized the great importance of maintaining the economy of Great Britain on a stable basis and would not comment further on this subject except to call to my atten-

tion the fact that the decision made had met with a very unfriendly response from the French public and had weakened his political position.

The second incident was the devaluation of the British pound which had gone well beyond in magnitude anything expected by the French and had been handled by the British in a way which showed "a complete lack of loyalty" to and trust in the continental nations. Schneider added that the exclusion of France from participation in the three-power conference had wounded the sensibilities of the French people and had lowered the standing of the present French Government with its people. The Prime Minister said that the way in which the British decision was communicated to his representative Petsche was lacking even in the element of personal courtesy and that the necessity of France's taking an overnight decision on so important a matter was highly regrettable. Had not France, he said, led the fight in favor of liberalization of trade and exchanges in Europe, measures which he believed were ardently desired by the USA?

The decision in regard to the devaluation of the British pound and the way in which it was activated had perhaps negated the attempts of France to bring about such liberalization, and France might have to retreat from the measures which it had taken in this regard, many of which were unpopular with the French people. The pride of the French had been, he said, deeply wounded by the British action and their resentment was turning against a government which had been treated in such a cavalier fashion by at least one of its associates. He said that at Strasbourg the French in response to what they believed we wanted, and in spite of British objections, had done everything they could to further a European economic and political union and that now many people thought that the British were being aided by the Americans in a policy designed to run counter to the idea of such a union.

The third incident and the one to which he attached the greatest importance, as being that likely to be final straw that would break the French Government's back, was the question of the devaluation of the German mark without any provision being made for bringing about a single price for German coal for domestic use and for export. He had heard this afternoon of the result of the meeting on the exchange rate in Germany. He understood that the meeting had broken up after US representative had insisted upon a 25 percent devaluation and had stated an unwillingness to discuss the price of coal.

He had accordingly instructed François-Poncet<sup>1</sup> that as far as France was concerned, no agreement should be reached by the French representative without the express assent of the French Government.

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<sup>1</sup> André François-Poncet, French High Commissioner in Germany.

He said that he had understood that even the Germans had initially only asked for a devaluation of 20 percent and that he and his advisers were astounded that the Americans were insisting upon a higher rate than the Germans themselves had demanded. He stated that his Government felt that a devaluation of 10 to 15 percent was a proper one but they had unwillingly decided, in the interest of bringing about agreement, to accept a 20 percent devaluation provided a unitary coal price for export and domestic German consumption was coupled with it. Beyond this he said neither he nor any other head of a French Government would be able to go.

He said that the French had loyally supported programs designed to improve economic conditions in Germany, even when important segments of French opinion were opposed to such actions. He stated emphatically that he was absolutely unwilling, and in this feeling he was supported by his Cabinet unanimously and would be by French public opinion, to consent to a set-up whereby because of this drastic devaluation and a subsidy in effect out of Marshall Plan funds, the Germans would be given an unfair competitive advantage, not only over France but other European nations. He said that for a long time his government had done everything possible, not only to honor its agreements in connection with Marshall Plan, but had even taken dangerous steps to bring about a freer and more effective economy in Europe and that politically he had sponsored a friendly attitude towards Germany which it had been very difficult to persuade the French people to endorse.

Now he had come to the end of his ability or his government's to make a further concession of such a nature which was so obviously both to the advantage of Germany and to the disadvantage of France. I might say in conclusion that I have never seen Queuille (who is usually so calm) so disturbed and apprehensive. There is no question but that he regards the situation as being of the utmost seriousness for France and for the position of his government.

Sent Department 3497, repeated London 647, for Holmes, Frankfurt 61 for McCloy.

BRUCE

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851.00/9-2349 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET

PARIS, September 23, 1949—6 p. m.

3961. For personal attention of Secretary and Under Secretary. We learned last night that Wapler, Counselor of French Embassy, had arrived from Washington in morning with report Bonnet's last con-

versation with Secretary of State.<sup>1</sup> Conversation with him confirmed our feeling that while currency and coal aspects of German question are of utmost economic and political importance to France, full force of Queuille's agitation as reported mytel 3947, September 22, sprang from broader considerations contained in Bonnet's report which in substance announced to Queuille "historic policy decision" of US Government involving special economic relationship with UK and Commonwealth, independently of such relationship as might henceforth exist between US and continent. As interpreted by Bonnet, this meant complete break with principles of OEEC, Western Union and Council of Europe, leaving France alone on continent with Germans. According to Bonnet's report, he asked Secretary of State where France stood in American eyes and Secretary of State replied "US would facilitate French leadership on continent", to which Bonnet replies with rhetorical question in his report: "What guarantee have we that US will not in future transfer its backing for continental leadership from France to Germany?"

We gather that overtone of Bonnet's report is that continent has been sacrificed in favor of England, that in American eyes there was choice between US support for England and US support for continent and former won out, and that if it is US intention to support both equally, French have not been told so.

Against this background it is not astonishing Queuille spoke with so much vehemence on German mark rate and coal price question. Latter is of course old bone of contention but immediate French reflex to "being left alone on continent with Germans", with latter's demographic and industrial superiority to France, is that France—and indeed the continent—should not at the very outset of a possible new relationship with Germany be saddled with an exchange rate which would place the Germans in an even more favorable position.

I am unable of course to judge accuracy of Bonnet's report, and I urgently request you to inform me to what degree a major shift in US policy has taken place. If Bonnet is substantially inaccurate we should act immediately to correct the impression he has created. Perhaps I could be helpful in that regard. If Bonnet is right, the revolutionary implications have caught French flatfooted and without any psychological preparation.

Queuille's remarks to me speak for themselves. With careful preparation of public opinion, idea of British desolidarization from continent might in time be sold to French public if they were sure of four things:

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<sup>1</sup> For additional details on the conversation in question, see telegram 1188, September 26, from New York, p. 338.

(1) US special economic relationship with UK does not put latter in favored position regarding continent.

(2) British desolidarization from continent is economic only and does not extend to military or strategic concepts; and US has not abandoned idea of defense of continent in favor of retiring to bases in England and Spain in event war with Russia.

(3) US interest in continental European political and economic organization continues as active as ever.

(4) On continent itself Germany will not be American pet in economic matters to detriment of France and other western neighbors.

As to position Queuille, Schuman and entire government, I need not reiterate precarious internal political situation in which they would have found themselves this autumn even if Washington financial talks had had more favorable outcome for France. Queuille's present fear is—and a very well-grounded one in my opinion—that if his opponents from Communists to Gaullists and Right can make out that at Washington Schuman and Petsche failed to defend France's position relative to England and Germany, his government will fall.

I have described effect on Queuille of Bonnet's report. I anticipate that similar reactions will spread rapidly through French press and public opinion, which are increasingly uneasy. I therefore recommend that you take immediate steps to dispel impression here and elsewhere in Western Europe that Anglo-Saxon bloc has been formed or, if it has been, that in US eyes continental interests are now considered of secondary importance. It must be remembered that Germany is considered here as US ward and that fear of her resurgence, while somewhat attenuated in recent months, is basically latent and remains one of the most powerful political factors in France.

From this distance, an authoritative public statement aimed at covering four points which I have enumerated above and perhaps drafted in consultation with Schuman in New York would appear to be the most efficacious means of dealing with this problem.

Sent Department 3961; repeated Frankfurt 63 for McCloy, London 651 for Holmes.

BRUCE

851.00/9-2349 : Telegram

*The Acting Secretary of State to the Secretary of State, at New York*<sup>1</sup>

TOP SECRET

WASHINGTON, September 24, 1949—2 p. m.

496. For the Secretary. If you approve we will send following reply to Paris 3961, Sept 23. *Begin reply.*

<sup>1</sup> Secretary of State Acheson was attending the Fourth Regular Session of the General Assembly of the United Nations, at New York.

Bonnet's report as described in 3961 bears little relation to facts and appears to be interpretive speculation of his own based primarily on columns by Alsops and others. We know of no statements by Secretary or other responsible officials from which such interpretations could reasonably be derived. Memos of principal conversations en route to you by airmail.<sup>2</sup>

Following indicates general trend of our thinking on these problems.

World today requires development of new and probably radical methods of dealing with economic and political problems which respect no national frontiers. Problems are of divergent character and scope and affect different areas in different degrees. Consequently, agencies and machinery for dealing with them vary widely in nature and differ and overlap in membership, as for example, Benelux, Brussels Treaty, OEEC, Council of Europe, Atlantic Pact, GATT, and UN.

Ultimate objective is provision of machinery for dealing effectively with such problems on worldwide basis. In near future, progress depends upon developing means for dealing with specific problems among small numbers of nations most directly concerned and gradually building outward from such nuclei. Current efforts of Fr, Belg and Italys to liberalize trade and financial arrangements, with which we are most sympathetic, are one example. Anglo-Canadian-US talks are another example. Neither should in any way be exclusive but serve to promote wider arrangements. We certainly have no thought any US relationship with UK or Canada being independent of relationship of US or others to continent, of continent having been "sacrificed in favor of England" or of putting latter in favored position regarding continent, of Brit "desolidarization" from continent, of US losing interest in continental economic, political or strategic problems or European integration. On contrary, our thought is exactly reverse, as should be clearly evident from our participation in economic and military fields.

In recent conversations we have repeatedly emphasized to Fr importance we attach to European integration. We have also emphasized our belief German problems can only be solved in European framework. We feel strongly (though we have probably not informed Fr adequately of our thought) that problem of UK relationship to European integration can only be solved in Atlantic framework, which latest tripartite discussions should facilitate. *End reply.*

If you approve, your calling in Schuman and taking same line with him would be more effective than anything Bruce can do and would provide best basis for Bruce's continuing efforts.<sup>3</sup>

WEBB

<sup>2</sup> Not printed.

<sup>3</sup> In telegram 1186 from New York, September 25, Mr. Acheson approved the proposed reply, which had been drafted by Theodore C. Achilles, Deputy Director of the Office of European Affairs. It was sent from the Department of State to Paris as telegram 3618, September 26. For an account of Mr. Acheson's conversation of September 26 with Mr. Schuman, see telegram 1188 from New York, p. 338.



840.20/9-2949 : Telegram

*The Acting Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, October 4, 1949—8 p. m.

3773. For Dickinson from FACC, attention Ambassador Bruce and OSR. Discussion with Alphand Washington on 1950 Fr mil budget did not envisage kind of review of Fr budget suggested by list of questions (ref Paris 4064, Sept 29<sup>1</sup>). FACC concerned basically with manner and extent to which Fr carrying out principle of mutual aid and self-help (without jeopardizing recovery) stated both text of WU request US mil assistance and Atlantic Pact. Specifically FACC concerned extent to which Fr fulfill undertakings re defense of Atlantic Pact area including increased military production for use defense same area. Since Fr have indicated willingness to discuss their budget prior submission to assembly, FACC believes that Emb and ECA mission shld examine Fr budget on basis its relation to achievement ECA and OEEC recovery objectives for 1950. This year ECA placing emphasis on achieving internal financial stability. Hence, attention shld be given possibilities balancing Fr budget. We assume ECA mission has judgment on ability Fr to raise and collect taxes. Within total Fr budgetary expenditures, retrenchment in spending shld not in judgment FACC be limited exclusively mil budget for North Atlantic area defense, particularly if budgets other ministries have not been examined with view to pruning. Fr mil budget might also be examined to ascertain proposed pattern expenditures in relation both Fr undertakings on defense NAT area and possibilities effecting savings such as suspending construction aircraft carriers. In this connection total budget expenditures for NAT defense need not increase same extent as budget outlays for increased mil production especially if real economies in expenditures for Fr mil establishment can be effected. Answers ur questions follows:

1. Fr shld, if they believe their mil budget shld be examined by WU Org prior submission to Assembly, request meeting WU Fin Min or FEC. This is matter for Fr themselves to work out with WU Org. US shld not make any suggestions on this subject. Emb Mil Attachés have no concern or responsibility in this matter.

2. Fr themselves shld make judgment increased efficiency Fr mil by reorg and elimination non-essentials. Basic criteria is ability Fr fulfill undertakings under WU and NAT for defense NAT area, as well as undertakings in requests WU for mil assistance. Forums wherein judgments other interested nations can express views re ability Fr fulfill these undertakings are WU Org, developing NAT

<sup>1</sup> Not printed; in it Dickinson requested FACC's guidance on procedures for analyzing and evaluating the French military budget being prepared for presentation to the National Assembly about October 18 (840.20/9-2949).

Org, and possibly bilateral Fr-US informal discussions subject to 4 below.

3. We have no knowledge here of any JCS statement to Fr mil re 1950 Fr mil budget. FACC assured JCS wld not make such stmnt on own responsibility since subj of mil budget is not strictly mil matter.

4. Absolutely no statement, formal or otherwise, shld be made to indicate US "review" Fr mil budget. US has no intention commit itself to budget of foreign Govt, particularly before such budget submitted Parliament that country. Adherence this principle imperative since US wld not want its proposed mil budget reviewed in NAT Org prior submission Congress.

5. You shld advise Fr that schedule is for shipments follow signing of bilateral agreements and appropriations action expected this session. For your information only there is possibility some shipments out of RFC advance prior final appropriations action, if delayed. Advise Dept and FACC on discussions with Fr.

Repeat to London for ECC as 3614.

WEBB

851.00B/10-749 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, October 7, 1949—8 p. m.

4232. Department may be interested in following data and observations on Communists' strategy and tactics as seen from Paris as we enter period of government crisis.<sup>1</sup>

Working class here had been led to believe that period of price deflation had at last arrived and consequently that gradual decline of prices at least of essential goods was in sight. This anticipation has not been fulfilled and workers have been confronted even with sporadic rise in certain essential commodities. Consequently Communists who all along have propagandized to effect that no price reductions could be expected from "capitalist regime of profiteers" now appear to make sense to broad masses through growing "psychosis of inflation" and unfortunately anti-Communist labor movement that had based its policies on anticipated price stabilization has seen rug pulled from under foot and CTC has taken steps to engage in united front with CGT and CGT-FO and CGC. Communists perceive that labor demands are now entering stage where political strikes are possible and are encouraged by fact that no less conservative labor leader than Bouzanquet dares talk about possibility of "insurrectional strikes" should concessions not be made to workers. CP also encouraged by possible adverse consequences devaluation. Three days subsequent to

<sup>1</sup> Henri Queuille had resigned as President of the Council of Ministers on October 5 in a dispute over wages and prices policy.

British devaluation "international fraction" for trade union work under Cominform issued secret instructions through WFTU (special Secretariat under Tollet in Paris) that may be briefly summarized as follows:

1. Immediate broadening of demands on basis of free collective bargaining with termination of frozen wages and establishment of wage minimum, coupled with agitation for freedom of all labor activity.

2. Establishment of sliding wage scale for protection of workers' purchasing power.

3. Combination of immediate labor demands with continued "struggle for peace".

4. Acceleration of campaign for united labor action (through committees of united action in all important plants) and preparation of combined strikes in metal, mining, transportation, civil service and ports.

5. Major objectives to be simultaneous strikes throughout Western Europe under coordination of WFTU.

While at present juncture there are no grounds for believing that Communists can succeed in effecting "political strikes" such as that of last November, then the danger that CP may be able to organize strikes that ostensibly are "professional" and non political but which actually serve CP and Soviet cause. Communist thesis that present "regime" as represented by recent Queuille Cabinet is preparing for war and that Marshall Plan and North Atlantic Pact entail impoverishment of working class owing to crushing burden of military budget, Indo-Chinese war, et cetera, is beginning to make sense to masses owing particularly to failure of government to make concessions regarding salaries. Communist "peace" program, which they have linked with immediate demands of labor and government employees, is gaining strength especially among war veterans, deportee and resistance groups which are also particularly sensitive to CP propaganda to effect that United States is permitting Nazism to raise its head in Germany.

The most level headed leaders of FO are deeply worried over situation and have confirmed accuracy offer [*our?*] impression that Bouzanquet's recent declaration before Anglo-American Press Club about possibility of "insurrectional strikes" was not off-cuff statement but was fully approved by FO leadership.

Sent Department 4232, repeated Rome 149.

BRUCE

851.20/10-1249 : Telegram

*The Secretary of State to the Embassy in France*

TOP SECRET

WASHINGTON, October 12, 1949—7 p. m.

NO DISTRIBUTION IN DEPARTMENT

3890. Eyes only for Amb. Yesterday we initiated discussions with French Counselor Daridan and Gen Ely<sup>1</sup> on mil facilities in Fr territory. Lt Gen Gruenther represented Dept of Defense in these initial talks. Substance conversation fols:

We directed attention to close informal cooperation which has existed between US and Fr Reps in polit field during Atlantic Pact negots and subsequent implementation. We expressed confidence that similar spirit of cooperation will obtain in mil field. Certain problems of politico-mil nature which will be worked out in detail in Atlantic Pact planning but on which certain immed steps shld be undertaken include question of mil facilities in Fr territory. Question of what facilities shld be estabd or maintained in Atlantic Pact area in order to contribute to common defense will be treated in its entirety under Pact. However, US has been reviewing question and believes immed steps indicated with respect certain mil facilities which US considers necessary to enable it to be in a position to discharge effectively its obligations under Pact. We desired at outset to outline our ideas in gen terms and arrange for detailed discussions in near future. As an indication of our thinking there are certain requirements with respect Fr North African territory which require study. For example, removal of existing restrictions on landings at Port Lyautey and other fields in North Africa; estab and maintenance of certain other mil facilities at various points in North Africa; stockpiling certain items such as POL supplies, rations, ammuniton, etc. at certain points in North Africa; review of existing arrangements with respect facilities in Fr territories in Pacific; standardizing air transit agreements with respect all Atlantic Pact countries. In metropolitan Fr we are interested in making provision for a line of communications across Fr to our forces in Ger. It is recognized that in case of conflict our present line from Bremerhaven might become unusable, hence need for additional lines to West and South. Proposed LOC across Fr wld be operated on more or less skeleton basis for time being, handling approx 20% of our supply to Ger. In connection with this line of communications we wld wish to stockpile certain materials, e.g., POL, rations, etc. in certain Fr port areas and other LOC centers (as Fr have indicated hope we wld do). We mentioned financial arrangements for such facilities and said we were not in a position to discuss these in detail but hoped in near future to be able to indicate what US wld pay and what we wld expect Fr to pay.

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<sup>1</sup> Gen. Paul H. R. Ely, French member of the NATO Standing Group.

We suggested that this talk shld be followed by detailed conversations with appropriate officers of Gen Ely's staff and of Emb beginning next week. Gen. Ely and Daridan were obviously pleased with exposition and stated their govt's belief that these and allied questions shld have immed attn. They promised full cooperation and said they wld be ready begin detailed discussions at any time. Ely indicated his agreement with our thinking on most points raised during conversation.<sup>2</sup> Whole atmosphere one of working together in common interest.

We mentioned MAP bilateral agreements and said we expected have draft ready for them within few days. We said present discussions had been initiated in order make clear that mil facilities we sought were in no way a *quid pro quo* for US mil assistance but rather facilities which we believe necessary to enable us to fulfill our responsibilities toward common defense under Pact. We emphasized necessity for devotion to principle of mutual aid as affecting all countries under Pact. Fr expressed appreciation for manner in which question was being handled and agreed wholeheartedly that mutual aid must be keynote.

FYI we are undertaking similar discussions during next few days with other countries in whose territory we desire facilities. We hope Fr will lead way in reaching satisfactory agreements for mil facilities. Success of operation depends to large extent on example which they set as to mutual aid and cooperation. We shall keep you informed currently.

ACHESON

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<sup>2</sup> Detailed discussions were carried on in Washington and Paris, and on December 12 Embassy Paris reported that French military authorities had completed a preliminary staff study and that survey teams were expected to begin work soon (telegrams 4092 to Paris, October 27, 2 p. m., and 5204 from Paris, December 12, 5 p. m., 851.20/10-2749, 12-1249).

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

CONFIDENTIAL

PARIS, October 22, 1949—5 p. m.

Toeca 1295. Counterpart Series No. 65.

1. Following dispatch our Toeca 1280,<sup>1</sup> mission continued to question appropriateness of monthly release of counterpart at end of Oc-

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<sup>1</sup> Not printed; this telegram of October 13 reported on economic complications related to the political crisis following the resignation of Queuille's cabinet on October 5 in a dispute over wage demands by labor groups. The ECA Mission had informed French officials that it "could no longer recommend monthly release

Footnote continued on following page.

tober in absence of economic program. Schweitzer<sup>2</sup> informed mission on October 20, after Moch failed to form government and when Mayer-Petsche Cabinet seemed a near certainty, that Queuille and Petsche wished to withdraw request that ECA consider approving release in October. Schweitzer asks that ECA consider this arrangement as regularization of the 30 billion franc temporary advance authorized by Administrator in early August. This request seems reasonable to me. If necessary to avoid any inaccurate and unfortunate political interpretation of no release in October, French could publicly announce that purpose was to provide regularization of advance in August. See Toeca 1120.<sup>3</sup>

2. According to director of Treasury, the expected flow of French Treasury receipts should be adequate to avoid necessity of recourse to advance account at Bank of France until heavy end-of-month November payments begin. My hope is that an early solution to French political crisis will enable mission to consider before that time the advisability of continued monthly releases within framework of economic and financial program of new French Cabinet. If political crisis continues it may complicate above arrangements. You will be kept advised.

BINGHAM

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Footnote continued from preceding page.

of counterpart for investment expenditures until a new French Government had set out a program for continued progress towards ERP goals. . . ." Petsche in reply had "stressed that Queuille administration had been violently criticized in certain quarters as 'doing the bidding of the Americans' and that, if there is no release in October, it would certainly be publicly interpreted as US dissatisfaction with new cabinet". (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

<sup>2</sup> Pierre Paul Schweitzer, Secretary General of the French Interministerial Committee for Questions of European Economic Cooperation.

<sup>3</sup> Not printed.

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, October 26, 1949—7 p. m.

Toeca 1302. French Mission has been seriously concerned for several months over disturbing reports alleging waste and misuse of ECA-financed imports, particularly equipment, in French West Africa. On basis earlier reports, particularly dispatches from Consul General Jester,<sup>1</sup> Mission has taken following steps:

1. Informed French Government six weeks ago of our concern at disturbing reports received, and requested government investigation.
2. Representative Controller's office this mission now in Dakar on second end-use check visit.

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<sup>1</sup> Perry N. Jester, Consul General at Dakar.

3. George Clemens, construction engineer OSR proceeding to Dakar October 28 for examination construction projects and use ECA equipment.

Since above, have received Dakar Consul General dispatch 85<sup>2</sup> which includes lengthy and detailed report by Moreland and Robinson, members Consular staff, on basis three months' 9000-mile trip through French West Africa. This report furnishes abundant information concerning alleged improper planning and wasteful utilization equipment, much of it presumably ECA-financed. Report thus affirms and documents earlier more general allegations. Mission now has under consideration three steps for pursuing this matter if further inquiry warrants.

1. Recommendation withhold procurement authorizations under new allocations French West Africa pending further investigation.

2. Formal notification French Government our concern and insistence remedies be promptly sought.

3. Dispatch to West Africa of strong mission team to review situation and develop remedies in consultation local authorities.<sup>3</sup>

These three steps, now under consideration, have very serious implications both US and France, and will not be decided until after consultation with Hoffman and Harriman in Paris early next week.

In meantime, would appreciate your discussing with State Department possibility our disclosing to French authorities appropriate portions Moreland-Robinson report. . . .

In view delicacy this subject, request distribution this telegram be limited.

BINGHAM

<sup>2</sup> Not printed.

<sup>3</sup> In telegram Ecato 935 of October 28 the Acting ECA Administrator (C. Tyler Wood) expressed agreement in general with the recommendations and commented: "We also believe that insufficiency of information on overall overseas territories program must be remedied. As result West African reports strongly urge that you should use all means you consider desirable to obtain full and adequate knowledge of programs, plans, intentions, and use of ECA materials in all overseas territories." (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato)

ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Acting Administrator for Economic Cooperation (Foster) to the  
ECA Mission in France*

CONFIDENTIAL

WASHINGTON, October 27, 1949—8 p. m.

Ecato 930. Reference Toeca 1295.

1. Contents reftel have been discussed with interested Washington agencies and following are agreed views.

2. We understand French proposal to "regularize" at this time 30 billion franc advance made in August means that French have raised

30 billion francs from their own resources with which to cover investment expenditures during month of November which were originally scheduled for ECA counterpart financing. In this respect, it is matter of indifference whether no release is made and French cover their investment expenditures from own resources, as we understand is now proposed, or whether we accept repayment of 30 billion francs from the French and, in turn, release the same amount for the scheduled investment expenditures in November. French proposal to cancel obligation of 30 billion francs is in effect equivalent therefore to release of counterpart funds. If proposal is accepted, ECA would presumably receive list of investment projects totalling 30 billion francs which will be financed during month November and possess breakdown total investment expenditures which corresponds to sum which has actually been released for this purpose.

3. If our understanding of regularization is correct, then we perceive no objection to French proposal contained Toeca 1295, provided that you are satisfied that French have not, in fact, been able to raise the necessary funds only by resort to inflationary financing. We do not have sufficient information on present nature and magnitude of inflationary financing to determine whether or not this is the case. If you feel that the French Government has actually raised the funds by inflationary means then we believe that the Mission should decide whether it wishes to raise the issue of French breach of their anti-inflationary commitments at this time. It may be technically impossible to refuse "regularization" if it is offered; the appropriate procedure would probably have to be to accept the French offer of 30 billion francs as a regularization of the August advance and announce now that we would not concur to an additional release for November investment expenditure. French would probably withdraw their offer, however, rather than face this alternative. Question of appropriateness of unilateral French or concomitant press releases and grounds selected to explain situation to public will depend your final decision on acceptance of regularization. Please advise.

4. We believe that this decision is essentially a political one which can only be made by the Mission on basis your appraisal of the most appropriate time for enforcing anti-inflationary commitments and best means of utilizing our bargaining position. Same considerations apply to question of bringing to bear ECA influence, working through counterpart fund, on present discussions 1950 French budget. We share your concern about the continuing deficit of 1950 French budget and appreciate your extensive reports on this subject. Please pass to OSR.

FOSTER



ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Administrator for Economic Cooperation (Hoffman) to the  
Chief of the ECA Mission in France (Bingham)*

SECRET

WASHINGTON, November 11, 1949—6 p. m.

Ecato 980. Reference Toeca 1339.<sup>1</sup> Personal for Bingham from Hoffman.

1. Very much regret that arrangements for joint handling with French Govt of French West Africa situation have not been approved by French Govt. Fully appreciate difficult position in which this places you and rest of us in ECA. This cable outlines action we propose to take and includes suggestions for future action.

2. Problem breaks down into two parts: (a) What action ECA needs to take and (b) what arrangements should be made to minimize or offset effects of unfavorable premature publicity.

3. With respect to 2(a) considering seriousness of reports received from US Govt officials in Dakar, I believe I have no alternative but to take steps to hold up further use of US federal funds in connection with imports into French West Africa until full investigation confirms or corrects reports already received and until a system has been worked out for the administration of aid in French colonies which will insure effective use of ECA assistance hereafter. Paras 5, 6, 7 outline action we believe is immediately necessary, and para 8 discusses action to ascertain all relevant facts and develop remedies.

4. With respect to 2(b) believe every effort should be made to avoid premature publicity on this situation until we are sure of facts as a result your investigation. In accordance your suggestion, we will take these measures in as routine and confidential a manner as possible making no formal announcements. However I am sure you will agree that avoidance of premature publicity should not cause a modification in action which seems to me necessary in view of Dakar reports. Since possibility of premature public knowledge exists, it may eventually be necessary to issue some kind of public statement. It would be better to issue such statement in association with French Govt, to avoid reaction in US that, while ECA is attempting to protect Amer taxpayer, same cannot be said of French Govt. If joint handling not possible, believe we must be free if and when necessary to issue some public statement anyway. Note from your para 7 that you are drafting proposed release for eventual use if necessary.

5. Reports from Dakar indicate that main reason for waste and misuse of US aid is inefficiency of French Colonial Govt in handling of requirements planning and allocation of funds and follow-up on

<sup>1</sup> Not printed.

distribution and end-use of equipment and supplies. In absence of reports one way or the other, there exists possibility that similar problems exist in other French colonial areas and in French North Africa. Action taken and proposed to be taken by ECA must take this possibility into account.

6. I have instructed ECA/W staff for time being to limit to metropolitan France only issuance of any procurement authorizations or letters of commitment. Plan is to maintain this suspension until measures outlined below are taken. Total of up to \$100 million 1949/50 allotment intended for DOT's and North Africa will necessarily be immobilized.

7. In order prevent further Amer funds from being used to send supplies to French West Africa until all facts are known, we are planning to advise the Amer banks which have letters of commitment under outstanding PA's for French DOT's to stop issuing letters of credit for goods going to FWA except Togo. This suspension will apply to: Mauretania, French Sudan, French Niger, Dahomey, Ivory Coast, French Guinea, Senegal, and Upper Volta. You should advise the French to stop issuing sub-authorizations to same destinations. Where hardship cases are presented by Amer suppliers resulting from this action, we will refer them to the French; you should request French to use their own funds to complete payments on outstanding commitments where necessary.

8. Remedial action should be started at once. Believe it should consist of following elements:

a. Investigation in FWA by Mission and by French Govt, separately if necessary, which we realize is already in progress. Scope of Mission's investigation should include not only examination into any past abuses but recommendations on administrative measures to prevent abuses in future.

b. To extent you consider it necessary, some investigation in other areas, (particularly Morocco) where degree of economic development and system of colonial administration may indicate possibility of similar trouble.

c. In future, believe ECA aid for any underdeveloped area such as FWA should be on a basis which permits adequate review of proposed end-use of ECA-financed equipment and supplies prior to issuance of procurement authorization. Thus, resumption of aid on any particular items for any French colonial areas should I believe be the result of a positive finding that equipment or supplies requested are required for an adequately planned project or other use. This prior consideration will make PA's issued for DOT's more analogous to project procedure than to normal issuance of PA's for regular commodity codes, although of course there is no thought of applying to them the present "industrial project procedure" as such.

d. I hope that Robert Blum<sup>2</sup> can return from Dakar with suggestions for manner of administration of aid in FWA and other DOT's along lines of sub-para c. If you agree, I believe it would be well to instruct Blum to discuss with French colonial authorities ways of revising existing procedures to insure prior review.

e. We will consider resumption of issuance of PA's for any territory upon submission to ECA (in first instance to French Mission) of adequate information on plans, programs, and intended use of requested items for import. Any such requests should include not only justification in terms of their contribution to economy in the area and French union as a whole, but to specific arrangements made for management, training, and other phases of adequate administration and use of requested items.

9. Please consult with Harriman and Bruce,<sup>3</sup> and in whatever manner seems appropriate to all of you, please express directly to Bidault<sup>4</sup> my concern about reports we have received and our desire to do everything possible with cooperation of French Govt to minimize impact of the publicity which is probably inevitable. I am concerned that, even if ECA position in eyes of public is safeguarded by actions described above, French Government will be subjected to damaging criticism here if it attempts merely to explain away practices which appear Dakar reports to be both widespread and well-documented. You may inform Bidault that while we will not of course come to any final judgment about situation in FWA until our own investigation is complete and we have the benefit of any facts brought out by investigation initiated by French Govt, I cannot as administrator of US public funds be in position of hesitating to suspend any operation which there is reason to believe may result in waste or misuse of funds contributed by Amer people through their Govt to Marshall Plan.<sup>5</sup> Pass to OSR personal for Harriman and Katz.<sup>6</sup>

[HOFFMAN]

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<sup>2</sup> Robert Blum, chief of the Overseas Territorial Development Division of the ECA Mission in France.

<sup>3</sup> David K. E. Bruce, Ambassador in France.

<sup>4</sup> Georges Bidault, President of the Council of Ministers of the French Republic.

<sup>5</sup> In Toeca telegrams 1356, 1358, and 1369 from Paris, November 13-16, not printed, Bingham reported that conversations and an exchange of letters with Hervé Alphand, Director General for Economic, Financial, and Technical Affairs in the French Foreign Ministry, had led to substantial agreement on procurement procedures. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

<sup>6</sup> Milton Katz, Deputy U.S. Special Representative in Europe.

ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET    PRIORITY

PARIS, November 21, 1949—8 p. m.

Toeca 1392. Pass State and Treasury. Counterpart Series No. 68. Last week we precipitated talks on counterpart by informing French Government<sup>1</sup> that under a strict interpretation of letters on counterpart our tentative estimates of inflationary borrowing by French treasury suggested that counterpart balances now in special account should be considered as not available for release for 1949 investment expenditures. Purpose of our action was not, of course, to require blocking but to stress to French Cabinet importance attached by ECA to sustained application of consistent program for economic and financial stabilization.

Petsche asked to see Harriman, Bruce and myself immediately. Clearly under strain from current cabinet discussions on budget and economic program, Petsche presented us with moving appeal on absolute necessity to continue release of counterpart in 1949 even though such a release may not be justifiable within strict technical terms of previous exchanges of letters. With repeated references to standards ECA required of France comparison to standards required of other countries, he pointed to obvious economic improvement in France which had resulted from our previous confidence in him and emphasized his 1950 budget which, with some victories and some defeats, he had fought through cabinet. Petsche stated flatly that, if he were forced to lift ceiling of advances to state at Bank of France at this time, it would destroy degree of stability attained. More serious than that, if cabinet raised question of new recourse to Bank of France during budget debate, Parliament would immediately "rush through this door" and refuse to approve new taxes requested while at same time increasing expenditures. Throughout discussion, Petsche hinted strongly at serious cabinet dissension on economic and financial program. In his view, refusal to release counterpart now in face of favorable economic results in past year would be interpreted as lack of confidence on part of United States and would lead to almost insuperable difficulties in present French Government. This is aside from question of his own resignation before he would lift ceiling of advances at central bank. Without counterpart, unless he is successful in obtaining proposed Swiss loan for SNCF, he is faced immediately with this

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<sup>1</sup> A new Cabinet headed by Georges Bidault took office on October 28. Maurice Petsche continued to serve as Minister of Finance and Economic Affairs, and Robert Schuman as Minister of Foreign Affairs.

decision. According to Petsche, Schuman is entirely in accord with his views and is anxious to discuss entire question with us before any precipitate action is taken.

In subsequent conversations we informed Petsche that difficult economic and financial situation in November had been expected for some time and that in connection with previous releases ECA Washington had requested adequate opportunity to review its position before additional releases were made. Petsche replied that without miracle December 5 was latest date he could wait. We informed Petsche that if his representatives would speed up preparations, we would urge Washington to complete its review by that time.

We stressed to Petsche that our basic concern was threat of a new price inflation in France. If such a development is not forestalled, new price-wages spiral would be inevitable, serious social and political crises would almost immediately result, any chance of liberalization of trade and payments on the continent would be torpedoed and, on the whole, European as well as French recovery would receive a serious setback. We asked Petsche to understand that, in the interests of France and of the other participating countries, ECA must avoid being identified in any way with such an economic deterioration in France. Next year, maintenance of remarkable recovery in France would considerably aid ECA in demonstrating that European recovery program is succeeding despite less dramatic progress in certain other respects. We told Petsche that if we were to justify a release of counterpart in December, our recommendation would be considerably strengthened if we could demonstrate that French Cabinet is fully cognizant of the problem of a threatening inflation and deterioration of public finances, and has program to forestall such developments. We urged upon Petsche the two lines of action on prices which seem immediately open to him. First is reinforcement of credit control and, second, a more rapid introduction of foreign competition through increased imports made possible by large cushion of unused drawing rights available to France.

We also asked that French Cabinet note undertaking in bilateral agreement to maintain financial stability. In our view, if efforts of French Government do not succeed in maintaining reasonable price stability, ECA could not, under terms of ECA act, agree to release of counterpart for expenditures in 1950 until such stability was again attained. In specific reply to request by Petsche for ECA commitment to release counterpart on annual basis as he has tentatively provided in 1950 budget, we indicated that for so long a time as shadow of renewed price inflation hangs over France, ECA must reserve right to review

question of counterpart releases for expenditures, at least on quarterly basis.

Petsche made some preliminary comments yesterday. He gave usual comments on credit: (1) production times prices is higher than money supply; (2) business interests are strongly opposed; and (3) controls have no effect on nationalized industries nor on certain private industries with adequate self-financing. However, he said Baumgartner is now preparing certain specific measures to increase effectiveness of credit controls as anti-inflationary weapon. He cautioned that end of year is period of tax payments and that Baumgartner would have to take this into account.

On trade liberalization Petsche was less specific. He stressed need for time to overcome opposition from private interests, particularly agricultural. He underlined that this opposition was reflected strongly in French Cabinet itself. He pledged himself to keep his undertaking on the fifty-percent resolution of OEEC but said his task would be made much easier if he could demonstrate in his own government that France was receiving benefit of an equivalent trade liberalization in other countries. He made usual references to large percentage of government purchases in United Kingdom and referred to lukewarm reception given by Italy and Netherlands to French proposal for trade liberalization within regional grouping. He was not sanguine about his success if he is forced to appear to be liberalizing unilaterally.

We are inclined to agree with Petsche that refusal to approve further release of counterpart in 1949 would be interpreted as unjustified punitive action and would do more harm than possible good. Nevertheless, we intend to continue to make present informal representations to French Government and to discuss question on above lines with Schuman and, subject to his views, with Bidault. We are not, of course, in a position to estimate results of this approach, but it is becoming increasingly clear that continued strong representation of US views will be useful in counteracting threatening deterioration of economic policy of present cabinet. We request that you begin your review of French economic situation immediately. Necessary information has either been sent or is currently being forwarded to you by airmail. Full statement of our representations to French Government also being airmailed.

Harriman and Bruce have participated in discussions and concur in this message.

BINGHAM

851.20/12-349 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

TOP SECRET

PARIS, December 3, 1949—noon.

5106. For MacArthur<sup>1</sup> (no distribution) from Bohlen<sup>2</sup> and Galloway.<sup>3</sup> After the general meeting this afternoon reported in our 5105,<sup>4</sup> Mr. Renaud,<sup>5</sup> General Cherrière's deputy, asked us to stay behind to discuss some other aspects of the US facilities requests. He had with him a representative from the Foreign Office and Ministry of Finance. Renaud said he would wish to discuss:

1. The juridical status of American military personnel which would be on French soil when the facilities arrangements went into effect. In this connection Renaud laid considerable emphasis on the point of sovereignty and French public opinion with regard to foreign military personnel here and also in North Africa. He said that French Government was particularly anxious that there should be no appearance in North Africa of any infringement of French sovereignty.

2. The question of the financial agreement. He was told that we had no instructions or authorization to discuss these aspects of the matter at this time since the purpose of the American group here was only to examine from the technical point of view the LOC and other facilities and not to deal with these questions which would be treated subsequently in negotiations between governments. We said, however, that we would of course be glad to hear what French had to say on these points if it was clearly understood we could not negotiate or even discuss these aspects at present time.

Renaud and Foreign Office representative indicated they would propose that five-power Brussels arrangement covering the status of military personnel of one country on territory of the other be utilized to deal with the American military personnel which would be in France when these arrangements went into effect. (As you know, French will propose this five-power pact as basic for regulating status of MDAP personnel in France, a copy of which Gros took with him.)

Representative of Ministry of Finance indicated they would like to have the financial question treated in accordance with arrangement which now exists for Graves Registration Service following lapse on November 30 of previous agreement, i.e., whereby French quartermaster receives funds directly from US Army rather than making advances as heretofore.

<sup>1</sup> Douglas MacArthur, 2d, Deputy Director of the Office of European Regional Affairs, Department of State.

<sup>2</sup> Charles E. Bohlen, Minister at Paris.

<sup>3</sup> William J. Galloway, of the Office of European Regional Affairs.

<sup>4</sup> Not printed.

<sup>5</sup> Pierre J. M. Renaud, Adjunct Secretary General for French National Defense.

We again repeated we were not in position to discuss any of these questions and pointed out in regard to matter of financial arrangements that until the fundamental question of division of expenses was settled between the governments, it was manifestly impossible to consider details of any arrangements at this time.

The French are obviously anxious to start negotiations on these subjects and will undoubtedly attempt to raise question again. Unless otherwise instructed we will continue to maintain position we took this afternoon, namely, that this is a matter for governmental negotiations and not for discussion here at this time in connection with teams of experts examining facilities question. We do feel, however, that in Washington a careful examination should be given to Brussels Pact on status of military personnel. If suitable, it might simplify problem here, avoid delay, and, in addition, provide a precedent for other countries from whom we are or will be requesting facilities.

BRUCE

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato : Telegram

*The Acting Administrator for Economic Cooperation (Foster) to the  
ECA Mission in France*

SECRET

WASHINGTON, December 6, 1949—9 p .m.

Ecato 1057. 1. French counterpart policy has been reviewed by Working Group of NAC agencies and following action jointly agreed upon.

2. We approve final release of 37 billion francs for investment expenditures during month of December. Approval of this release, despite our dissatisfaction with French performance relative to commitments against inflationary financing, reflects conviction that failure to release at this time would not accomplish any improvement in French monetary policies during coming month and that adverse political repercussions of failure to release at this time would outweigh possible benefits. Approval of regularization of 30 billion franc advance on basis of bookkeeping transaction involving simultaneous release of funds and repayment by French Treasury has already been granted (Ecato 930).<sup>1</sup>

3. We propose that release of 37 billion francs for month of December be approved in form of exchange of letters between you and Petsche, contents of which should differ somewhat from proposal con-

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<sup>1</sup> October 27, p. 673.



tained in Toeca 1416.<sup>2</sup> Suggested changes in text of the two letters are as follows:

(a) French Government statement in connection with request for release of 37 billion francs appears unduly self-congratulatory and minimizes significance of recent inflationary developments as well as magnitude of French budgetary deficit and breach of anti-inflationary commitments as indicated in first para of Toeca 1419.<sup>3</sup> Statement on improvement in trade balance should also be modified to indicate unsatisfactory performance in crucial sector of dollar exports. To extent that you have influence over text of Petsche's letter, we suggest that you attempt above revisions to make letter conform more closely to actual developments.

(b) Suggest your reply take following line:

In first 8 months of 1949 French Government had made impressive progress towards restoring stability to French economy. Through its efforts to maintain over-all Government expenditures within the Law of Maxima, to raise additional revenue, and to support credit controls in the face of strong opposition, it succeeded in bringing series of inflationary movements in France to a virtual halt.

During the last 4 months, however, these movements appear to have taken on new life and we are disturbed about possibility that they will gain still further momentum and proceed to point where they may impair French recovery effort.

This development makes all the more pertinent the assurances that French Government gave the US during the course of past year concerning measures it would adopt to combat inflation in France. These assurances, which were contained in Petsche letters of April 26 and August 5, 1949<sup>4</sup> concerned non-inflationary financing of French budget during 1949, maintenance of credit controls, and progressive freeing of external trade and payments. These measures have not in past several months been fully carried out and if appropriate policies are not adopted in future, French Government will be in position of contributing to resurgence of inflationary forces in France and will have ignored avenues which are open to it for checking these forces. We are fearful of effects on French economy that such a combination of circumstances might entail. In this regard attention of French might be invited not only to assurances which letters referred to above contained concerning application of measures for achieving economic stability in France, but also to terms of bilateral agreement between US and France stating that France would use its best endeavors to balance its Government budget as soon as practicable and maintain internal financial stability.

In view of these circumstances, we can only agree reluctantly to release of 37 billion francs from counterpart fund for investment expenditures in December. Such agreement on our part should not be

<sup>2</sup> Telegram Toeca 1416 from Paris, November 29, 1 p. m., not printed.

<sup>3</sup> Telegram Toeca 1419 from Paris, November 29, not printed; it reported a considerable deterioration in French public finances, related particularly to costs of military operations in Indochina, difficulties of the French railroad system, and problems of foreign exchange and balance of payments (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca).

<sup>4</sup> Neither printed.

considered as indication that the US is fully satisfied with manner in which French Government has fulfilled its assurances to US on subject of achieving internal stability, but rather in the expectation that more effective measures will be adopted during coming year, on which our mutual attention should be primarily focused at this time. In this connection, suggestion might be made for representatives of French and US Govts to meet in near future for purpose of reviewing in detail present economic situation in France and policies which it would appear necessary for French Govt to pursue in fields of budgetary, credit, and trade policy in order to assure achievement and maintenance of stability during 1950. It would be our hope that we might reach specific agreement concerning present and prospective economic developments and related policies so that we could agree to begin release of counterpart funds for 1950 in knowledge that purposes of such releases and of ECA assistance in general are being fulfilled to maximum degree possible. (*End of suggestions re lettr to Petsche*)

4. You should indicate to French Govt either in exchange of letters as suggested above or separately, as you see fit, that ECA is in no way committed at present time to release of 250 billion francs from counterpart fund which appear without qualification in all versions of French budget for 1950. 1950 counterpart program will be reviewed in consultation with NAC following agreement between ECA and French Govt on specific economic policies of French Govt which would provide basis for these releases. In this connection, particular attention will be paid to actual developments in field of financial stabilization as well as to declared policies of French in this field.

5. With regard to 1950 counterpart fund program, we believe it is important to re-examine whole question of effectiveness our control over counterpart fund releases. We have always recognized that such control constitutes delicate and fragile weapon and that its effectiveness is limited to extent that French Govt is reluctant to request increase Bank of France ceiling or resort to other means financing if releases of counterpart funds are withheld. We must make certain that the effectiveness of this weapon is not further impaired by possible feeling on part of French Govt that in last analysis, releases will never be withheld.

Accordingly, we would suggest that as a condition of any counterpart release in 1950, French must reach agreement with us on precise commitments regarding the maintenance or achievement of financial stability and other appropriate objectives. As further condition, the French must have carried out previously agreed upon measures toward this end except in event that special extenuating circumstances (such as abatement of inflationary pressure, unforeseen economic or political developments) might have intervened.

In absence of these conditions, we would be prepared to refuse counterpart releases and this position should be made perfectly clear to French. If releases of counterpart in 1950 are geared thus to review,

in light of existing and future economic situation, of French performance compared with specific commitments on economic objectives and policies related thereto, our position with regard to releasing or not releasing would be less equivocal. This appears to coincide with your views expressed in para 5 Toeca 1392.<sup>5</sup>

We would, of course, have to recognize that in considering a refusal to effect a release of counterpart, political or other consequences of such refusal would of necessity be taken into account.

Further recommendation is that releases be made on quarterly basis following joint review of situation as described above. Monthly releases tend to weaken our bargaining position and are particularly susceptible to incomplete review of situation and exchange of promises which cannot be or are not realized.

6. We suggest that you invite French Govt to discuss immediately with you specific program which could provide basis for NAC approval of releases for 1950. Agenda for this discussion has not been referred to Working Group: following are brief ECA comments of illustrative nature on some possible subjects.

(a) *1950 Budget.* New budget represents substantial progress on receipts side, provided that measures of fiscal enforcement and new taxation will be pushed with full vigor by French with ECA support. Substantial increase in programmed expenditures is cause for alarm, however, particularly since experience indicates that French expenditures are always higher, and receipts lower, than initial forecasts. Present budget leaves door open for inflationary financing of deficit which will remain under most favorable of circumstances, and makes adoption of further anti-inflationary policies imperative. We recognize that it is probably impossible for tactical reasons to obtain further budgetary economies at this time, however desirable they may be, but government will undoubtedly require strong pressures to remain within present ceilings. In this connection, adoption of new law of maxima must be prerequisite to any release of counterpart in 1950. Can you suggest specific commitments re fiscal enforcement or government expenditures that could be conditions for future releases?

(b) *Credit Restrictions.* Contents of Toeca 1418<sup>6</sup> have not yet been fully digested. We suggest that you consider whether Bank of France replies are technically accurate and whether further pressures for tighter restrictions would be effective and are necessary. Bank of France statement that rise in rediscounts not subject to ceiling is due to loans to nationalized enterprises may place blame in proper quarters

<sup>5</sup> Telegram Toeca 1392 from Paris, November 21, 8 p.m., p. 678.

<sup>6</sup> Telegram Toeca 1418 from Paris, November 29, 2 p. m., not printed; it reported on recent discussions by ECA Mission officials with officials of the Bank of France, who recognized inflationary dangers and were willing to go as far as they could, within existing controls, to restrict credit. It further stated that the Bank was at that time not "prepared to go seriously beyond present controls, to undertake actual reduction in outstanding credit, or, in general, to take any drastic deflationary action." The French Government, in addition to its anti-inflationary policy, was committed to maintenance of full employment and high economic activity, and the Bank was unwilling to jeopardize these objectives. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

but does not solve problem of large credit expansion not subject to control via rediscount ceiling. 1950 budget apparently closes this loophole, and it is important that some such scheme prevent deficit of nationalized enterprises from mounting continually via easy credit facilities. Utilization of qualitative controls to bring pressure on distributors margins in special sectors would appear to be very worthwhile program. We also suggest consideration of qualitative credit controls in sectors where inventories are abnormally high for speculative purposes or where price-fixing practices are apparent.

(c) *Trade Liberalization.* French performance in this field particularly unsatisfactory and we note discrepancy between avowed French leadership on trade liberalization and concrete measures adopted which are less impressive than for most other ERP countries. Reimposition of tariffs and recurrent evidence of resurgence of cartel agreements minimize effectiveness of those procedures which have been adopted. It may be desirable to set as firm condition for release of counterpart in 1950 French achievement of 50% removal of quantitative restrictions accepted as goal by OEEC and pledged by Petsche in Toeca 1416. We recognize that 50% figure may be somewhat arbitrary, but suggest that ECA insistence upon substantial measure of trade liberalization based on specific figure of this kind may serve useful purpose of bolstering government position in face of strong opposition voiced by agricultural and industrial groups. In turn, we might consider use of a portion of counterpart funds, to cushion temporary dislocations taking form of reduced output and unemployment in sensitive areas.

(d) *Price Policy.* The prevalence of restrictive business practices in France poses serious obstacle to all measures designed towards price stabilization. If the necessary adjustments in wage structure which will result from decision to return to collective bargaining produce general increase in wages, and if restraints of competition threaten to translate these increases into price rises, direct remedial action will be imperative. The beneficial impact of trade liberalization measures will also be imperilled by such price-fixing agreements. General policy statement on restrictive practices in participating countries is being prepared in ECA/W. Bilateral Agreement contains strong French anti-cartel commitment, but we should consider whether counterpart fund is appropriate additional device for getting some real performance under this commitment. Possible economies in social security should also be considered in relation price structure.

Pass to OSR.

FOSTER

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ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

SECRET

PARIS, December 12, 1949—noon.

Toeca 1461. Reference Torep 9655; Repto 7586; Torep 9437.<sup>1</sup>

1. Mission has given further study to problem of program discussed in reftels, and has reviewed various aspects problem with French.

<sup>1</sup> None printed.

We urge that following views and recommendations be considered and request your reactions thereto.

2. We agree with the statement in paragraph 2 of Torep 9437 concerning the arrangements necessary to insure maximum usefulness aid for undeveloped areas. However, reference paragraph 3 Torep 9437, we urge greatest caution in concluding, on basis early FWA reports,<sup>2</sup> that all these principles have been violated. A full report on this subject by mission survey team is now in preparation. It is already clear that this report will not bear out this conclusion.

3. Nevertheless we fully recognize much greater difficulty for OTS than for metropolitan territories of insuring most efficient utilization aid. It should be emphasized that many difficulties in OTS are not necessarily result inefficiency, poor planning and mismanagement, but are inherent in areas where communications are bad, labor unskilled, economic development primitive and administrative machinery not highly developed. These difficulties are well known to all persons familiar with OTS, and will take many years to overcome. We are in full agreement that emphasis should be on advance planning and later follow-through in terms of plans previously established rather than mere end-use check. However, planning and subsequent execution of plans need to be quite flexible in undeveloped areas where climate, world market conditions, absence of adequate reserves of skilled labor, of equipment and basic economic facilities make local program highly sensitive to influences beyond the control of the planners or administrators. Growth of local political autonomy, a development encouraged by us, is another influence which makes coordinated planning and its execution more difficult.

4. We have for many months been aware that French justification for OT program has been inadequate, and we believe that French are also conscious of this. We have often pressed them for further information, but in many cases our own lack of personnel has prevented us from effective follow-up. Inadequacy of French presentation probably has several reasons, including poor statistical services, reluctance to give us more information on OTS than other countries are giving ECA, and a preference to give information on an *ad hoc* basis rather than as systematic obligation. In many cases information can be obtained by us in course of inquiry into particular problems. By insisting on more adequate formal submission, and by pressing our inquiries into particular problems of major interest, we believe necessary information will be forthcoming.

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<sup>2</sup> American officials on the basis of preliminary observations had reported finding many practical difficulties and some disagreements between French officials in Paris and Dakar, but no major abuses. (From Paris, telegram Toeca 1379, November 18, ECA Telegram Files, FRC Acc. No. 53A278. Paris. Toeca)

[Here follow details on pending authorizations, justifications for future programs, and administrative matters.]

10. In brief meeting with Bissell<sup>3</sup> he read this cable and indicated general agreement. If you concur please advise so that we may proceed as recommended subject to working out long term arrangements in further detail.<sup>4</sup>

BINGHAM

<sup>3</sup> Richard M. Bissell, Jr., Assistant Administrator for Program, ECA.

<sup>4</sup> In telegram Ecato 1064 to Paris, December 16, ECA commented on the points raised in Toeca 1461 and in particular emphasized the need to overcome the known difficulties through effective planning and execution of the programs involved. ECA agreed to withhold judgment about the situation in French West Africa until it had received and studied the report of the survey team. In telegram Toeca 1518, December 31, Bingham informed Hoffman, Foster, and Wood that he was sending copies of the report and was recommending that "in light of the evidence presented and conclusions reached by the inspection party we should notify France our willingness to have them resume requests for procurement authorization for French West Africa" on the same basis as for other overseas territories. (ECA Telegram Files, FRC Acc. No. 53A278, Paris Ecato and Toeca)

ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca : Telegram

*The Chief of the ECA Mission in France (Bingham) to the  
Administrator for Economic Cooperation (Hoffman)*

PRIORITY

PARIS, December 20, 1949.

Toeca 1485. Huse from Kirkpatrick. Text of release for afternoon papers, December 20, 1949:

Information Division.

ECA Special Mission to France.

For Release:

37 billion counterpart fund francs released by ECA to finance French investment program for November and December. Grand total of French counterpart funds released since start of Marshall Plan now 403 billion francs.

The ECA Special Mission to France announced that the Administrator of the Economic Cooperation Administration had agreed to the proposal put forward by the French Government for the release of 37 million francs in counterpart funds to finance France's postwar investment program for the months of November and December.

At the same time, ECA approved the proposal of the French Government that the advance release last August of 30 billion francs in counterpart funds to be applied to the financing of the investment program during the last three months of 1949.

The present release of 37 billion francs will finance projects of the same nature as those financed by eight previous releases for the French

investment program during 1949. It will be the last counterpart release for 1949. With 20 billion francs allocated for debt retirement in July, it brings the total of counterpart funds released during 1949 to 263 billion francs.

The grand total for French counterpart releases since the start of the Marshall Plan, including 25 billion francs for debt retirement in 1948, is now 403 billion francs.<sup>1</sup>

The estimated breakdown of the utilization of counterpart funds for the French investment program for the year 1949 is as follows:

	<i>Billions of francs</i>
Electricité de France	83. 400
Charbonnages de France	45. 891
War damage reconstruction	33. 345
SNCF (state railroads)	20. 400
Overseas territories	17. 500
Agriculture	13. 951
Private industry	10. 533
Merchant Marine	10. 000
Gas	4. 000
Saar	1. 980
<b>Total</b>	<b>243 billion francs</b>

[Kirkpatrick]

BINGHAM

<sup>1</sup>In telegram Toeca 1501, December 23, Bingham reported that *L'Epoque*, a Paris newspaper, commented on the announcement as follows: "Marshall aid exceeded 280 billion francs in 1949. What should we have done without it, and what do we think of doing when it comes to an end? . . . Some politicians are unconscious, they seem to forget that only American aid spares them for a very short time from choosing between complete failure of their policy and a complete reform of the present system." (ECA Telegram Files, FRC Acc. No. 53A278, Paris Toeca)

### *Editorial Note*

For despatch 1146 from Paris, December 22, concerning the burden imposed on French public finances by military expenditures in Indo-china, see volume VII, page 112.

851.00B/12-2249 : Telegram

*The Ambassador in France (Bruce) to the Secretary of State*

SECRET

PARIS, December 22, 1949—6 p. m.

5367. At CP mass meeting held Paris last night in celebration Stalin's birthday Thorez delivered principal homage that set forth

usual obsequious adoration of "genius" of "father of peoples" in all matters. While he repeated "general line" of CP here established at recent meeting of central committee<sup>1</sup> two aspects of his speech are noteworthy since they reflect new accent on German and colonial problems precipitated by Communist conquest of China and establishment of German "popular" government.

It should be noted first that Thorez devoted more than usual attention to German question and went to great lengths (owing no doubt to Stalin's recent messages to Pieck and Grotewohl) in underscoring fact that from very inauguration of World War Two Stalin included German "people", among Soviet "allies". He explained that Stalin's German policy "conforms with French interests" as well as with "internationalist sentiments" and concluded that portion of his speech on Germany by citing Timbaud's (CP resistant leader executed by Germans) dying exclamation "Long Live German Communist Party!"

Secondly, in setting forth classical Stalinist line on "national problem" Thorez espoused "divorce" of French colonies from mother country although he hedged somewhat in citing Lenin's phrase to effect that "right to divorce does not signify obligation to divorce". He insisted however: "proletarians of an imperialist country which oppresses in its colonies tens of millions of slaves, we have had to proclaim strongly right of these peoples to self determination up to and including separation from France. We have had to combat in our country any tendency towards colonial exploitation and chauvinism, leaving to our Communist comrades in the colonial countries task of reacting against all narrow nationalism and of proclaiming utility for their own peoples of a fraternal struggle with the French proletariat against the same imperialist oppressors. It has been our duty, as it was in 1925 at time of Moroccan war and as it now is in case of Vietnam war, to support effectively and practically oppressed peoples fighting for their liberties and their independence".

These two statements, one on Germany and other on colonies, probably run more counter to French nationalist statements (not to speak of treasonable overtones in case of Indochinese war) than any speech delivered since liberation by important French Communist and are sure to displease certain elements on periphery of CP if not within it

<sup>1</sup> In reporting on these meetings, which began on December 9, Bruce had noted in telegrams 5203 and 5210, December 12, not printed, that "anxiety over spread of Titoism has caused overwhelming neurosis within French CP leadership as well as in Kremlin" and that recent events tended further "to confirm our overall impression reported during past year that CP here is on decline and is becoming increasingly isolated on political as well as labor level owing in large part to fact that Kremlin is obliging Communists to carry out policies that shook French nationalist spirit." (851.00B/12-1249)



in addition to the average French man, woman. It is one more striking example where extension of fundamental Soviet policies to Communist movements abroad conflicts with basic interests of a particular section of Comintern.

Sent Department 5376, repeated Moscow 251, Berlin 323, London 951. Department pass Moscow.

BRUCE

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**CONTROVERSY REGARDING RIGHTS OF NATIONALS OF THE UNITED STATES IN THE FRENCH ZONE OF MOROCCO**

*Editorial Note*

For an account of the protracted controversy over certain import controls in the French Zone of Morocco that were regarded by the United States as discriminatory and in violation of treaty rights, see Marjorie M. Whiteman, *Digest of International Law*, volume 6 (Washington, Government Printing Office, 1968), pages 307 ff., and for related documentation see the sources cited there.

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**AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING MARITIME CLAIMS AND LITIGATION**

[For text of Agreement, signed at Washington March 14, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1935.]

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**AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING SETTLEMENT OF CERTAIN FINANCIAL CLAIMS AND ACCOUNTS**

[For text of Agreement, signed at Washington March 14, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1936.]

## GERMANY

(See volume III, pages 1-855.)

## ICELAND

### RELATIONS OF THE UNITED STATES WITH ICELAND

859A.00/8-2349

#### *Policy Statement of the Department of State*

SECRET

[WASHINGTON,] August 23, 1949.

#### ICELAND

##### A. OBJECTIVES

The long-term objective of US policy toward Iceland is to foster close and friendly relations with a democratic independent Iceland and the close association of Iceland in the defense arrangements of the democratic countries of the North Atlantic community. Our short-term policy involves smooth functioning of the October 7, 1946 agreement with Iceland<sup>1</sup> affording facilities at Keflavik Airport for US military aircraft in connection with our control agencies in Germany.

##### B. POLICY ISSUES

Our Icelandic policy is shaped by the fact that Iceland is strategically situated on the northeastern air and sea routes between the United States and Europe and that, as a consequence, it would be inimical to our security for a potentially hostile power to gain a foothold there or to obtain preponderant influence. In addition to the maintenance of the Airport Agreement of 1946 and the close association of Iceland in the defense arrangements under the North Atlantic Treaty,<sup>2</sup> consideration of our security demands the extension to Iceland of such forms of ECA and other assistance as may be necessary to ensure a viable economy and a standard of living adequate to avoid adverse political repercussions but not above the long-term capacity of the country to maintain.

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<sup>1</sup> For text of agreement between the United States and Iceland regarding the termination of the Defense Agreement of July 1, 1941, effected by exchange of notes on October 7, 1946, see Department of State, Treaties and Other International Acts Series No. 1566, or 61 Stat. (pt. 3) 2426. Related documentation, not printed, is in Department of State files 859A.20 and 501.AA.

<sup>2</sup> For documentation on Iceland's participation in the North Atlantic Treaty Organization, see pp. 1 ff.

### 1. *Political*

Prior to 1939 relations between the United States and Iceland were limited by the latter's relative political and economic unimportance. The outbreak of war, however, made the island a focal point of the competing strategic interests of the belligerent powers and made it necessary for us to reappraise our attitude toward Iceland in the light of its importance to the defense of the Western Hemisphere. In 1940, shortly after British troops had occupied the island as a defense measure, the United States established its first consulate in Reykjavik. In the following year, under the Defense of Iceland Agreement effected July 1, 1941 with the Icelandic Government,<sup>3</sup> US troops undertook the defense of Iceland, relieving the British forces of this task.

The end of hostilities in Iceland [*Europe?*] did not terminate the Defense Agreement since, according to its terms, it was to remain in effect for the duration of the "present war." In October, 1945 however, we proposed to the Icelandic Government a new agreement which would satisfy both our short-term and long-term military interests in Iceland. The refusal of the Icelandic Government to negotiate for the grant of long-term base facilities coupled with developments in the world political field, led to the formulation of new proposals which culminated in the agreement of October 7, 1946. Under this we agreed to terminate the 1941 Defense Agreement, to withdraw our troops from Iceland within 180 days and to return to Iceland the airport built by the United States at Keflavik, but with the right to continue US Government operation of the airport, directly or by delegation, until such time as Iceland is able to assume its operation and to use it in connection with the support of our control agencies in Germany. Moreover, we undertook to carry out an extensive construction program designed to enlarge and modernize airport facilities. The agreement of 1946 remains in effect for the period of our maintenance of control agencies in Germany but may be reviewed after five years and denounced by either party at any time after five and a half years with termination one year thereafter.

Certain questions relative to the functioning of the 1946 Airport Agreement were made the subject of negotiations which began in the early months of 1949, and culminated in an Exchange of Notes of May 6.<sup>4</sup> Under the terms of these Notes, the United States undertook to reimburse Iceland for any losses suffered in the operation of the airport, to define more clearly Icelandic sources of revenue to be

<sup>3</sup> Documentation on the negotiation of this agreement is printed in *Foreign Relations, 1941*, vol. II, pp. 776 ff. For text of the Agreement, see Department of State, Executive Agreement Series No. 232.

<sup>4</sup> Not printed.

derived from the operation of the airport facilities, and to train a specified number of Icelandic citizens for positions of technical responsibility at the airfield. The latter stipulation represents an implementation of our previous agreement that Icelandic personnel would, when adequately trained, assume operational responsibility of the airport.

To make Keflavik into a first-class international airport, the United States has financed an extensive construction program that has entailed replacing the wartime buildings with more permanent structures, erecting suitable housing for the airport personnel, and lengthening the runways, on which work was begun in the spring of 1949. In April 1949, the United States completed construction of a new modern airport hotel to facilitate international civilian air traffic.

The long-term military interests of the United States in Iceland were considerably advanced by Iceland's decision to join the North Atlantic Pact, a decision which marks a significant departure from Iceland's traditional policy of neutrality. Out of regard to Icelandic nationalist sentiment and the country's limited resources of men and materials, Iceland's adherence to the North Atlantic Treaty was accepted with certain reservations insisted upon by the Icelandic Government. Thus, Iceland will not be asked to receive foreign troops or to provide bases manned by foreign troops during peacetime, nor will it be required in the event of war to make a purely military contribution to the defense of the area covered in the Treaty. It is envisaged that the role of Iceland in the event of a future war will be limited to providing bases for North Atlantic defense troops.

Icelandic adherence to the North Atlantic Treaty which reaffirms the nation's basic pro-Western orientation should facilitate the future renegotiation of the 1946 Airport Agreement which now can be approached from the broader point of view of defense arrangements in the North Atlantic area.

The increasing pro-Western orientation taken by Icelandic policy during the past year is, to some extent, a measure of the decline in influence of the Icelandic Communist Party which, nevertheless, continues to be a threat to Icelandic political stability and to US security objectives in the area. The Communist Party, which has thrived in the past largely because of the skillful manner in which it has identified its own interests with those of the more nationalistic elements in Iceland, is most vociferous and aggressive in "defending" Icelandic independence and culture against the alleged imperialistic designs of the United States. When the Communists withdrew from the coalition government in October 1946 in protest against the ratification of the Airport Agreement, however, they forfeited the considerable progress which they had made in infiltrating key government positions such as avia-

tion and education and lost the prestige normally associated with participation in the government. More important, perhaps, they gave the non-Communist parties an opportunity to demonstrate that successful government was possible in Iceland with the Communists in opposition. This success has been enhanced by the ouster of the Communists from control of the Icelandic Federation of Labor, an event which occurred in November 1948.

Iceland's adherence to the North Atlantic Treaty has further isolated the Communists. Despite a Communist-staged riot during the closing days of the debate, the Icelandic Parliament ratified the Treaty by a substantial majority. Moreover, the Communist agitation had a salutary effect on non-Communist political leaders who now are giving consideration to such problems as the adequacy of the Icelandic police force to cope with domestic disturbances and the vulnerability of the Keflavik Airport to sabotage and direct armed attack.

The present coalition government, which was formed in February 1947, has met the Communist challenge with the aid of the economic cushion to the internal economy provided primarily by ERP assistance, but the twin problems of inflation and high cost of production remain unsolved. Basic differences among the coalition parties and inability to agree on a program of deflation have increased the prospect of new elections to the parliament sometime in October 1949. The outcome remains uncertain, but there are strong indications that the Communists will suffer a loss in strength and that another non-Communist, pro-Western coalition will succeed to power.

[Here follows a section on Iceland's relations with other states.]

## 2. *Economic*

Iceland has what may be described as a one-crop economy in that more than 90 percent of the country's exports consist of fish and fish products, the returns from which make possible extensive imports vital to the Icelandic economy. During World War II Iceland's traditional trade relations with Europe were wholly disrupted, but lend-lease financing of fish exports to Great Britain, dollars earned from services rendered to the military forces in Iceland, and certain purchase rights in the United States that were granted in the Defense of Iceland Agreement of 1941 all combined to make possible a standard of living unprecedented in Icelandic history. In spite of the relative availability of goods, the rapid increase in wages and the high rate of investment encouraged by the government's monetary policy contributed to bring about inflationary conditions that have forced the current cost of living index to more than three times prewar.

The cessation of hostilities in Europe ended these extraordinary opportunities to earn dollars but did not restore the prewar trade

pattern nor end Icelandic dependency on the United States for certain vital imports. Moreover, the United States was not and is not a significant market for Icelandic exports. The resulting dollar import surplus was financed during the early postwar years by drawing on dollar reserves accumulated during the war years, and after the middle of 1948 through various forms of ECA assistance granted to Iceland in part out of recognition of its strategic importance to the United States.

The related problems of internal inflation and high costs of production, the true extent of which has been hidden by extensive subsidies to fish producers and others, have continued to plague the Icelandic Government. Iceland has in fact maintained competitive prices for its exports only through the use of extensive subsidies to its fishing industry. Trade with Europe, however, has not resumed its traditional prewar pattern in every respect, and the lack of convertability of European currencies which has necessitated the system of bilateral trade agreements has operated to the marked disadvantage of Iceland. Not only is Iceland weak in bargaining power because it has only one major export, but it is critically dependent upon imports for practically all items of consumption. Only a multilateral system of European trade would enable Iceland to develop more favorable terms of trade by permitting it to export to its natural markets while securing imports at prevailing competitive prices.

#### *a. Trade Relations*

Icelandic exports to the United States are small and face the competition of our own fish industry. Even cod liver oil exports to this country have been reduced by competition from other and cheaper sources of supply. Only by drawing on extraordinary sources of dollar income such as ECA assistance has Iceland been able to continue its current level of imports from this country.

In Europe, Great Britain continues to be Iceland's most important export outlet and source of supply. Opportunities for further expanding trade with this country are definitely limited, however, because England has its own extensive fish industry.

Efforts to resume trade with the traditional markets of southern Europe have met with only limited success both because of Icelandic prices and the inability of these countries, in the absence of currency convertability, to supply the goods required by the Icelandic economy.

Spain, before the civil war in that country, was a large traditional market for Icelandic dried salted fish. In an effort to resume trade relations with the area, Iceland recently, and alone among the Scandinavian countries, exchanged with Spain a chief of mission with the rank of Minister. The Icelandic Government feels that this step is justified on grounds of its own urgent commercial needs, and we intend to interpose no objections. Two obstacles remain, however, to the successful implementation of a trade treaty. The relatively extensive hand labor required to prepare dried salted fish will practically insure a high

selling price, and Spain is certain to request Iceland to balance its trade by accepting goods of Spanish manufacture, not all of which are essential to the Icelandic economy. However, insofar as this is a step toward expanding Icelandic trade with the European area, we are sympathetic in principle.

Largely through our assistance, Iceland has been able to resume in 1948 fresh fish exports to Germany, an important prewar outlet for Icelandic exports. By an agreement with the British, Iceland was permitted to deliver to German North Sea ports up to 70,000 tons of fresh fish payable in sterling; for 1949, 67,000 tons has been decided on as the maximum. Even though we did not participate in the negotiations in 1949, we nevertheless desire in the interest of the stability of the Icelandic economy to see this important export market retained.

Trade between Iceland and the Soviet Union has been on a purely commercial basis and greatly limited in extent following failure to renew the profitable trade agreement of 1946 and 1947. By contrast, trade with Czechoslovakia has steadily expanded. The latter is based on bilateral agreements whereby Icelandic exports command high prices—a point emphasized by the Communists—as do also the goods of Czech manufacture that must be accepted in turn.

#### *b. ERP and Iceland*

Iceland's initial approach to ECA was cautious and reserved. The Icelanders traditionally have been reluctant to contract national debts with foreign powers. Communist propaganda, moreover, played on nationalist feelings by stressing that ECA assistance was merely one more step toward the complete loss of Icelandic independence. As a country that had suffered no appreciable war damage, Iceland expected to derive primarily indirect benefits from the reconstruction of the European economy, thereby reopening traditional markets for its fish exports.

Under the impact of economic difficulties arising out of domestic inflation and declining fish markets abroad, the Icelandic government during the summer of 1948 asked for a loan of \$2.3 million, and later in the year received a conditional grant to encourage the sale of fish in Europe amounting to \$3.5 million. It was evident, however, that great as its needs might be the Icelandic government was reluctant to ask for further loans, to which the Icelandic people traditionally have been opposed on principle. Moreover, a request of this type would practically have assured further parliamentary debate in the course of which the Communists would enjoy a tactical advantage with their anti-American propaganda and their alleged concern for Icelandic independence. Under the circumstances, the Department concluded that political considerations were paramount and that the need for a further period of adjustment for the Icelandic economy was necessary to prevent adverse internal political repercussions. On this basis, consequently, an approach was made to ECA, which agreed to make an additional direct grant of \$2.5 million, thus raising the total ECA contributions to Iceland to \$8.3 million. It is further assumed by ECA that the Icelandic dollar deficits during fiscal 1949-50 will total



roughly \$7 million, a sum that probably will be covered by further direct grants.

The United States in its economic policy toward Iceland faces a long-term problem, the solution of which is not yet clearly evident. Iceland hopes to attain economic viability by the end of 1952 through expanded production at prices competitive on the world market, the reopening of traditional markets such as those in Spain and Italy, greater diversification of its economy through domestic production of certain items now being imported such as fertilizers and cement, and the expansion of agriculture. The Icelandic production goals, however, are subject to the known hazards of an economy based on the catching and processing of fish. Iceland's great dollar earner, the herring, for example, has not appeared during the traditional summer season for several years. Construction of fertilizer and cement plants, which in turn will require expansion of hydroelectric generating facilities, raises the problem of financing, which in this instance is known to be beyond the capacity either of private industry or the government, and is almost certain to require some form of ECA assistance. In principle, however, the US favors all steps toward greater diversification of the island's economy so as to reduce the extent of its dependence on fish exports.

Some reduction in the present comparatively high standard of living in Iceland seems inevitable in that it now seems reasonably certain the country's exports cannot finance imports sufficiently to maintain that standard. Our economic policy envisages a stabilization of the living standard at a level sufficiently above prewar to prevent Communist exploitation of this as an issue, but nevertheless at a point more in line with the level of imports that can be maintained. We seek to encourage the Icelandic Government to recognize these facts and to take appropriate remedial action.

### *c. Finance*

The dollar exchange rate of the krona in Iceland has remained unchanged since 1939, even though Icelandic prices have risen greatly as is indicated by a cost of living index more than three times above prewar. Under the terms of its ECA bilateral agreement Iceland agreed to "establish or maintain a valid rate of exchange." Since the end of the war the Icelandic economy has been characterized by balance-of-payments deficits which recently have been checked only by subsidies and rigorous controls over foreign trade and foreign exchange. In these circumstances it appears reasonably certain that an adjustment in the value of the krona is indicated. Because the price level has remained relatively stable during the past several months, and if this can be continued, the government could presumably carry out devaluation without producing a disastrous price inflation. This in turn should make possible elimination of the necessity for export subsidies which currently represent an important inflationary expenditure. Devaluation would not settle Iceland's dollar problem, however, exports to the United States being relatively small, but it would probably have a salutary effect on Iceland's trade with non-dollar countries.

The question of devaluation is a part of the current political dispute in Iceland with the non-Communist parties divided on the subject.

Consequently, even though the United States favors devaluation in principle, any attempt to force this on the Icelandic Government would produce highly unfavorable domestic reactions, and would only serve to play into the hands of the Communists. Devaluation may be more feasible after the elections which are scheduled for October 1949 than at any time in the postwar period. Most important, Communist capabilities for creating political instability are almost certain to be at a low ebb. One question in the expected electoral campaign is certain to be the question of devaluation, public discussion of which may lead to a clarification of party attitudes.

*d. Aviation*

The recognized international importance of the airport at Keflavik has tended to make the Icelanders more air-minded and thus has contributed toward breaking down the walls of isolation within which the people lived for so many centuries. Not only has an element of national pride emerged over possession of this air center, but it is now evident that Icelanders are looking forward to the time when they will be responsible for all details of the airport operation.

Iceland concluded a bilateral air agreement with the United States in January 1945<sup>5</sup> and subsequently a CAB foreign air carrier permit was granted to the Loftleidir air transport company with landing rights in New York as well as Chicago. Air traffic under this agreement remains on a non-scheduled basis for the Icelandic company, however, although American Overseas Airlines conducts regular flights to Iceland.

Because of the international status of its weather reporting facilities and the heavy financial burden that this entailed, the Icelandic Government with the support of the United States in 1947 asked the International Civil Aviation Organization for assistance. ICAO was favorably inclined and a final agreement was signed at Montreal on September 16, 1948, under the terms of which Iceland received 7.5 million kronur (roughly one million dollars) as compensation for the cost of maintaining international air navigation facilities from 1946 through December 31, 1948. Beginning in 1949 Iceland will receive thereafter as a contribution to its expenses for navigational facilities in the North Atlantic up to 4.2 million kronur (about \$650,000) a year, which will be paid by the ten signatory powers in accordance with a schedule drawn up in Geneva, Switzerland, in June 1948. Iceland will pay 17.5 percent of the total costs and the United States 48.7, with the balance distributed among the other signatories. In addition to recognizing Iceland's contribution to international aviation, this agreement will also bring each year to Iceland several hundred thousand dollars in needed hard currency.

The Keflavik Airport itself, however, is not self-supporting and the net costs of its operation, as well as of its improvement, have been borne almost exclusively by the United States. Iceland apparently envisages

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<sup>5</sup> For text of Agreement, respecting air transport services, effected by exchange of notes signed at Reykjavik, January 27, 1945, see Department of State, Executive Agreement Series No. 463, or 59 Stat. (pt. 2) 1464.

complete operation of the airport facilities in the near future, but it has shown no disposition toward assuming the financial burden that this will entail. It appears to assume that the United States in return for certain concessions to its strategic interest in the airfield will continue to finance the airport operating deficit.

#### D. POLICY EVALUATION

The United States has achieved a measurable degree of progress toward attaining its policy objectives in Iceland during the past year. By adhering to the Atlantic Pact, the Icelandic people have given concrete expression to their basic pro-Western orientation. Increased friendliness on the part of Icelandic political leaders toward the United States has been noted, and the early hesitancy and even unwillingness to credit the United States and the ECA for definite economic benefits rendered to Iceland have largely disappeared.

Icelandic officials, largely as a result of their experience with the Communist-inspired riot against membership in the Atlantic Pact, have begun to show a gratifying realism in their approach to the fifth-column threat posed by the Communist Party. . . .

Our policy of economic aid to Iceland, while not immediately successful with respect to the country's balance of payments problem, nevertheless has given the coalition government an opportunity to institute several corrective measures without creating severely adverse economic conditions susceptible to Communist exploitation. The Communist Party currently is at the lowest ebb of strength and prestige since the end of World War II, a fact that should facilitate more realistic consideration by the government of the twin problems of inflation and high cost of production.

With respect to the Keflavik Agreement, which must be renegotiated before the end of 1952, it now appears certain that the United States will be required to accept a more subordinate status in the operation of the airport. This will not necessarily mean a deterioration of the air facilities at Keflavik, or that the latter will cease to play its present significant role in transatlantic air traffic. Just as the points in dispute growing out of the Airport Agreement in 1946 were satisfactorily resolved in May 1949, so it is believed that the Icelandic Government as a signatory of the Atlantic Pact will in the future give consideration to the purely military aspect of the United States interest in Keflavik airfield.

It would be wrong to conclude from all this, however, that the intense nationalism of the Icelanders has thereby disappeared, or that Icelandic political leaders will be less alert to defend what they regard as Icelandic interests. It should be recalled that Iceland as a member of the Atlantic Pact has assumed no military obligations in

time of peace, although it does have an implied obligation in time of war. Moreover, many non-Communist Icelanders have retained their original dislike for the Airport Agreement of 1946. Negotiations with Iceland in the future as in the past will have to proceed with careful regard for Icelandic sensibilities.

## IRELAND

### CONVENTIONS BETWEEN THE UNITED STATES AND IRELAND CONCERNING DOUBLE TAXATION

[Conventions for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons and with respect to taxes on income. For texts of Conventions signed at Dublin September 13, 1949, which entered into force December 20, 1951, when ratifications were exchanged at Washington, and which were proclaimed by the President of the United States December 24, 1951; see *United States Treaties and Other International Agreements* (UST), volume 2 (pt. 2), pages 2294 and 2303, or Department of State Treaties and Other International Acts Series (TIAS) Nos. 2355 and 2356.]

## ITALY

### INTEREST OF THE UNITED STATES IN THE FORMATION OF A UNIFIED, NON-COMMUNIST LABOR MOVEMENT IN ITALY<sup>1</sup>

865.00/12-2248 : Telegram

#### *The Acting Secretary of State to the Embassy in Italy*

CONFIDENTIAL

WASHINGTON, January 6, 1949—6 p. m.

26. Dept of course continues favor unification Ital Socialist forces and welcomes action Clacton Conference (London's 5334 Dec 22 rptd Rome 237<sup>2</sup>) re PSI. We shd, however, regret any move by Brit labor leaders to persuade Saragat leave govt.

In our opinion not necessary PSLI first withdraw from govt in order seek participation on basis stronger Socialist Party, if and when unification shd occur. In your discretion, you may speak informally to Saragat in this sense, adding we feel solution Ital problems still require cooperation and best efforts anti-Commie elements.<sup>3</sup>

Emb London may if deemed advisable bring Dept's views informally to attention FonOff and Brit labor leaders.

Sent Rome rptd London as 60.

LOVETT

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<sup>1</sup> For previous documentation on this subject, see *Foreign Relations*, 1948, vol. III, pp. 816 ff.

<sup>2</sup> In this telegram, not printed, Holmes reported from London that a subcommittee of the Clacton International Socialist Conference had written to the Italian Socialist Party (PSI) demanding clear proof of its desire to unite with the Saragat and Lombardo Socialists and to break its ties with the Communists or face expulsion (865.00S/12-2248).

<sup>3</sup> In telegram 188 from Rome, January 19, Ambassador Dunn reported that Thomas A. Lane, an attaché of the Embassy, had explained the views of the Department of State to Alberto Simonini, political secretary of the PSLI. Simonini had expressed full agreement with the Department's views. (865.00/1-1949)

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865.5043/5-549 : Telegram

#### *The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL

ROME, May 5, 1949—1 p. m.

1325. Deptel 682, April 12.<sup>1</sup> Simonini at lunch May 4 with Lane said he gave full approval to program presented by Canini, Pastore

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<sup>1</sup> Not printed; it stated that in a visit to the United States and Canada the Italian labor leaders Giulio Pastore, Giovanni Canini, and Appio Claudio Rocchi had reached a preliminary agreement to form a united, free labor federation with Ludovico D'Aragona (PSLI) as president and Pastore as the responsible secretary. The plan called for the PSLI and the Republicans to leave the CGIL by the end of June and to merge with the LCGIL by November. The intervening time was to be used for local reorganizations and other preparations. The Department of State was pleased with the plan but regretted the slowness of the schedule. (865.504/4-1249)

and Rocchi to Antonini<sup>2</sup> and Baldanzi<sup>3</sup> at New York re timing and selection of D'Aragona as President. Simonini indicated Canini had been somewhat slow giving support to the plan. Re Faravelli (Embtel 1212, April 27<sup>4</sup>) Simonini said there would be no difficulty respect PSLI leaving CGIL. He said his break with Faravelli was over approval of Atlantic Pact, that he, Simonini, would not accept presidency of a new labor organization but would attempt to regain control of the political reins of PSLI at mid-June Congress Rome.

He said his main fear at the moment was possible formation of two non-Communist Italian Socialist Parties. In any event, he said, his group would not yield to Faravelli and the left in the PSLI. He spoke disparagingly of Romita and said Lombardo had arrived too late and had brought no other support with him to the PSLI. Carmognola, Turin labor leader, was referred to as a corpse and Gronchi as a politician trying to "muscle in" on the labor movement.

Canini joined Lane and Simonini later. Simonini warned Canini to be very cautious in his dealings with Dalla Chiesa and Bulleri (PSI assistant secretaries of CGIL) and people like them, who he said were only seeking position.

Simonini expressed desire to visit US after June PSLI Congress. He said he felt frustrated that he could not speak English, as he would like to speak directly to American Trade Unionists and others re his views on Italian labor and political situation. He said he had used Cappelletti<sup>5</sup> as an interpreter and now Cappelletti was in US speaking not for Simonini but for Cappelletti.

He said his main difficulty in the past had been that American Trade Unionists and Socialists had corresponded directly on official matters concerning the party with such people as Faravelli and had not given him the recognition he felt he had deserved as PSLI secretary.

DUNN

<sup>2</sup> Luigi Antonini, first vice president of the International Ladies' Garment Workers Union; president of the Italo-American Council of Labor.

<sup>3</sup> George Baldanzi, member of the executive council of the Congress of Industrial Organizations; secretary of the Free Italo-American Labor Council.

<sup>4</sup> In this telegram, not printed, Dunn reported that Giuseppe Faravelli, a leader of the PSLI, had told Lane in Milan that the autonomous Socialists would join his group at the PSLI congress in June and that a Socialist-sponsored trade union congress would be called in July. He felt that all Socialists should remain in the CGIL and fight it out with the Communists and either take over the CGIL or withdraw. (865.5043/4-2749)

<sup>5</sup> Alessandro Cappelletti, a member of PSLI and head of the LCGIL agricultural workers' union.

865.5043/9-2349 : Telegram

*The Acting Secretary of State to the Embassy in Italy*

CONFIDENTIAL

WASHINGTON, September 27, 1949—6 p. m.

2357. Fol is text of Thomas tel as recd in Dept, presumably same as qtd in Mont. art in *Umanità* (urtel 2912 Sep 20<sup>1</sup>):

"Have just recd from Ital news that the effort strongly supported by Amers to force prematurely an artificial unity of autonomous trade unions with the Catholic Federation does not further union but has already created a new split among anti-totalitarian unionists and tends to strengthen the large commie dominated federation. Since Amer influence was behind effort to enforce premature union, I strongly urge immed investigation by competent Amer experts of reasons for continuing strength of commies largest Ital labor federation, the econ reasons for the frequent strikes and the whole situation as affecting the struggle against totalitarianism of the right or the left. Norman Thomas, Chairman Post War World Council"<sup>2</sup>

Since Thomas does not specifically request ans and his tel has recd no publicity in US, Dept considers preferable let publicity in Ital die out rather than stimulate it further with ans which wld surely find its way into Ital press (urtel 2943 Sep 23<sup>3</sup>).

In event of direct inquiries Rome, Emb may if it wishes state that of course no US official attempting direct Ital labor developments, which US Govt regards as Ital internal affairs.

WEBB

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<sup>1</sup> In this telegram, not printed, Dunn reported that in an article which appeared in *Umanità*, Vanni Montana quoted a telegram addressed by Norman Thomas to the Secretary of State requesting an investigation whether American elements were responsible for Italian trade union discord. (865.5043/9-2049)

<sup>2</sup> Mr. Thomas's telegram as received in the Department of State was dated September 14 at New York; the words abbreviated here were spelled out in full. (865.5043/9-1449)

<sup>3</sup> Not printed.

865.5043/11-2249

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*Memorandum by Mr. Irwin M. Tobin of the Office of European Regional Affairs*

CONFIDENTIAL

WASHINGTON, November 22, 1949.

Norman Thomas has informed the Department that he will come in soon to discuss the Italian labor situation, and particularly the issue of non-Communist labor unification, in which he is deeply interested. In communications to the Department, he has criticized severely what he and some of his American and Italian friends and associates consider to be the United States Government's position in this matter.



Officers of the AFL and CIO, who are also deeply concerned in Italian labor affairs, are frequently in touch with Department officers on this subject.

The attached policy statement with accompanying background information has been prepared to serve as a guide and summary for officers of the Department who may discuss this subject with Mr. Thomas and others. It is also being sent to our Embassy in Rome for information and comments.

[Attachment]

POLICY STATEMENT AND BACKGROUND DATA ON UNIFICATION OF  
ITALIAN NON-COMMUNIST TRADE UNIONS

I. DEPARTMENT'S POSITION ON UNIFICATION OF THE NON-COMMUNIST  
LABOR ORGANIZATIONS IN ITALY

1. Our objective, with respect to the Italian labor movement, is to encourage the Italian non-Communists to achieve the maximum possible unity of purpose and action, with a view to curbing Communist control over Italian labor. We hope that non-Communist trade unions will find it possible to combine forces, freely and harmoniously, at a time and in a manner most likely to be effective. But, of course, all decisions, including those on timing and method, must be taken only by the Italians themselves. We have no intention of trying to impose any program.

2. The American Embassy and Labor Attaché in Rome are informed of the Department's attitude. We rely upon them to carry out our objectives in the light of local circumstances as they see them. The U.S. Labor Attaché in Rome, who also serves as Labor Adviser to the ECA Mission, is the principal U.S. official in Italy concerned directly with Italian labor developments. He is responsible, as attaché, for keeping the Embassy and the U.S. Government informed on labor developments and, as ECA Labor Adviser, for seeking the greatest possible cooperation of Italian labor in achieving the purposes of the ERP.

3. In viewing his activities, a distinction should be kept in mind as between his representing the official attitude of the U.S. Government and the assistance he must give to U.S. trade unions and political groups which are in intimate contact with Italian labor and attempt to influence its development. Some of these Americans differ sharply in their approach to Italian labor problems, and in aiding them the U.S. Labor Attaché does not necessarily identify himself with their views or activities.

## II. ATTITUDES OF NON-COMMUNIST ITALIAN TRADE UNION ORGANIZATIONS TOWARDS UNIFICATION

The elements which would be most likely to join an Italian non-Communist labor federation if the conditions of its formation met with their approval are: the LCGIL, whose membership (about 1.5 million) is primarily Christian-Democratic (CD); the FIL, whose membership (about 150 thousand) is mainly right-wing or Saragat Socialist (PSLI) and Republican (PRI); the "autonomous" Socialists, composed of ex-left-wing or Nenni Socialist (PSI) and ex-CGIL labor leaders of high reputation in the labor movement but with little organized following at present; and the "independents", whose membership (14 unions of unrevealed total membership) is primarily ex-PSI Socialist. In addition, several other important non-Communist and non-fellow-traveller labor groups and unions both in and out of the CGIL might become interested in joining a strong non-Communist labor organization.

1. The LCGIL under the leadership of Giulio Pastore has taken the lead for unification, and in an effort to pave the way has tried from the time of its foundation (October 1948) to demonstrate that it is not controlled by the CD's or by the Church. Pastore resigned his position in the Catholic labor welfare organization (ACLI) and declared himself independent of the CD party. While remaining a CD deputy in Parliament, he has several times opposed CD-sponsored legislation, such as the proposed Fanfani labor law. Under his leadership the LCGIL accepted a PSLI union leader, Alessandro Cappelletti, as head of organization of its agricultural workers' union (present membership about 250 thousand). Yet, despite all these efforts, the LCGIL is still widely regarded as a CD-dominated, Christian labor organization, which is an important obstacle to unification.

2. The top leadership of the FIL—Giovanni Canini (PSLI) and Enrico Parri (PRI)—have favored early unification from the time the FIL was founded (May 1949). To this end they have also done their best to demonstrate that the FIL is independent of any political party. But some of the lower-ranking leadership (e.g. Alfredo d'Andrea (PSLI) and Giovanni Pasqualini (PRI)) and many of the rank and file, especially in the smaller, less well organized unions of the FIL, seem to oppose early unification, on the grounds that the FIL should first become stronger so that in joining with the LCGIL it will have more influence and be less likely to be swallowed up by much stronger CD elements.

3. The "autonomists", headed by Romolo Bulleri, Italo Viglianesi and Enzo Dalla Chiesa, ex-PSI and ex-CGIL labor leaders, strongly oppose early unification with the LCGIL and propose joining the FIL

on condition that it postpone unification with the LCGIL and work for its own strengthening first. The autonomists apparently follow the political leadership of Giuseppe Romita, ex-PSI independent Socialist, who favors unification of the various anti-Communist splinters of the Socialist Party before trade union unification with the CD's. Thus the position of the autonomists is similar to that of some of the lower echelons of the FIL, with the addition that they do not feel that the Socialist trade union organization can be strong until the party is united. However, prospects of Socialist party unification seem to have become less auspicious lately with the resignation from the Cabinet of the three PSLI Ministers—Saragat, Tremelloni and Ivan Matteo Lombardo—and the announcement that they will not meet in December as planned with the Romita and Silone Socialist factions to discuss party unification. In view of the position of the autonomists, this would seem to postpone indefinitely their joining the FIL.

4. The "independents", grouped loosely around Paolo Consoni, ex-PSI, and composed of unions of various political tendencies, do not favor early unification with either the LCGIL or the FIL, fearing domination by both groups. They are reportedly advancing the notion that their own group should form the nucleus for eventual unification, as a means of averting political domination.

5. Several non-Communist unions which have remained in the CGIL, regarding the advantages thereof as greater than they would now get by joining the LCGIL or FIL, are unenthusiastic about LCGIL-FIL unification at this stage. However, they might be induced to leave the CGIL and join a unified non-Communist labor organization once it became strong enough to offer them advantages comparable to those they now enjoy in the CGIL.

To sum up: The LCGIL and the top leaders of FIL appear to favor early unification of their two organizations but the lower rank FIL leaders and the autonomists seem to fear absorption or domination by the stronger LCGIL, still in their view closely tied to the CD and the Church. While not necessarily opposed to unification at some later date, the latter put first Socialist Party unification and strengthening of the FIL.

### III. MAIN FACTORS IN THE ITALIAN TRADE UNION SITUATION AFFECTING NON-COMMUNIST UNIFICATION

1. The labor groups which now find themselves split into five main groups (CGIL, LCGIL, FIL, autonomists and independents), were from 1945-48 united in the CGIL. As of November 1949, however, the issue which had caused four of the groups to withdraw from the CGIL—opposition to Communist domination of the labor movement—had not yet proven of sufficient force and urgency to overcome political and other differences between them and enable them to form a

single non-Communist labor federation. One reason for this seems to be that they had learned from their CGIL experience that unity is not desirable in itself without basic understanding and agreement.

2. The intensity of the opposition to early non-Communist labor unification became apparent only in late October 1949, in contrast to earlier indications that it might be achieved by the end of 1949. When ECA brought top leaders of the LCGIL and FIL—Pastore (CD), Canini (PSLI), and Rocchi (PRI)—to the United States in April 1949, in their capacity of ECA Trade Union Advisory Committee in Italy, it was hoped their visit would serve as a means of helping them through close personal association over a period of weeks to agree upon unification. This it did, and at meetings with leaders of the AFL and CIO in New York they announced their agreement to complete unification by the end of 1949. After their return to Italy, the first step in this informal agreement, withdrawal of the PSLI and PRI unions from the CGIL, was carried out on schedule in May 1949. The PSLI and PRI unions then promptly formed the FIL as a temporary organizational maneuver to prepare for amalgamation with the LCGIL. As late as September 8, 1949, when a top level CD-PSLI-PRI labor conference was held in Rome, it seemed that the entire unification schedule would be carried out. But by late October evidence was mounting that many serious difficulties were arising and that unification might be postponed indefinitely. Apparently there were four main reasons for the change between early September and late October:

*a.* The LCGIL, despite all the efforts of Pastore, had failed to convince the Socialist-Republican rank and file that it was wholly free from clerical influence, which the Socialists and Republicans have traditionally fought in trade union affairs. This failure of the LCGIL to overcome their doubts became increasingly important as the time of unification approached.

*b.* The FIL Socialists found as the test approached that their right-wing leadership was not sufficiently strong to carry even its own following into unification. This was partly due to the desire of lower echelon FIL leaders to strengthen their organization before amalgamating with the stronger CD's, and partly to the influence of the ex-PSI autonomists, who argued, perhaps as pawns of Romita's political ambitions, that Socialist trade unions could only be strong if the Socialist party was first unified. There was also the influence of the Socialists among the independents, led by an ex-PSI, ex-CGIL labor leader, who feared both CD and Communist domination and saw the independents as a possible nucleus for a new, non-political, non-Communist trade union federation.

*c.* Despite all efforts to the contrary, it has so far proven impossible for Italian trade unionism to divorce itself wholly from political affiliations. The Italian labor movement has traditionally been highly political, with the result that political schisms are bound to accentuate rivalries among the unions.

d. The . . . support for unification given by the AFL and (to a much smaller degree) by some elements of the CIO was directed to the top leadership only, and had no discernible influence on the rank and file. The misgivings of some Americans and Italians aired in the Italian press in late September and early October found an unexpectedly wide response, showing plainly that insufficient ground-work had been done to prepare the way for unification.

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865.5043/12-1649 : Telegram

*The Ambassador in Italy (Dunn) to the Secretary of State*

CONFIDENTIAL

ROME, December 16, 1949—7 p. m.

4148. Committee for unification LCGIL, FIL and autonomous unions completed labors evening 15 with approval plan for achievement unification and declaration of principles for unified organization. Announcement specified plan would have no effect until approved by rank and file of various organizations.

Plan provides for final unification within 50 days after rank and file of all groups have given approval. *Il Popolo* reports FIL will hold national convention before January 10 and LCGIL and autonomous unions will decide by that date also.

Approved plan stipulates unity must be negotiated in each province and each union by organizations involved, according to rules laid down by Central Committee. During interim period until election of single leader for each unified body, all leaders of previously existing bodies will jointly participate in leadership.

Pastore said privately last night he thought considerable percentage FIL rank and file and some of FIL second line leaders would oppose unification. Said in long run might even be all to good thus to avoid incorporation in new organization of strong minority still devoted to theory of political trade unionism.

Republican leaders in FIL, Parri and Rocchi, who last week were cited to disciplinary board of Republican Party for activities in favor labor unification, have announced they would welcome being disciplined for championing cause of complete independence labor movement from party.

Full texts declarations approved by Committee for Unification follow.

Sent Department 4148; repeated London 302, Paris 441.

DUNN

## **THE NETHERLANDS**

### **AGREEMENT BETWEEN THE UNITED STATES AND THE NETHERLANDS RESPECTING RELIEF SUPPLIES AND PACKAGES FOR THE NETHERLANDS**

[For text of Agreement, concerning duty-free entry and payment of transportation charges, effected by exchange of notes signed at The Hague January 17, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1881.]

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### **AGREEMENT AND EXCHANGE OF NOTES BETWEEN THE UNITED STATES AND THE NETHERLANDS RESPECTING A UNITED STATES EDUCATIONAL FOUNDATION IN THE NETHERLANDS**

[For text of Agreement and exchange of notes, signed at The Hague May 17, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1946.]

## NORWAY

### AGREEMENT AND EXCHANGE OF NOTES BETWEEN THE UNITED STATES AND NORWAY RESPECTING A UNITED STATES EDUCATIONAL FOUNDATION IN NORWAY

[For text of Agreement and exchange of notes, signed at Oslo May 25, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 2000.]

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### AGREEMENT BETWEEN THE UNITED STATES AND NORWAY RESPECTING RELIEF SUPPLIES AND PACKAGES FOR NORWAY

[For text of Agreement, concerning duty-free entry and payment of transportation charges, effected by exchange of notes signed at Oslo October 31, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 2006.]

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### CONVENTIONS BETWEEN THE UNITED STATES AND NORWAY CONCERNING DOUBLE TAXATION

[Conventions for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on estates and inheritances, signed at Washington June 13, 1949. For texts of conventions which entered into force December 11, 1951, when ratifications were exchanged at Washington, and which were proclaimed by the President of the United States December 13, 1951, see *United States Treaties and Other International Agreements* (UST), volume 2 (pt. 2), pages 2323 and 2353, or Department of State Treaties and Other International Acts Series (TIAS) Nos. 2357 and 2358.]

## PORTUGAL

### DISCUSSION BETWEEN AMBASSADOR HARRIMAN AND PRIME MINISTER SALAZAR ON THE MARSHALL PLAN AND RELATED POLITICAL, ECONOMIC, AND COLONIAL PROBLEMS<sup>1</sup>

840.50 Recovery/12-749

*The Ambassador in Portugal (MacVeagh) to the Secretary of State*

[Extract]

SECRET

LISBON, December 7, 1949.

No. 357

Ambassador W. Averell Harriman, Special Representative in Europe for the ECA, arrived in Lisbon, via a U.S. army plane, at 2 p. m., on Thanksgiving Day, November 24th. This was Mr. Harriman's first visit to Portugal since the initiation of the Marshall Plan. . . .

Though Mr. Harriman intended his visit to be primarily one of rest and recreation, he made good use of the opportunities which it afforded for enlightening interested Portuguese on ECA matters and most obligingly acceded to all the official demands unavoidably made upon him. The Portuguese press gave good coverage to his visit and carried extensive accounts of a press conference held by him at the American Embassy. In addition, he had a long interview with Dr. Salazar, the Prime Minister, at which he was accompanied by both Mr. Patten<sup>2</sup> and Mr. Xanthaky, the American Ambassador's Special Assistant, who acted as interpreter at Dr. Salazar's request. He also called with the American Ambassador on Dr. da Matta, the Foreign Minister, and on Dr. de Faria, Acting Director General of the Foreign Office. He made a special personal call on Dr. Costa Leite, the

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<sup>1</sup> For related documentation on Portugal's participation in the North Atlantic Treaty Organization and the Marshall Plan, see pp. 1 ff. and pp. 367 ff.

<sup>2</sup> David L. Patten, Chief, ECA Mission to Portugal.



Finance Minister, at the latter's house where he was recuperating from a serious accident, was guest at a dinner given by the American Ambassador for the Foreign Minister, and also guest of honor at a large luncheon in the Ministry of Foreign Affairs given jointly by the Ministers for Foreign Affairs and Finance.

The visit seems also to have been useful as regarding Mr. Harriman's personal opportunities for observing the working out of the Marshall Plan in Portugal. In addition to two long conversations with the American Ambassador regarding relations with the Portuguese and other matters, he spent much time in company with Mr. Patten and held an extended conference with the ECA staff at which all aspects of Portuguese and colonial ECA operations were discussed. His interest and acumen provided a valuable stimulus to the morale of all concerned.

The highlight of Mr. Harriman's visit was, of course, his interview with Dr. Salazar, of which I enclose a full report as drawn up by Mr. Xanthaky. . . .

LINCOLN MACVEAGH

[Enclosure]

*Memorandum of Conversation, by Mr. Theodore A. Xanthaky, Special Assistant to the Ambassador in Portugal (MacVeagh)*

SECRET

[LISBON,] November 25, 1949.

[Participants:] Prime Minister Salazar  
Ambassador W. Averell Harriman  
Mr. David L. Patten, Chief, ECA Mission to Portugal  
Theo. A. Xanthaky, Special Assistant

At Dr. Salazar's request, I accompanied Ambassador Harriman and Mr. Patten when they called on the Prime Minister this morning, and acted as interpreter throughout the interview.

Mr. Harriman began by expressing warm thanks to Dr. Salazar for the hospitality accorded him by the Portuguese Government, after which Dr. Salazar welcomed Mr. Harriman to Portugal and expressed

the profound gratitude of the Portuguese people to the United States for its assistance under the Marshall Plan. Dr. Salazar added that he also wished particularly to thank Mr. Harriman for his personal patience, forbearance, and understanding in studying the country's problems.

Mr. Harriman remarked that he was very pleased that Portugal had joined not only the Marshall Plan but also its corollary, the North Atlantic Pact. He said that in his opinion the North Atlantic Pact is probably the most important single international step taken in modern times. The Prime Minister smilingly commented, "We shall see." To this Mr. Harriman immediately retorted, "You seem to be somewhat skeptical. May I ask why?" Dr. Salazar replied "I am not really skeptical, but you Americans are apt to entertain an optimism about your sincere intentions and altruistic plans which has at times gone unjustified by results." Mr. Harriman admitted that the United States sets its sights high, but said he felt that by and large its objectives have not only been met but even exceeded.

Dr. Salazar evinced great interest in our relations with the U.S.S.R. and inquired why it had taken so many years, with loss of such precious time, for us to realize what the Russians were up to. Mr. Harriman explained that our leaders and diplomats were never unaware of Soviet ambitions but Mr. Roosevelt, and subsequently Mr. Truman, felt that, in keeping with prevailing U.S. public opinion, every effort should be made to get the Russians to agree to a viable and lasting peace, and that to that end we exercised great patience and made considerable sacrifices. "In other words," said Dr. Salazar, "it was through the rebuffs which you got from the Russians that your people finally realized the situation." "Exactly so," replied Mr. Harriman, adding that now the American people are not only indignant and alarmed but also for all practical purposes, united and vigilant in their attitude toward Russia.

Mr. Harriman then went on to say that he and his associates were convinced that the development of the Portuguese colonies could be most useful in speeding the reconstruction of European economy in general and specifically in helping to bridge Portugal's dollar gap. Dr. Salazar said he realized the importance of their possessions but he preferred to deal with specific projects rather than to lose time on grandiose but somewhat utopian schemes for African development.

For example, he said, the Prime Minister of Southern Rhodesia has agreed with the Portuguese Government to make a request of OEEC for technical assistance, etc., with a view to improving transportation and port facilities in East Africa, particularly the Port of Beira and the Beira Railway, and also rail outlets on the West African coast either at Mossamedes or Benguela. He mentioned that the United States has a direct interest in this as it is the principal consumer of Rhodesian chrome ore (some five or six hundred thousand tons annually). This led Mr. Harriman to expound the reasons governing U.S. insistence on over-all planning, such as the necessity of avoiding duplication of effort and providing eventually for integrated transportation, etc., but at the same time he assured the Doctor that he also favored specific projects and stated that we have in mind the immediate development of a manganese property in Angola. In this latter connection, he said the United States is especially desirous of reducing its purchases of manganese in Russia, but cautioned that it is necessary to tackle the Angola project expeditiously as several other properties in various parts of the world are also under consideration and, should our needs be satisfied from those sources, our interest in Angola would be proportionately lessened. With direct reference to Dr. Salazar's strictures on the grandiose quality of U.S. thinking on these subjects, Mr. Harriman took occasion to say that it had been the experience of the ECA that colonial ministries in general seem to suffer from an "occupational disease, namely, the finding of ways for doing nothing." Dr. Salazar laughed at this and said he realized that to a certain extent this may be true in the case of the Portuguese Ministry but that it is not entirely so. He remarked that the knowledge which the Portuguese have gained in over 400 years of colonial administration and experience cannot blithely be put aside. He pointed out that Africa (meaning Mozambique and Angola) is a primitive country with a primitive population and things do not move there at the pace to which Europeans and Americans are accustomed.

The Doctor then opened up an extended discussion on the subject of the British and their problems. He declared that England constitutes "the only moral and political value left in Europe" and said that he desires to do everything possible, within Portugal's limited means, to contribute to her rehabilitation, mentioning in particular that he is endeavoring to direct as much trade there as possible. He added, however,

that this can be very difficult at times because on many products the British cannot quote either fixed prices or delivery dates. He criticized the Labor Government and attributed to it the *malaise* which has struck Great Britain. Mr. Harriman said he believed that a principal cause of Portugal's present inability to obtain from England as much merchandise as she formerly purchased from that country, is the fact that Great Britain is now making heavy shipments to India and Pakistan in an endeavor to pay off her war debts to those nations. He expressed the opinion that a change in this policy is necessary and that some funding arrangement with India and Pakistan will have to be made in order to allow Great Britain to place more of her merchandise in two-way markets. In addition, he told Dr. Salazar that there has been considerable progress, not only with the British but also with the Belgians and others, in breaking down the "double price" system. He mentioned confidentially that he expects the British to abolish the present spread between domestic and foreign price quotations on coal (which would directly affect Portugal) by the end of January.

Mr. Harriman then complimented Dr. Salazar on his accomplishment in balancing the budget and keeping his financial house in order for so many years, and the Prime Minister remarked that he had done this notwithstanding the unpopular aspect of some of his measures. He opined that some other countries, which depend on popular support for their existence, have not been able to take necessary financial measures for fear their governments might be overturned.

The conversation next turned on Portuguese-American trade and Mr. Harriman remarked that he felt there is a definite opportunity for expansion in the sale of Portuguese products in the United States. He mentioned that the total yearly American liquor bill, including beer, is eight billion dollars and that there is unquestionably room for an increase in Port wine sales. Dr. Salazar objected that penetrating the American market is not as easy as it appears to be on the surface. In the first place, he said, duties are prohibitive and also administrative procedures, sanitary regulations, etc., make business complicated and difficult. However, Mr. Harriman assured him that the Secretary of the Treasury is at present studying both the customs angle and the possibility of simplifying the entry of foreign merchandise. At this point Mr. Patten remarked that a technical assistance project is being set up by the ECA Mission in Lisbon with the idea of

aiding interested Portuguese entities in a survey of the American market.

Mr. Harriman then inquired of Dr. Salazar whether he could be of any service to him, and the Doctor said he would appreciate help in the acceleration of allocations destined to Portugal under the Marshall Plan. The Prime Minister mentioned that preparation of the Portuguese revised program has been delayed owing to the fact that it has remained doubtful until recently just how much of the money allocated this year was to be in grant and how much in loan. He also remarked that the business recession in Portugal during the past year, and the consequent shortage of escudos, had caused the Portuguese to hope for a larger sum in the way of grant than the four million dollars now contemplated. Mr. Harriman said that this figure of four million has been decided on by the National Advisory Council in Washington and that he hoped the Doctor would understand that decision to be final. Dr. Salazar said he fully understood this, and that, he was, of course, very thankful for the grant; all that he wished to point out was that this question had been a contributing factor in delaying the completion of the Portuguese program.

In conclusion, Mr. Harriman expressed pleasure in knowing that Portugal subscribes to the free enterprise system as we understand it in the United States, and the Doctor confirmed that he is entirely of that school of thought, the only instances in which the Portuguese Government has entered into industrial or other enterprises being, he said, when private capital was not available. Mr. Harriman then said that he felt sure that private American capital would be glad to co-operate in the development of Portuguese resources not only in metropolitan Portugal but also in the colonies. The Doctor inquired how such capital would enter the country, i.e., would it be in the form of direct loans or in association with Portuguese capital. Mr. Harriman explained that it might take either of those two courses or it might be in the form of branch factories, etc. He personally felt that association with local capital was the most satisfactory method. Dr. Salazar said he agreed with this but was also not opposed to the other methods should they appear more appropriate in given cases.

The long interview terminated with Dr. Salazar again thanking Mr. Harriman for what the United States had done for Portugal and inviting him to call on him again anytime he desired.

T[HEODORE] A. X[ANTHAKY]

**AGREEMENT BETWEEN THE UNITED STATES AND PORTUGAL  
RESPECTING SETTLEMENT OF CERTAIN WAR CLAIMS AGAINST  
THE UNITED STATES**

[For text of Agreement regarding compensation for damage caused to persons and property in Macao by American military planes during World War II, effected by exchanges of notes dated at Washington October 3, 1947, and February 21, May 3 and 20, and August 4, 1949, which entered into force August 4, 1949, see *United States Treaties and Other International Agreements* (UST), volume 3 (pt. 4), page 4914.]

## SPAIN

RELATIONS OF THE UNITED STATES WITH SPAIN: THE SPANISH QUESTION AT THE UNITED NATIONS; UNITED STATES ECONOMIC POLICY TOWARD SPAIN; UNITED STATES INTEREST IN THE ACTIVITIES OF VARIOUS SPANISH EXILE GROUPS; ATTEMPTS TO COORDINATE POLICY TOWARD SPAIN WITH FRANCE AND THE UNITED KINGDOM<sup>1</sup>

711.52/1-1949

*Memorandum by Mr. G. Hayden Raynor, Special Assistant to the Director of the Office of European Affairs (Hickerson)*

SECRET

[WASHINGTON,] January 19, 1949.

Subject: Western European Reaction on Spain

This memorandum is written to summarize the general impressions obtained in talking with members of the Western European Delegations and other sources while in Paris,<sup>2</sup> and to throw available light on the question as to whether there would be an adverse reaction on the part of the Governments or the non-communist trade unions in those countries to our supporting the repeal of the operative parts of the 1946 Resolution,<sup>3</sup> and, if so, how serious such a reaction would be.

### *France*

Various reactions were obtained from direct French sources, including the extreme view expressed by Schuman that this might cause the fall of his Government, and, on the same side, a very real emotional reaction on the part of Parodi<sup>4</sup> to statements from people down the line in the Foreign Office that France itself might even vote for the repeal of the specialized agencies part of the Resolution. This matter was reviewed carefully with the leading political officers in the Embassy and discussed by Bonbright<sup>5</sup> with the Ambassador.<sup>6</sup> The con-

<sup>1</sup> For previous documentation, see *Foreign Relations*, 1948, vol. III, pp. 1017 ff.

<sup>2</sup> For documentation relating to the Spanish question before the first part of the third session of the United Nations at Paris, see *Foreign Relations*, 1948, vol. III, pp. 1053 ff.

<sup>3</sup> For documentation relating to the United Nations resolution on Spain, December 12, 1946, which recommended the debarring of the Franco government in Spain from membership in international agencies established by or related to the United Nations and which recommended the recall from Madrid of the ambassadors and ministers of member states, see *Foreign Relations*, 1946, vol. v, pp. 1023-1090, *passim*.

<sup>4</sup> Alexandre Parodi, French representative at the United Nations.

<sup>5</sup> James C. H. Bonbright, United States Counselor of Embassy in France.

<sup>6</sup> Jefferson Caffery.

sensus of the Paris Embassy feeling was that the French would understand an abstention on our part on the return of the chiefs of mission and a support by us of Spain's participation in the specialized agencies of the UN. At the same time, the consensus of Embassy opinion was that it would be better for the question not to come up at the Paris session. While these views indicate that the Spanish question arouses much less active interest in the general French public than it did a few years previously, there is continued importance attached to it in the eyes of the French non-communist left, both in the political parties and the trade unions. This is occasioned because of the political reason that they can not place themselves in a position whereby the Communists could exploit the Franco issue against them. The feeling in the non-communist trade unions is especially strong on the question of Spanish participation in the ERP, and the danger is that this group would interpret the repeal of these portions of the resolution as a first step towards participation by Spain in the Marshall Plan. The consensus is that there is a stronger reaction in this regard with respect to the chiefs of mission provision than to the specialized agencies. I judge that serious reaction in France could be avoided in the event that we pursue our position if in some way we could make it clear that this would have no bearing on our position with respect to Marshall Plan aid.

#### *Belgium*

The feeling on the Franco question seems to remain fairly strong in Belgium, possibly somewhat less than in France but quite strong. As to the possible Belgian reaction to a course of action by the United States, the latest authoritative statement made by a member of the Belgian Delegation to us in Paris indicated that there should be no serious reaction if the United States voted for the admission of Spain to the specialized agencies, and, as they put it, "while perhaps not ideal", they did not think there would be any "dangerous consequences" should the United States abstain on the chiefs of mission provision. The implication is that they view with some degree of seriousness a vote by the United States on the repeal of the chiefs of mission provision. The Belgian apprehension is based on a desire to avoid supplying ammunition to a communist propaganda campaign directed toward the non-communist left.

#### *Netherlands*

During the early part of the Paris meeting, the Netherlands Delegation indicated that it favored repeal of both parts and would probably so vote, unless the other Brussels Powers placed strong pressure on



them not to do it. After the Arce move in Committee 6 on the Statistical Convention,<sup>7</sup> however, there was a strong reaction in the Netherlands, and after this we were informed that the best that could be expected from the Netherlands would be abstentions on both parts, with the implication of possibly a negative vote on the chiefs of mission provision.

#### *Luxembourg*

The Luxembourg Delegation throughout indicated a feeling of considerable reserve on this question. While they might go along on the specialized agencies repeal, I am inclined to think an abstention would be more likely. An abstention would be possible on the chiefs of mission, but I think a negative vote on that case would be more likely.

#### *Norway*

I am using Norway as an example of the Scandinavian position, as the three countries would have probably followed a similar course. It should be recognized, however, that in the past there has been more interest in the question in Norway than in Sweden and Denmark. I discussed this on several occasions frankly and confidentially with Foreign Minister Lange. He confirmed that, at the meeting of the Scandinavian Foreign Ministers prior to the opening of the Assembly, it had been agreed, I believe on Icelandic initiative, to support the repeal of both provisions. However, there was a strong reaction in Norway on the Committee 6 Arce maneuver, and after that occurred Lange told me that they had originally misjudged sentiment on the Spanish question in Norway, i.e., feeling it had not diminished nearly to the extent his Government had thought. He indicated therefore that Norway would be opposed to the repeal of the chiefs of mission provision and would probably abstain on the specialized agencies.

Iceland, of course, would presumably support the repeal of both provisions. I would guess that Sweden and Denmark would take the same position as Norway.

#### *United Kingdom*

The strong statement made by Bevin to the Secretary at the opening of the Assembly remained, as far as I could tell, the official U.K.

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<sup>7</sup> Under reference here was a series of parliamentary maneuvers in Committee 6 of the General Assembly, October 30–November 4, 1948, through which it apparently became possible for Spain to accede to the 1928 International Convention on economic statistics, despite the recommendations of the 1946 resolution. Regarding the action of Dr. José Arce, Argentine representative to the United Nations, in Committee 6, see United Nations, *Official Records of the Third Session of the General Assembly, Part I, 6th Committee*, 1948, pp. 260 ff.

position throughout.<sup>8</sup> I saw no evidence of any change. While professional representatives of the Foreign Office did not speak on this subject as vehemently as Bevin did they loyally argued for his line throughout the meeting.

### *General*

My conclusion is that a stronger feeling on this question continues to exist in western Europe than we had thought to be the case, or for that matter than the Government leaders themselves, except for the French, British and possibly the Belgians, had thought to be the case before Arce's maneuver in Committee 6. This is based on a justifiable reluctance to see the Communists given gratuitously ammunition which would be used against the parties in power and the non-communist trade movements.

Nevertheless, in my opinion, if we pursue our preferred policy in a quiet way, without taking the initiative, recognizing that we will not be followed by these states, I would not anticipate dangerous consequences. The communists, however, would, in all likelihood, make some capital out of it. The question is whether we can afford even a minor propaganda success for the communists in those countries at this time. Incidentally, I think there was a change of position on the part of the Dominions on this question during the Paris meeting. For instance, we had expected Canada to favor the specialized agencies repeal, also Australia. At the end of the meeting I was not at all sure about this. I think probably on the chiefs of mission repeal that from the old Dominions there would be only one favorable vote—South Africa, and possibly negative votes from all of the others. While there might be three favorable votes on the specialized agencies (South Africa, Canada and Australia), I think it likely even in this case that one or possibly two of those votes might turn out to be abstentions. New Zealand might vote against both or possibly abstain on the specialized agencies.

G. H[AYDEN] R[AYNOR]

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<sup>8</sup> For documentation on the British position on the Spanish question at the third session of the General Assembly, see *Foreign Relations*, 1948, vol. III, pp. 1053 ff.

852.20/2-949

*Record of the Daily Meeting of the Under Secretary of State*

[Extract]

SECRET

WASHINGTON, February 9, 1949.

Present: Webb, Under Secretary, Chairman  
Rusk, UNA, Deputy Chairman  
Allen, P  
Bohlen, C  
Butterworth, FE  
Gross, U/CFA (Legal Adviser)  
Hickerson, EUR  
Hulten, A (for Mr. Peurifoy)  
Kennan, S/P  
Saltzman, O  
Satterthwaite, NEA  
Thorp, E

*Proposed Sale of Aircraft Engines to Spain*

3.<sup>1</sup> *Action:* The decision on the sale of aircraft engines to Spain is postponed until after the April UN Assembly Session.<sup>2</sup>

4. *Discussion:* MR. RUSK presented the problem and outlined the UN considerations which argue against the sale at this time. He anticipated, however, that the attitude on Spain at the UN in April would be more relaxed and that it might be possible to make such sale thereafter without the adverse reactions now expected. Our efforts thus far have been to prevent the Spanish question from being injected into the East-West issue.

5. MR. HICKERSON said that EUR had no objection to a temporary postponement on the sale of the engines to Spain. However, he wished to make the point that the NME attaches great strategic significance to Spain and that after the Assembly he would like to go ahead with the sale. MR. GROSS wished to make sure that the decision now is not simply to postpone sale until after the Assembly, at which time sale would be consummated, but he would like to speak to the question after the Assembly. The UNDER SECRETARY assured him that there would be such an opportunity.

6. MR. ALLEN said that he was concerned about our relations with authoritarian regimes generally. He has felt that in the last war we made a mistake by condemning on the one hand an authoritarian

<sup>1</sup> Numbered paragraphs 1 and 2 dealt with the procedure for disseminating policy decisions.

<sup>2</sup> The question of the sale of aircraft engines to Spain had been raised at the Under Secretary's meeting on February 7. Considerations pro and con were raised and the question was held over to the next meeting for resolution. Record of the Under Secretary's meeting, not printed, 852.24/2-849.

regime and on the other hand by throwing ourselves completely in with another authoritarian regime. It seems to him that a set of criteria must be established which will enable us to deal with individual countries. He suggested the following criteria :

- a. Is the country aggressive at the moment?
- b. Is the country becoming more totalitarian (for example, in his opinion Turkey is becoming less totalitarian) ?
- c. Does it submit to control of some imperialistic power?
- d. What is the country's attitude toward the U.S.?
- e. What UN considerations are applicable to our relations with the country?

If the question today were "Shall these engines be made available to Tito?" (if he were as friendly to us as is Franco) in his personal opinion, Mr. ALLEN said it would be desirable to sell the engines.

7. Mr. ALLEN went on to caution with regard to two matters:

a. We must not be unduly influenced by the pressure of the NME to decide with whom we shall be friendly on strictly strategic considerations.

b. We must not be unduly influenced by the pressure of public opinion. (In this connection the decision either way in regard to the engines would be subject to attack by fairly powerful groups—the Catholics here and abroad, or the leftist elements.)

8. Mr. THORP suggested that Mr. Allen's list should have a sixth criterion, namely, an evaluation of the reaction in other countries to our acts with regard to authoritarian countries. He cited that last week we addressed a note to the British asking that they protest to India the latter's proposed rehabilitation of lend-lease air equipment. The sale of the engines to Spain would hardly elicit a friendly reaction from the Indians in such a circumstance. He also asked what would be the reaction in Sweden in the face of our attitude on military assistance thus far.

9. The UNDER SECRETARY raised the question of whether it would not be possible to establish basic criteria whereby each of these problems in turn could be answered. Mr. KENNAN responded that while he thought that Mr. Allen's criteria were very useful, we were here facing a very profound and complicated question and that we should go easy in jumping to conclusions regarding democracies and dictatorships. He said that such criteria had been applicable in the past. However, he stated, and others agreed, that the proposed sale of engines to Spain was out of the ordinary. He agreed that a decision on this sale should be postponed until after the Assembly.

10. Mr. BOHLEN agreed with Mr. Kennan's remarks regarding dictatorships and democracies. He considered Mr. Allen's formula too simple. The argument that this sale should not be made because we

want to support the UN, he said, is not the proper criteria for application on Spain. He said General Marshall believed, and Mr. Bohlen agreed with the General, that the criteria should be: what is the effect on Europe. We should not have a U.S. policy on Spain separate from, or which would operate against, the attitude and desires of Western Europe. He made reference to the President's first point on support of the UN<sup>3</sup> and suggested that it is not a policy but a matter of public relations.

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<sup>3</sup> Under reference here is the first point of the United States program for peace and freedom enunciated by President Truman in his Inaugural Address on January 20, 1949, under which the United States would continue to support unflinching the United Nations and related agencies and would continue "... to search for ways to strengthen their authority and increase their effectiveness." For the full text of the President's address, see *Public Papers of the Presidents of the United States, Harry S. Truman, 1949*, pp. 112 ff.

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852.00/2-1449

*The Chargé in Spain (Culbertson) to the Secretary of State*

CONFIDENTIAL

MADRID, February 14, 1949.

No. 82

Subject: Liberalization of the Franco Regime

SIR: I have the honor to refer to telegram no. 520 of February 7, 1949, 9 p. m. (no. 5 to Madrid)<sup>1</sup> from the Embassy in Paris to the Department, and to report that the difference of opinion between the Director of the European Section of the French Foreign Office and the French Delegate in Madrid regarding the Spanish problem is about a matter which has been the subject of considerable discussion in this Embassy, in the light of the Department's directive that we emphasize in Spain the need for measures of political liberalization.

It is noted that the Director of the European Section of the French Foreign Office stated that no real progress could be made until there are changes in the Spanish regime which, although superficial, might at least be played up as representing evolution in the direction desired by the Socialists of Europe. Franco may well make a few moves in the direction of liberalization, such as granting a limited amnesty, modifying censorship rules, and relaxing some of the police vigilance over former opposition elements. However, he probably has some qualms as to whether his regime could withstand the effects of going too far along these lines and, with more reason, whether the Socialists of Europe would be satisfied with anything less than his abandonment of power.

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<sup>1</sup> Not printed.

Prior to the meeting of the United Nations Assembly in Paris in September 1948, it was announced that municipal elections would be held in November. It was felt then in this Embassy that, in the Government's statements regarding the elections, it was making a bid for the approval of Western European and American public opinion. The elections were held while the United Nations Assembly was meeting in Paris, but they were so far removed from a democratic process in any sense of the term that even the Spaniards did not play them up very much in their propaganda abroad. Perhaps this marked a change in the propaganda line of the Spanish Government. In any case it now seems to be making little pretense of adopting any democratic institutions.

This cannot be explained precisely by saying that Franco thinks the Western world needs him and must take him as he is. It would perhaps be more accurate to say that he has asked himself what he can gain by gestures in the direction of liberalism. He has some reason to feel that Spain's entry into the United Nations or participation in the Marshall Plan is impossible as long as he is in power in Spain and the Socialists in power in other Western European countries. His principal aims now are (1) to obtain a reversal of that part of the 1946 resolution of the United Nations which has to do with Chiefs of Mission, and (2) to secure economic assistance from the United States, independent of our aid to other countries. The first aim receives its impetus mostly from that pride which plays such an important part in the make-up of every Spaniard, and this same pride frowns on making concessions to get satisfaction. Members of the Foreign Office have told members of the staff of this Embassy that the Government's directive to its diplomats in the field is that they should concentrate on obtaining repeal of the clause having to do with the Chiefs of Mission rather than on the one excluding Spain from United Nations technical organizations, even though it is recognized that the latter would be more apt to succeed with the Socialists of Europe. If the necessary two-thirds majority is not obtained in the Assembly voting, or if the Spanish question is stricken from the agenda, the Spaniards believe that a sufficient number of delegates will make declarations to the effect that they are not bound by the 1946 Resolution to enable a vast majority of countries to send ambassadors to Madrid and to render that part of the Resolution inoperative; and even this would offer some satisfaction to Spanish pride. The problem of obtaining economic assistance from the United States probably seems to the Spanish officials to be only slightly related to political liberalism. They have been encouraged in this view by statements of our officials, such as those to the effect that political reform is needed principally to satisfy Western European opinion. Praise of their regime by many visiting Americans,

especially the military minded, have moreover encouraged a feeling that they are a better financial risk with a "strong" government than with one "weakened" by reforms "encouraging to troublemakers."

In conclusion, it seems to the writer that there is little prospect that the Spanish Government will in the near future inaugurate any very important political changes in the direction of liberalism. The economic difficulties which the country is facing are forcing the Government to tighten its controls and to try to consolidate its position with its proven supporters—the Church, the Army, and the Falange party. What may be the political consequences of failure to handle a serious economic crisis is another matter and not within the terms of reference of this despatch.

Respectfully yours,

For the Chargé d'Affaires *a.i.*

S. WALTER WASHINGTON

*First Secretary*

852.00/2-1749 : Telegram

*The Chargé in Spain (Culbertson) to the Secretary of State*

SECRET

MADRID, February 17, 1949—4 p. m.

77. Information we obtain lends definite color prediction Minister Industry and Communications [*Commerce*]<sup>1</sup> (Embdes 46 January 31<sup>2</sup>) possible economic collapse in Spain in six months or so in absence outside aid. Precarious economic situation subject conversation everywhere one goes and is definite concern everyone Spain. Governments anxiety evidenced by its willingness mortgage gold obtain recent 25 million credit from Chase.<sup>3</sup> Embassy not prepared concur fully collapse will come since Spain over centuries shown ability live on little or nothing. However if present drought continues (rain-fall September to January inclusive 40 percent below thirty year average) causing poor crops and increasingly severe electricity restrictions (Barcelona factories now have public power six hours weekly), if private enterprises continue unable meet bank obligations, if Argentina does not supply wheat or should curtail present credits and Spain's grain crop should be failure, I do not see how Spain's economic

<sup>1</sup> Juan Antonio Suances Fernández.

<sup>2</sup> Not printed.

<sup>3</sup> On February 9 the Chase National Bank had announced the extension of a \$25,000,000 fully secured revolving credit to the Spanish Foreign Exchange Institute. On February 18 officials of the bank discussed the course of the negotiations leading to the credit and indicated that Spanish officials were now willing to remedy objectionable economic practices and policies in order to qualify for further private or official U.S. loans. Memorandum of conversation, not printed, 852.50/2-1849.

and social structure can hold together indefinitely. All foregoing is quite possible, if not probable.

As seriousness situation increases pressure of necessity might well bring about change present economic policies and shake up government. Mild rumors latter point persist. However Franco could be stubborn enough pull temple down on selves especially since unable determine what concrete benefits, if any, might come from outside were he adopt new policies, new measures.

Economic breakdown by no means certainty, but clearly possibility. It would seriously affect Spanish political stability with no immediate alternative to replace Franco which could control situation. Economic and political breakdown or disintegration in Spain bound have severe repercussions on our aims economic political rehabilitation Europe. Such eventuality not in our interest nor that France and UK. I feel risk should be weighed carefully against present political objections. If they not overriding suggest as first step (if we wish avoid risk breakdown) offer Spain immediate access equal terms with others Exim Bank, leaving to bank determination credit risk and conditions. In exchange obtain from Spanish government assurances fair equal treatment American trade and investment.

CULBERTSON

501.BC Spain/3-449

*Memorandum by the Director of the Office of European Affairs (Hickerson) to the Assistant Secretary of State (Rusk)*<sup>1</sup>

SECRET

WASHINGTON, March 4, 1949.

Attached is a memorandum recommending the position which I believe we should adopt at the forthcoming General Assembly session in the event the Spanish case comes up for discussion. It is my recommendation that this position be adopted as our firm policy.

I am aware, however, of the strong protestations made to Secretary Marshall last fall in Paris by Schuman and Bevin and, therefore, am completely agreeable to having our position placed before the Western European and certain Commonwealth Governments in order to obtain their present reaction to it. A draft telegram in this sense is attached.<sup>2</sup>

Unless, however, we receive the strongest kind of criticism or objection, I feel we should pursue the policy recommended herein.<sup>3</sup>

<sup>1</sup> Dean Rusk, Assistant Secretary of State for United Nations Affairs, during the early months of 1949 took on the duties of Deputy Under Secretary of State, a post to which he was formally designated on May 26.

<sup>2</sup> Not printed.

<sup>3</sup> Following this paragraph Hickerson wrote in by hand: "This will have to be discussed with the Secretary, of course. JDH"



## [Annex]

*Suggested United States Position on Spain at April Session of United Nations General Assembly*<sup>4</sup>

[WASHINGTON,] March 1, 1949.

The Department of State reached the conclusion in October, 1947 that the national interest required a modification of US policy toward Spain with a view to early normalization of US-Spanish relations. This decision was confirmed in January 1948 by the National Security Council and approved by the President.

In line with this policy, the US has opposed further international pressure on Spain in the UN. In the 1947 General Assembly, the US voted against reaffirmation of the 1946 GA Resolution on Spain. Prior to the 1948 GA, the US advised the Governments in Western Europe, the British Commonwealth and Latin America that it was inclined to favor modifications of the 1946 Resolution which would (1) permit the return of Ambassadors and Ministers to Madrid and (2) permit Spanish membership in the specialized agencies affiliated with the UN. In view of the many important issues between the Western democracies and the USSR and its satellites, the US acceded to urgings of the UK and France and joined with them in an effort to forestall discussion of Spain at that time. This question was placed at the end of the agenda and was subsequently held over for the later meeting of the GA in April 1949.

It is recommended that the US, in accordance with established policy, should encourage, though not initiate, action on Spain at the next GA and should indicate to any interested governments that it still favors the amendments to the 1946 Resolution mentioned above.

1. Normalization of US relations with Spain has been determined to be in the national interest. The return of Ambassadors and Ministers to Madrid is the next step in the gradual normalization of US-Spanish relations. It is becoming steadily more apparent that in the interest of emphasizing US views to the Spanish Government, and in contributing to a solution of increasingly difficult economic problems between the two countries, it is important that this Government be represented in Madrid by an Ambassador. In addition, strong support for an exchange of Ambassadors has been manifested by the National Military Establishment which is anxious to develop and maintain a friendly atmosphere in Spain in the event of international conflict.

2. The ineffectiveness of the 1946 Resolution and violations of it are adversely affecting the prestige of the UN. Modifications of the 1946 Resolution should be supported therefore in the interest of strengthening the UN. The US has long questioned the advisability and efficacy

<sup>4</sup> The source text was prepared by William B. Dunham of the Division of Western European Affairs and concurred in by the Policy Planning Staff, the Office of European Affairs, and the Office of American Republic Affairs.

of this Resolution and experience has confirmed these doubts. The Resolution has completely failed in achieving its purpose, namely, encouraging a change in the Spanish Government and, if anything, has had a contrary effect. Although the US has continued to comply with the Resolution as a matter of principle, the Secretary of State, in a statement to the press on October 9, 1948, made it clear that the US believes that this Resolution is no longer properly applicable to the situation in Spain. This view is also held by many other members of the UN. That portion of the Resolution relating to the withdrawal of Ambassadors and Ministers has already been violated by nine members of the UN and further violations are expected if it is not soon modified. It would be far better for the UN to recognize this mistaken action now and repeal the provision not engendering respect than to allow it to expire in a lingering fashion through repeated violations, thus further weakening the prestige of the UN and its recommendations.

3. Periodic discussion of the Spanish question in the UN has distorted the problem out of all proportion to its importance and has prolonged its propaganda value to the Soviets. It is a highly emotional issue in a great many countries and the propaganda use which has been made of discussions of it in the UN has consequently created domestic political embarrassment to many Western European governments and has complicated US policy objectives both in the UN and in Western Europe. The opportunity is now at hand to effectively terminate recurring international discussion of Spain in the GA. Best estimates to date indicate that an amendment to permit Spanish membership in the UN's technical agencies would receive more than the required two-thirds majority and that an amendment to permit the return of Chief's of Mission to Madrid would probably receive a bare two-thirds majority. The latter vote would be close, however, and it would be essential that the US Delegation make known the views of the US in informal conversations with other Delegations. This is important so that the repeal will pass and we do not have the issue up again with accompanying propaganda.

4. It is recognized that the adoption by the US of the position recommended above will provide certain propaganda advantages to the Soviets. However, it is believed these advantages are considerably less valuable now than in past years and are not sufficiently important to prevent adoption of the US position on Spain recommended above. Public opinion in the US concerning Spain has greatly moderated, with vocal opposition to the regime increasingly confined to Leftwing groups and increasingly vocal demand from Catholic, Republican and generally Rightwing elements for improved relations with Spain. In the Western European countries, public opinion has gradually diminished although feeling still remains relatively strong in some of those countries. At the same time, Soviet propaganda resulting from discussion of this problem will undoubtedly affect the non-Communist trade unions and labor parties in Western Europe, many of whom would view modifications in the 1946 Resolution as a first step towards Spanish participation in the ERP and the North Atlantic Pact. However, it is expected that their reaction will be short-lived and that any important or serious consequences can be avoided by a clear statement of the US position. Opinion on Spain in the non-Communist

trade unions and labor parties has moderated in the last two years with the widening of the East-West split to a point where it is anticipated that their reaction to modifications in the 1946 Resolution will not seriously affect the Western European governments nor complicate consideration of the North Atlantic Pact or other important international problems.

5. There will be strong pressure for a discussion of Spain at the April GA and it is doubtful, as a practical matter, that the proponents of action could be persuaded to desist. It is axiomatic that the Soviet bloc will press for consideration of this item and the Poles who placed it on the agenda, have already indicated their intention to insist on a discussion. For their own reasons, a large majority of the other American Republics—and probably the Arab states—can also be expected to press for a discussion of Spain. It is debatable that the disadvantages mentioned above would seem sufficiently compelling to dissuade the interested Latin American nations from pursuing their intended course. Moreover, it is certain that they would oppose and resent any attempt at further postponement. In view of its own interest in Latin America it would be ill-advised for the US to undertake or to join in any effort to postpone discussion of this item at the forthcoming GA, particularly in the absence of contrary considerations of over-riding importance. In addition, if we do not meet this issue frontally, we may be confronted with oblique attacks on it such as Brazil has proposed which would be less desirable from all angles.

The recommendation has been made, in the light of the foregoing considerations that the US should vote its convictions at the April GA with respect to the 1946 Resolution on Spain. The only official statement to be made by the US Delegation on this question should be brief, and in substance, should contain the following points:

The US position is dictated by its honest conviction that the two operative portions of the Resolution have proved to be ineffective and that experience has confirmed the doubts we expressed in 1946 as to their wisdom or efficacy. The US does not believe that they are applicable to the present situation in Spain. Moreover, the provision relating to the withdrawal of Chiefs of Mission has been repeatedly violated and it would be better for the UN to repeal the provision not engendering respect than to allow it to expire in a lingering fashion through repeated violations. The provision barring Spain from membership in the UN's technical agencies has left Spain free of many international commitments and responsibilities and in some cases handicapped the technical objectives of many of these agencies. The US Government furthermore believes that the technical agencies should be allowed to determine their own membership as a technical and not as a political matter. The US position does not indicate agreement with the policies or practices of the Spanish Government nor is it intended as a whitewashing of the criticism of Spain's past record. We continue to believe liberal evolution within Spain is needed both in political and economic fields. We hope removal of this interference

from outside will make it possible for Spaniards themselves to take required steps. The US position should not be misconstrued as forecasting an effort to bring Spain into the ERP or the North Atlantic Pact. These are matters for determination by agreement among the participants in each of these activities and not by the US alone.

501.BB/3-2449: Circular telegram

*The Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

SECRET US URGENT

WASHINGTON, March 24, 1949—2 a. m.

Dept contemplating instr US GADel along fol line event Spain discussed at Apr GA:

1. Efforts shld be made play down discussion Span question in GA in order prevent Sov using it embarrass US or Western European countries in connection more important issues such as Ital colonies<sup>2</sup> and Atlantic Pact.<sup>3</sup> USDel shld take no initiative but wld be authorized inform other Dels informally US views.

2. Subject para 1 above US willing vote favorably for res proposed by other Dels which wld (a) permit Span membership in specialized agencies which in opinion agency Span participation will contribute to technical objective of agency; (b) permit UN Members exchange Ambs and Mins with Spain.

3. USDel would not vote for (a) res more strongly anti-Franco than 1946 Res (b) reaffirmation of 1946 Res (c) total repeal of 1946 Res.

4. If Span case discussed this session GA, Dept hopeful it will be dealt with by GA in such manner that it will not recurrently arise in future sessions thereby giving opportunity for Sov propaganda.

5. In assuming this position in GA we wld make clear that this step does not contemplate inclusion Spain in ERP, Atlantic Pact, Mil Assistance Program or for full membership in UN.

It will be noted tentative position outlined above follows closely Depcirtel Sept 10, 1948,<sup>4</sup> same subject.

Dept aware possible implications Western Europe of above position which considerations presented to Marshall by Bevin and Schuman in Paris.

You are asked discuss above position with FonOff on informal basis and ascertain if possible (a) probable attitude govt to which you

<sup>1</sup> Sent to Paris, Brussels, The Hague, Oslo, Copenhagen, Stockholm, Ottawa, and London with the addition in the copy to London that the matter should also be taken up with Herbert Evatt, Australian representative at the United Nations.

<sup>2</sup> For documentation relating to the United States position on the disposition of the former Italian colonies, see pp. 526 ff.

<sup>3</sup> For documentation relating to the Atlantic Pact, see pp. 1 ff.

<sup>4</sup> Not printed.

accredited in forthcoming GA and (b) views FonOff re any repercussions or difficulties in such country if US takes this position even though not in accordance with theirs. Dept wld also appreciate Embs evaluation whatever comment recd.<sup>5</sup>

Replies needed soonest in order Dept may consider whether its position shld be modified before instr USDel.<sup>6</sup>

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<sup>5</sup> Replies to this circular, none printed, indicated that the governments concerned all agreed that the Spanish question should be played down at the United Nations and that none planned to take any initiative on it. There was, however, no consensus on the tentative positions taken by the United States in the five numbered paragraphs. (501.BB/3-2549-3149)

<sup>6</sup> The source text was concurred in by Rusk, Raynor, Dunham, Hickerson, and Bancroft.

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852.51/4-1349 :Telegram

*The Secretary of State to the Embassy in Spain*

SECRET

WASHINGTON, April 13, 1949—5 p. m.

199. Dept has been studying its economic policy toward Spain with particular reference to repeated Span indications of desire to obtain financial assistance from US Govt.<sup>1</sup>

It is realized in view reported economic situation Spain assistance from Ex-Im Bank cld be very helpful either in form credits to Amer exporters to Spain or direct loans to Span agencies or enterprises. Dept has arrived at decision, which you may communicate Span authorities, that it will no longer object in principle to filing of applications with Ex-Im Bank for credits for specific purposes which wld contribute to Span economic rehabilitation. However any such applications wld be considered by Bank on same basis as those for any other country which means final decision will be made not only basis need for credit and suitability particular purposes to be served but also only if in judgment of Bank there is reasonable prospect of repayment in accordance with loan terms.

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<sup>1</sup> U.S. economic policy toward Spain had been under study in the Department of State since the beginning of 1949. On March 25 and 29 Willard Thorp, Assistant Secretary of State for Economic Affairs, had sent memoranda to Under Secretary Webb, neither printed, stating that the United States as part of its efforts gradually to normalize relations with Spain, should instruct Culbertson "... to inform the Spanish authorities that the Department no longer objects in principle to the filing of applications with the Eximbank for exporter credits or direct loans to Spanish agencies or enterprises." The Chargé was to impress upon the Spanish authorities that more effective use of their resources would be a prerequisite to obtaining financial aid from the U.S. Government. On the basis of the second memorandum, Thorp drew up a draft airgram which was discussed with and approved by President Truman on April 11, but sent to Madrid as the source text. Thorp's memoranda, a memorandum of conversation with President Truman on them, and a copy of the draft airgram are in file 852.51/4-1349.

You shld emphasize these facts to FonOff and make clear to it that in circumstances no assurance can be given that Ex-Im Bank will act favorably on loan applications. In fact both Dept and Ex-Im Bank have most serious doubts and reservations at present time as to Span capacity make repayment. Outlook for Span dol balance-of-payments such that even if particular project cld be shown to be self-liquidating in dol terms there might remain serious doubt re Span ability use dols yielded by investment to discharge service on credits obtained for purpose.

Critical situation in Span dol balance-of-payments derives from deep-seated economic difficulties many of which have seemed and still seem to Dept capable of correction by action of Span Govt. It is desired you again call attention of FonOff to particular problems mentioned below, adequate solution of which wld at least make some contribution to remedying Span balance-of-payments difficulties. Is of course impossible say whether action these fronts alone would provide sufficient reassurance to Span capacity to undertake additional external dollar obligations. In short you shld make it quite clear to Span authorities that general demonstration of capacity and willingness make more effective use of Spain's own resources is prerequisite obtaining financial assistance from US Govt.

Among problems repeatedly called attention Span authorities are:

1. Adoption peseta rate of exchange at level calculated to increase volume of Span exports. While in sense there has been some progress this direction through abandonment former seriously overvalued rate of 10.95 pesetas per dol in favor multiple rate structure US Govt seriously concerned re discriminatory aspects present system including its susceptibility to being considered as export subsidy. Is believed much more effective method rehabilitating Span export trade wld be adoption realistic unitary rate exchange for commercial transactions.

2. Treatment accorded foreign capital. Dept believes many serious restrictions upon and barriers to foreign investment in Spain shld be removed or moderated in order enable Spain attract private equity capital from US to assist in economic rehabilitation of country.

3. Scope and functions of INI.<sup>2</sup> Seems to Dept great step forward wld be accomplished if measures were taken implement official and public assurances by Ministry of Industry and Commerce to effect that scope of INI would be progressively reduced to conform to original purposes for which it was founded.

In your discretion suggest to FonOff Dept prepared explore with Span Govt its attitude toward negotiating with US modern and comprehensive Treaty of Friendship, Commerce and Navigation of type

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<sup>2</sup> Instituto Nacional de Industria.

signed Feb 2, 1948 with Italy.<sup>3</sup> That treaty illustrates nature, scope and underlying principles of sort of instrument Dept wld have in mind. Two copies being forwarded for Emb's use in ascertaining whether Span Govt would be interested in treaty along these lines. If Span reaction is favorable Dept would on Emb's recommendation undertake prepare draft adapted specifically to Spain for formal presentation Span Govt as proposed basis for negotiation, taking into account any specific suggestions Emb may care make concerning particular provisions which such draft would contain.

ACHESON

<sup>3</sup> For the text of the Treaty of Friendship, Commerce, and Navigation with Italy, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1965, or 63 Stat. (pt. 2) 2255.

501.BC Spain/4-1849: Telegram

*The United States Representative at the United Nations (Austin)  
to the Secretary of State*

SECRET PRIORITY

NEW YORK, April 13, 1949—8:57 p. m.

Delga 28. Personal for the Secretary. The following is summary of views on Spain at delegation meeting today which members of delegation have asked that I communicate to the Department. Discussion based on position set forth SD/A/C.1/213<sup>1</sup> and explanation made by Department officers.

Mrs. Roosevelt feared sharp criticism from influential anti-Communist groups in this country which would feel Department bowing to views of military and special interest groups. Proposed policy would be considered round-about way of recognizing Franco, pointing toward concrete assistance for Spain, if not under ERP, through private channels. Public opinion accepts more lenient policy toward Germany and Italy, since Hitler and Mussolini no longer in power, but Franco remains and Spanish government has not changed in slightest since

<sup>1</sup> Not printed; it recommended that U.S. policy should be as follows: 1. Attempt to play down discussion of the Spanish question in the General Assembly and take no initiative on Spain. 2. Indicate, if asked by other delegations, that the United States was prepared to discuss Spain if it was on the agenda. 3. Support any move by Poland to withdraw Spain from the agenda, but also support inclusion on the agenda of any subsequent item on Spain. 4. Subject to item one the United States should vote for resolutions that permitted Spain to join specialized agencies if their effectiveness would be enhanced thereby and that permitted member states to exchange ambassadors with Spain. 5. The United States should emphasize that this position did not indicate a change in its attitude toward the Franco Government. 6. The United States should not vote for a stronger anti-Franco resolution or for total repeal of the 1946 resolution. (501.BB/4-149)

1946 GA resolution. Internationally, Mrs. Roosevelt thought position would cause difficulty for Western European governments, giving strong arguments to Communist opposition which would utilize any modification of anti-Franco resolution for its own ends. Mrs. Roosevelt stated Santa Cruz<sup>2</sup> of Chile had told her his government not anxious to lift Spanish bans but would follow US lead and that many Latin American states in similar position. Mrs. Roosevelt recognized it was perhaps too late to change the decision, but she felt we should go into it with our eyes open and Department must expect damaging criticism.

Mr. Dulles said he wanted no misunderstanding as to his position. He fully agreed with Mrs. Roosevelt. If for military and security reasons, it was felt necessary to change our attitude towards Spain, there was nothing the delegation could do but acquiesce. He thought, however, that US position would be much sounder if strongly opposed to all forms of totalitarianism Fascist as well as Communist. He felt it would be unfortunate to appear to ally ourselves with Fascist totalitarianism for the sake of military expediency, particularly at this juncture in view recent signing Atlantic Pact.<sup>3</sup>

Jessup<sup>4</sup> stated that having examined the papers on our Spanish policy in Department, he did not agree that military considerations were the predominant factor in the Department's recommendations. He thought that one strong point which should not be overlooked was that the 1946 resolution had not accomplished its purpose but had strengthened rather than weakened Franco.

Cohen<sup>5</sup> also fully agreed with Mrs. Roosevelt that the US moral position in Western Europe would be weakened by any change in our attitude toward Spain. He argued that the US could not avoid responsibility for change in Franco policy in eyes of Western Europe, whose opinions had not been given sufficient attention. He thought Spaak's views especially entitled to more weight than the routine mechanical answers which had been obtained from some Western European foreign offices. Others would necessarily conclude that we were taking the lead in this policy, especially in view of indications that LA opinion was divided. US position in Spain would not be improved by having an ambassador there unless we were interested more in influencing Franco than the Spanish people. The ground, moreover, had not been prepared for full understanding of the US position. Cohen considered that it was perhaps too late for the delegation to

<sup>2</sup> Hernán Santa Cruz, Chilean Permanent Representative to the United Nations.

<sup>3</sup> For documentation on the signing of the North Atlantic Pact, April 4, 1949 at Washington, see pp. 270 ff.

<sup>4</sup> Dr. Philip C. Jessup, United States Ambassador at Large.

<sup>5</sup> Benjamin V. Cohen, Member of the United States Delegation to the General Assembly.



helpfully advise the Department on this policy. He thought that the lesson to be learned was the desirability of more advance discussion between Department and delegation in working out positions on major political questions.

At one point, I asked the delegation whether it would have any objection to my informing the Department that it was their feeling that we might support the repeal of the specialized agencies provision of the resolution apart from repeal of the chiefs of mission proposal. There was no objection.

Delegation is aware of difficulties surrounding Department's decision in this matter and does not wish unnecessarily to complicate the problem at this stage. However, the feelings expressed above represent strong convictions. I agreed that they should be communicated to the Department for its further consideration.

Mr. Canham<sup>6</sup> was not present during the discussion. I would deeply appreciate your advice on this matter.<sup>7</sup>

AUSTIN

<sup>6</sup> Erwin B. Canham, Alternate Member of the United States Delegation to the General Assembly.

<sup>7</sup> In Delga 33, April 15, from New York, not printed, Austin transmitted the text of a memorandum by Dulles, dated April 13, which elaborated on his views. (501.BC Spain/4-1549)

Madrid Embassy Files: Lot 55F124  
312SC/350SC Spain: Circular airgram

*The Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

CONFIDENTIAL

WASHINGTON, April 14, 1949—3:40 p. m.

For Chief of Mission

*Views on Spanish Participation in the North Atlantic Pact*

During a recent call at the Department the Chargé of the Spanish Embassy here expressed Spain's desire to cooperate with the US and indicated his hope that the necessity of Spanish cooperation would soon lead other countries to relax their attitude toward Spain. He also indicated his hope that Spain could one day participate in the North Atlantic pact. We informed the Spanish official that this was a difficult problem and that Spanish participation in the pact was politically impossible at this time. In this connection we inquired of the Spanish official when we might expect steps in the direction of political liberalization in Spain. He replied that this was a matter which was proceeding slowly and said he hoped that an early normalization of diplomatic relations with Spain would be possible since he believed it would encourage further steps in Spain's political evolution.

ACHESON

<sup>1</sup> The source text does not indicate to what other missions the circular airgram was sent.

501.BC Spain/4-2049 : Telegram

*The Secretary of State to the United States Mission at the  
United Nations*

SECRET

WASHINGTON, April 20, 1949—noon.

Gadel 19. Dept's position on Span question as recommended to Del has been reconsidered (Delga 28 Apr 13 and Delga 33 Apr 15) and modified.

Del is instructed to abstain if vote is taken to amend 1946 Res to permit return Ambs and Mins to Madrid.

This position has been approved by Pres.

Balance recommended position unchanged and Del is instructed to vote favorably for resolutions proposed by other Dels which would amend 1946 Res to permit Span membership in specialized agencies when in opinion agency Span participation will contribute to technical objectives agency.

Govts Western Europe and Latin Amer being informed US position.<sup>1</sup>

ACHESON

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<sup>1</sup> On March 21 a circular telegram, not printed, was sent to London, Paris, Brussels, The Hague, Oslo, Copenhagen, Stockholm, Ottawa, Madrid, and to the other American Republics except Brazil noting this change in the United States position on Spain. (501.BC Spain/4-2149) A separate telegram to Rio, not printed, in the same sense and indicating that this decision had been discussed with the Brazilian delegation at the United Nations, was sent on April 22. (501.BC Spain/4-2049)

852.00/4-2849

*Memorandum of Conversation, by the Counselor of the Department of  
State (Bohlen)*

SECRET

WASHINGTON, April 28, 1949.

Participants: Mr. Trifon Gomez, Vice President of the Spanish Socialist Party and Head of the Labor Union UGT in exile;  
Mr. Antonio Reina, International Ladies Garment Workers Union (AFL); and  
Charles E. Bohlen, Counselor, Dept. of State

Mr. Gomez called by appointment this afternoon to present his point of view concerning the situation in Spain. His chief point was that in view of the understanding reached between the Monarchists and the Socialist non-Communist trade union organizations<sup>1</sup> he very much hoped that there would be no move on the part of the United States

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<sup>1</sup> Documentation concerning the agreement among the various Spanish exile groups in the fall of 1948 is in *Foreign Relations*, 1948, vol. III, pp. 1051 ff.

Government which would alter what he termed "the *status quo*" in Spain. He developed at considerable length the point of view expressed in the paper entitled "Report to the United States State Department"<sup>2</sup> which he left with me. He seemed particularly concerned about reports which he had heard of forthcoming U.S. Government economic aid to Franco. He said that he felt this possibility was being extensively exploited in Spain by Franco with members of his own entourage who were beginning to be seriously concerned over the economic situation in Spain. Mr. Gomez did not predict any great change inside Spain in the immediate future but did state that the Monarchists were making considerable headway he felt in the Spanish army and even in Franco's entourage and that there was a possibility of some changes if Franco could no longer hold out the hope of very important economic aid from the United States. He furthermore said that the organizations he represented were strongly anti-Communist and had no Communist affiliations whatsoever but that the Communists were making great propaganda to the effect that the Western Powers would support and sustain the regime of Franco.

I told Mr. Gomez that, in the first place, we regarded the problem of Spain as a European problem and that this Government would not, I was confident, adopt any policy that ran counter to those of the democracies of Western Europe; that our position had consistently been: (1) that we had no sympathy whatsoever for the regime of Franco; and (2) that we would not be prepared to take the responsibility in regard to any move which might bring on a renewed civil war in Spain; that we would not wish to be parties to any move which would inflict upon the Spanish people another ordeal of that character and furthermore the effect of any such development in Spain on the present international situation might well precipitate a world conflagration. I told him that in so far as the *status quo* was concerned I knew of no move on the part of the United States which would alter the present circumstances; that we did not anticipate that the 1946 resolution concerning Ambassadors would be cancelled at the present General Assembly (I did not go into any specific reference to our attitude.) but that there might be some change in the question of Spanish admission to the specialized agencies explaining that they were of a purely technical, public health, etc. nature and did not have any political connotation. I told Mr. Gomez that, as he was aware, normal trade with France [*Spain*] through private channels was going on and that we had not had any embargoes and were not contemplating any in respect of this trade. I said that there were many people who felt that the 1946 resolution had been a mistake in that it was a slight

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<sup>2</sup> Not printed.

extension of the normal functions of the United Nations and did not seem to have produced any improvement from the point of view he expressed in the situation in Spain, but as long as it remained a resolution of the General Assembly I was sure the United States would continue to abide by it. I questioned the validity of external pressure as a means of dealing with the Spanish situation since in cases of this kind it usually afforded the regime an opportunity to draw on the national pride of the people.

Mr. Gomez said that while he understood this point he felt that on the whole the Spanish people realized that the lack of foreign benefits was due to the Franco regime and not to any hostility towards the Spanish people on the part of other countries and emphasized that he was not suggesting in any way any new measures against the Franco regime but merely that there should be no change in the direction of affording Franco help and support from abroad.

I told Mr. Gomez that I would pass on to the Secretary the recommendation he had made as well as the other documents which he left with me. (Documents attached <sup>3</sup>)

CHARLES E. BOHLEN

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*Editorial Note*

Discussion of the Spanish question in Committee 1 (Political and Security Questions including Regulation of Armaments) began at the 26th meeting on May 4, 1949 and continued through May 7. In the course of its meetings the committee considered two draft resolutions: the first (A/C.1/452), submitted by Poland, recalled the 1946 resolution, reaffirmed that the Franco regime was Fascist, accused the United States and United Kingdom of strengthening their political and economic ties with Spain, and recommended that all member states should cease to export arms and strategic materials to Spain and refrain from entering any agreements or treaties with Franco Spain; the second (A/C.1/450), submitted by Bolivia, Brazil, Colombia, and Peru, noting that the 1946 resolution had failed of its purpose and that confusion existed concerning its status, would give ". . . member states full freedom of action as regards their relations with Spain."

During the debate on the draft resolutions the United States was accused by Polish, Soviet, Yugoslav, and Byelorussian representatives

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<sup>3</sup> None printed; in addition to the report to the State Department, attached were an appeal to various embassies from the Socialist party, a report to the United Nations, a document entitled "The Atlantic Pact" which indicated Franco's desire to join the pact, and some background notes on Trifon Gomez.

of supporting Franco Spain militarily, economically, and politically, accusations which were denied by Ray Atherton, an alternate United States representative. The two drafts were brought to a vote on May 7 with the committee rejecting the Polish draft paragraph by paragraph and adopting the Latin American resolution 25 votes to 16 with 16 abstentions, including the United States, the United Kingdom, and France.

For a full record of the debate in Committee 1, see United Nations, *Official Records of the Third Session of The General Assembly, Part II, First Committee*, 1949, pages 170 ff. For the text of the Polish resolution, see *ibid.*, *Annexes*, pages 84-85; for the text of the Latin American resolution adopted by the committee, see *ibid.*, pages 60-61. The United States Mission at the United Nations reported frequently on the activities of the First Committee; its messages and the Department of State's instructions to it are in file 501.BC Spain/5-549 ff.

The First Committee Report on item 12(55) Spain was transmitted to the General Assembly on May 9 with the recommendation that the Latin American resolution be adopted by that body. It was debated on May 11 and 16 together with the Polish resolution which was re-introduced on May 11. Both resolutions failed to obtain the required two-thirds majority, the former by 26 votes to 16 and the latter by 6 votes to 40. For the text of the First Committee Report, see United Nations, *Official Records of the Third Session of the General Assembly, Part II, Annexes*, 1949, pages 58-61. For a full record of the debate in the General Assembly, see United Nations, *Official Records of the Third Session of the General Assembly, Part II, Plenary Meetings*, 1949, pages 356-366 and 456-504.

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### Editorial Note

At his press conference on May 11 Secretary Acheson spoke about the United States policy toward Spain. After tracing the developments in the United Nations since the adoption of the 1946 resolution and noting that the United States would abstain in the voting for the resolution before the General Assembly that would have left relations with Spain to the judgment of the member states, he stated that four fundamental rights and protections, the writ of habeas corpus and an independent judiciary, trial by jury, religious liberty, and the right of association, did not exist in Spain. The fundamental policy of the United States was to bring Spain back into the family of western Europe, but the western European countries could not have an intimate working relationship with Spain without some moves toward liberalization. The Ambassadors were only a symbol of this fact, and the United States was attempting to convince Spain that it "... must

take some steps toward that end". Its policy was "... directed toward working with the Spaniards and with the western Europeans, bringing about a situation where these fundamental liberties do exist in Spain and where the western Europeans can bring Spain into the community."

For the full text of Secretary Acheson's remarks, see Department of State *Bulletin*, May 22, 1949, pages 660-661.

852.51/5-1749: Telegram

*The Secretary of State to the Embassy in Spain*

SECRET

WASHINGTON, May 20, 1949—7 p. m.

264. Urtel 269, May 17.<sup>1</sup> Moreno's <sup>2</sup> discussions ExImBank frank and cordial. Moreno's exposition Span requirements and capacity repay exceedingly confused and spotty, his statistics latter subj admittedly unofficial. Moreno presented Bank with requirements up to billion and quarter dollars, of which 600 million for expendables and 675 million for capital investment. He stressed prime importance cotton, soy bean oil and wheat requirements aggregating 200 million dollars. Moreno's documentation Span capacity repay even such commodity credits depended completely on long-range investment program. Bank unconvinced even this possible without major efforts of self-help by Spain.

Bank unable see how limited credits could be arranged that wld comply with requirement reasonable assurance repayment, in view absence any visible Span dollar earnings which cld be applied to repayment credits.

Moreno informed complexity Span economy requires thorough examination by Bank in conjunction NAC and that such examination takes considerable time.

Moreno promised Dept to discuss with Span Govt observations made here with respect to desirable economic measures in Spain, but for ur info only he was of course unable make any commitments as to Span Govt actions and was inclined join in criticism of rather than defend current practices.

Moreno informed future contact will be Embassy Madrid. Will inform you any NAC views or requests for info. In line Deptel 199, Apr 13,<sup>3</sup> Dept continues view loan only in terms strict economic justification and demonstrated capacity repay.

ACHESON

<sup>1</sup> Not printed; in it Culbertson asked for information concerning a United Press report from Washington that Spanish discussions with the Export-Import Bank had been broken off. (852.51/5-1749)

<sup>2</sup> Andreas Moreno, Chairman of Banco Hispano-Americano.

<sup>3</sup> *Ante*, p. 735.

711.52/5-2349

*The Chargé in Spain (Culbertson) to the Acting Secretary of State*<sup>1</sup>

CONFIDENTIAL

MADRID, May 23, 1949.

No. 262

SIR: I have the honor to request for my guidance and information clarification of our policy toward Spain.

The recent public enunciations of American policy toward Spain leave it quite clear that there has been no material deviation from our basic interest of integrating Spain politically, economically and militarily into the grouping of Western nations. It is not clear to me, however, whether the Secretary's statements on May 4 and May 11<sup>2</sup> have laid down political and economic conditions precedent which *must* be fulfilled before there will be any further modification in our attitude toward and treatment of Spain. If that be the case, who is to determine the point at which adequate fulfillment has been reached? Will the test be satisfaction for United States sentiments or will it be that of France and/or Great Britain?

If we are to require strict compliance with the various points brought out in the May 11 statement, we should recognize right now that such compliance will not be forthcoming in the foreseeable future. The conditions do not fit Spanish character or history. Also, if we are to await a time when the political groupings presently in control in France and England will accept Spain and our position is to be dependent on that acceptance, we have a long time to wait. The emotional aspect of French and British political attitude toward Spain and the Spanish question is much more pronounced than that of the United States. The British-French economic attitude, including ECA, is not however emotional. It is very realistic. They are not going to divide the ECA melon with Spain but they are going to do all they can to expand their fields of sale to Spain, obtain outlets for their own growing overproduction made possible by reason of ECA help. These activities do not apparently arouse the non-Communist sentiment in Europe which seems to be of such concern when the Spanish question comes up in the United Nations.

It was, as I understand it, out of deference to that reported non-Communist sentiment that we at the last moment modified our posi-

<sup>1</sup> Secretary Acheson was in Paris attending the Sixth Session of the Council of Foreign Ministers; for documentation on the United States participation in the deliberations of the Council, see volume III, chapter VI.

<sup>2</sup> On May 4 at a press conference Secretary Acheson had said that the Department of State had no political objections to an Export-Import Bank loan to Spain and was not standing in the way of Spanish negotiations with the bank, but that he regarded Spain as a poor risk as long as it did not adjust its balance of payments and make other financial reforms. Regarding the Secretary's statement on May 11, see editorial note, p. 743.

tion with regard to the vote on the return of ambassadors to Madrid. According to the press, that change of position brought forth criticism of the Department's Spanish policy from outstanding Congressional leaders. It is my guess that it was because of this criticism that the Secretary made his May 11 statement, a statement which, if I may be permitted to say so, looks like a very hastily drawn document into which many draftsmen inserted their ideas.

The Spanish question, so far as the United Nations General Assembly is concerned, is a dead issue until the next meeting of the Assembly. I presume that the Department will allow the question to rest in *status quo*. However, September is not a great length of time away. Are we, in the face of the views of Senators Connally, Vandenberg and others as well as the editorial position of the *Washington Post* and other prominent newspapers, going to maintain our position of abstention on the question of the return of ambassadors to Madrid? It is my view that we should return to our original position and stick with it.

As reported in Embassy despatch no. 261<sup>3</sup> of today's date, the Foreign Office has made representations with regard to the Secretary's May 4 statement on Spain's chances for credits from the Export-Import Bank. It had been my anticipation that the Bank would determine the question of credit risk and not the Department, except in so far as the Department is represented on the Bank Board.

Respectfully yours, PAUL T. CULBERTSON

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<sup>3</sup> Not printed; in its note verbale No. 410 of May 19, the Spanish Ministry of Foreign Affairs expressed "its most vehement protest" against the Secretary's remarks which represented "an unfriendly opinion with respect to Spanish internal organization and do not accord with the facts in denying the capacity of the Spanish economy to pay interest and amortization on whatever firm commitment it may acquire. . . ."

In its reply on May 23, Embassy Madrid expressed its regret that the Ministry found any sense of questioning of the "... integrity of the Spanish Government in respect of her financial and other commitments. It is with certainty that no such implication was intended." (825.51/5-2349)



501.BC Spain/5-2349

*The Chargé in Spain (Culbertson) to the Secretary of State*

CONFIDENTIAL

MADRID, May 23, 1949.

No. 267

SIR: I have the honor to report that I had lunch today with Ambassador Nicholas Franco, brother of the Chief of State.

While disappointed over the United Nations General Assembly vote on the Brazilian Resolution, General Franco does not consider the matter to be of outstanding importance. It was the General's feeling some time ago that the Brazilian Resolution should have been withdrawn and that it would have been to Spain's advantage to have had only a resounding defeat for the Polish Resolution, leaving the Spanish question unfettered for a later decision. Ambassador Franco agreed that the defeat of the Brazilian Resolution was more important to the Ministry of Foreign Affairs than any other branch or element of the Spanish Government.

The Spanish Government and General Franco are more annoyed with the British than with the French since they feel that the latter did the best they could have done in the UN General Assembly vote in the face of French local politics. I told Ambassador Franco that it was most unfortunate that any attitude contra England, France or any western European country should develop because our interests and relations with these countries were and continue to be more important than our relations with Spain. He replied by saying that the essential element of his brother's policy was improvement of relations with the United States.

General Franco was, according to the Ambassador, rather disturbed over the Secretary's statement of May 11.<sup>1</sup> Ambassador Franco defended the question of habeas corpus by saying, in considerable detail, that under Spanish law a person arrested must be given a hearing within seventy-two hours and that the legal authorities would not dare violate this legal right. I cited a couple of cases known to us where people had been arrested and held incommunicado for weeks. The Ambassador asked for details so that he could look into these cases.

Respectfully yours,

PAUL T. CULBERTSON

<sup>1</sup> General Franco's feelings on the Secretary's statement had been manifested on May 23 in a note verbale (No. 417), not printed, to the United States Embassy in which the Ministry of Foreign Affairs expressed its "profound surprise and displeasure" with Acheson's remarks. Culbertson's reply merely acknowledged receipt of the note verbale and informed the Ministry that a copy had been forwarded to Washington. A translation of the note verbale and Culbertson's reply were transmitted as enclosures to despatch 269, May 24, not printed. (852.00/5-2449)

852.20/5-2449

*Paper Prepared by the Foreign Assistance Correlation Committee*<sup>1</sup>

SECRET

[WASHINGTON,] May 25, 1949.

MAP D-G/6b

## WHY SPAIN IS NOT INCLUDED IN MAP

The most important consideration in omitting any provision for military assistance to Spain is the political effect which such aid would have in Western Europe. Official and public opinion in various Western European countries is slowly becoming more favorable toward re-admission of Spain into the international community. Many non-Communist elements in Western Europe, whose support we desire in providing for the security of Western Europe and the North Atlantic area, have, however, a strong repugnance for Franco. Any spectacular developments in US-Spanish relations would make it more difficult not only for this Government but also for the Western European Governments gradually to bring about Spain's readmission. These elements oppose Spanish participation in the defense arrangements for these areas and would object to US military assistance to Spain. Such assistance would also expose them, as well as many of the Governments of Western Europe, to most embarrassing Soviet propaganda which would be greatly strengthened if military assistance were extended to Spain by the United States.

As long as Spain is not a participant in the defense arrangements of Western Europe, any move to provide military assistance to Spain outside the scope of these arrangements would be immediately interpreted in Western Europe as undercutting the basic principle of those programs. Furthermore, military assistance to Spain would be readily construed as a design on the part of the United States Government to establish the real line of defense on the Pyrenees, thus abandoning the Western European nations whose defense plans the Military Assistance Program is designed to strengthen. The fear in Western Europe, particularly in France, that this may be the intention of the United States is real and any encouragement of it could have very serious consequences.

Although Spain is an integral part of Western Europe, the Spanish Government is still, for reasons associated with its origin, nature and history, regarded as a politically undesirable associate by many of the Western European nations, particularly as a partner in such co-operative projects as the North Atlantic Treaty and the Brussels Pact.

<sup>1</sup> Documentation on the formation and activities of the Foreign Assistance Correlation Committee is scheduled for publication in volume I.

While the military authorities in many of these countries desire the earliest possible integration of Spain into the defense arrangements of Western Europe, most of the Governments consider public acceptance of Spain politically impossible at this time.

It is our policy to integrate Spain politically, economically and militarily into the Western community so that Spain may once again play its logical role in this group. However, it is our opinion that the full realization of this objective will be difficult if not impossible without substantial changes within Spain. We have taken every opportunity, therefore, to emphasize to the Spanish Government that, in every way, the best interests of Spain require evolution toward democratic government and we are continuing our efforts to convince the Spaniards of the soundness of this point of view. As the Secretary of State emphasized in a statement to the press on May 11, the integration of Spain into the Western community is not an objective that can be achieved by the US alone, but one which must be worked out in cooperation with the Western European Governments and with Spain. US policy toward Spain must have due regard, therefore, for the effect US actions will have in Western Europe. It is consequently the Department's feeling that a move at this time to provide direct military assistance to Spain outside the MAP for Western Europe would jeopardize rather than promote our basic policies in Western Europe.

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501.BC Spain/5-2649 : Circular Telegram

*The Acting Secretary of State to Diplomatic Offices in the  
American Republics*

CONFIDENTIAL

WASHINGTON, May 26, 1949—8 a. m.

In connection with recent GA failure proposal of Braz, Bol, Col and Peru designed to permit United Nations Members full freedom action with respect their diplomatic relations with Spain, you may in response to inquiry informally express fol views government to which you are accredited.

Support and strengthening of UN is basic principle our foreign policy. We attach importance to scrupulous compliance with UN recommendations as matter of major principle. Assembly's resolution Dec 12, 1946 was not repealed in 1947 and Assembly has not modified it in 1949. We consider we should adhere its recommendations so long as it remains in effect; in words used by Secy of State in his statement May 11, 1949, "I assume it is everybody's belief that a recommendation by the GA of the UN should be followed until it is changed." Con-

sequently, we contemplate no change in status our dipl representation in Madrid at this time.<sup>1</sup>

WEBB

<sup>1</sup> On June 1, a similar circular airgram was sent to Oslo, Copenhagen, Stockholm, Lisbon, The Hague, and Brussels (501.BC Spain/6-149).

852.404/6-749

*Memorandum by the Acting Secretary of State*

SECRET

WASHINGTON, June 7, 1949.

MEETING WITH PRESIDENT, JUNE 7, 1949

EXPORT-IMPORT BANK LOAN TO SPAIN

The President approved the attached cable clarifying the attitude of this Government with respect to the Export-Import Bank loan to Spain.<sup>1</sup>

*Very Confidential, for top level officials of the Department.* The President is not happy about some of the policy aspects of the Spanish situation and particularly the treatment of certain religious minorities and agrees to our cable because we recommend it, not because he is completely satisfied with the political aspects of the situation.<sup>2</sup>

JAMES E. WEBB

<sup>1</sup> The telegram under reference here (304), sent to Madrid on June 8, read as follows:

"Pres asked at press conference June 2 whether he favored Ex-Im Bank loan to Spain for purchase US cotton and tobacco. Pres replied he does not favor it. "Dept has confirmed Pres statement reflects previously expressed doubts Dept and Bank Spain not good credit risk at present time."

<sup>2</sup> President Truman's dissatisfaction with the treatment of religious minorities in Spain was brought to the attention of Secretary Acheson on July 12 (memorandum from Rusk, not printed), and on July 18 he forwarded to the President a statement on the Catholic Church and religious minorities in Spain for background and to keep the President abreast of the most recent developments. Copies of Rusk's memorandum, and a memorandum from Acheson to the President enclosing the statement are in file 852.404/6-749.

711.52/6-2249

*The Chargé in Spain (Culbertson) to the Secretary of State*

CONFIDENTIAL

MADRID, June 22, 1949.

No. 330

SIR: I have the honor to refer to the Embassy's despatch no. 262 of May 23, 1949, in which I sought some clarification of just how we presently stand in our policy toward Spain. In the possibility that a restatement of policy is under consideration I submit the following

comments for such interest, if any, as they may have to the Department.

I recognize that realism and consistency in the formulation and conduct of foreign policy are not easy of complete realization. Political reasons, domestic or foreign, emotional considerations and many other factors contribute to the state of affairs. Another factor I recognize is that anyone discussing policy toward Spain in any other light than that of damning Franco is subject to attack by some elements at home as condoning or supporting all the practices and forms of the present Spanish régime, many of which stink to high heaven and are repugnant to our own democratic concepts. However, I am not a supporter of the idea that we should base policy on the concept of molding the rest of the world in our own democratic image. It would be fine if the nations of the world could thus be molded, but peoples the world over are not the same and won't mold the same. Certainly not the Spanish.

Stable democracy in Spain is a possibility only in the indefinite future. Past efforts at democracy have produced instability and chaos. These people, high or low, do not know the difference between liberty and license. In probably no other country is individualism more pronounced than in Spain. Anarchism has had its greatest success in Spain because of this. It is, and has been, the characteristic of all Spaniards to object to or criticize whatever government is in control at any given time. They have always had pretty sound reasons and they now have sound reasons, but historically the present Spanish régime is no worse than its predecessors, and with them I include the last Republic with its chaos, disorder and repression.

Internal Spanish objections to the Franco régime are however quite different, in most respects, than our objections. For instance, our objection to the Régime because it was helped to power by our recent enemies—Germany and Italy—plays no part in Spanish objection. On the other hand, Soviet assistance to the Republic is an element supporting Franco. We do not like Franco himself but here in Spain Franco as an individual has less opposition than the Régime. As an example: Spain's economic difficulties are laid at the doorstep of the Minister of Industry and Commerce<sup>1</sup> and not on Franco's. Monarchists object to Franco not so much because he is a dictator but because they feel Franco did not keep faith with them, they having fought with and supported Franco during the Civil War because they thought they were fighting for the restoration of the Monarchy. Another factor, and an important one, with regard to Franco is that while there is opposition and objection to him, there is no majority desire to see

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<sup>1</sup> Juan Antonio Suances Fernández.

him thrown out on his neck because there is no visible alternative that could assure internal security.

We find religious intolerance in Spain repugnant to our democratic concepts. It is repugnant but when attacks are directed against that intolerance, they should be directed against the Spanish people and not against the Franco régime. The Homer Bigarts and others who keep this question stirred up at home do not draw that distinction. Franco is not to blame for all the things that are wrong here in Spain and, while he himself is a devout Catholic, there is no indication that he or his régime members support that old inquisition spirit found in the Spanish Catholic Church and among the people. From the standpoint of religion the Spanish church and people are bigoted and backward. Franco may be a dictator but he would never get by with any crusade on behalf of Protestants. So, on religion I think we should give the devil his due.

Political repression and persecution in any form or degree go against the grain of American ideas and we therefore object to that side of the Spanish régime. We are more conscious of and impressed by this repression and persecution because of the Fascist origins and trappings of the Régime. Spain is a police state and, as one prominent Spaniard remarked the other day, it "is a country occupied by its own Army". However, the vast majority of the Spanish people are little, if at all, affected by repression and persecution as practiced today. The peasant, the laborer, the clerk and on up the line are more concerned today with the actual problem of living than they are with the establishment of political liberties such as we know them. It is the economic situation in Spain and its economic inequalities that are of greatest importance today to the individual Spaniard and, I suppose, our basic interest lies more in the welfare and wellbeing of the people of Spain than in the individual who happens to be at the head of the State at any given time. The refusal of material aid to Spain punishes the Spanish people, not Franco and his cohorts or the rich. There are lots of very hungry folk in Spain today, and there are going to be more before the end of the year.

I assume that our broad policy toward Spain continues to rest on our desire to see Spain integrated economically, politically and militarily into the Western community of nations. To that end we expect Spain to take steps, more or less undefined, which would make her eligible for membership. In this connection we should frankly recognize that liberalizing measures adopted by Franco which might satisfy the United States would not, because of that fact, of necessity satisfy France and Great Britain. Probably would not, in fact, but even so are we in a position to indicate what conditions must be met by Spain?

Habeas corpus and trial by jury were indicated by the Secretary in his statement to the press on May 11. Neither of these conditions takes into consideration Spanish legal history or practice. Conditions not equally applicable to all nations are not easily defended. And I do not mean by that that just because Franco may be a bit less of a sinner than someone else he gains entrance into the Kingdom. As the Department knows, I have talked liberalization to these people but without success. The tragedy of Spain is that Franco takes no measures of an evolutionary character, and without evolution revolution is possible, and, in the event of Franco's death, I think probable. One would think that Franco, if he is honest and I think he is, would see that. However, he is stubborn and provincial, and so long as the nations of the world continue openly to condemn him he may do a Samson and pull the temple down on himself. There is probably no problem any more difficult than one involving a desire to help a people who won't help themselves.

In so far as our position in the United Nations on Spain is concerned I think we should either fish or cut bait and that the decision reached should be based on our own interests. As I have said before, when someone can answer how come France and Great Britain can do as they please with Spain bilaterally without political difficulties at home but are unable to do anything multilaterally, especially when it involves the United States, I will be inclined to take more seriously their efforts to influence our United Nations position on Spain. It is my hope that the position adopted prior to the abstention decision, based as it was on sound and not emotional reason, will be readopted and that when the Spanish question comes before the UNGA it can be finally done away with as a question before that body.

Respectfully yours,

PAUL T. CULBERTSON

711.52/7-1549

*Memorandum of Conversation, by Mr. William B. Dunham of the Division of Southwest European Affairs*

CONFIDENTIAL

WASHINGTON, July 15, 1949.

Participants: Mr. Baraibar, Spanish Chargé d'Affaires  
Mr. Thompson, Deputy Assistant Secretary  
Mr. Dunham, SWE

The Spanish Chargé d'Affaires called this afternoon with respect to President Truman's statement at his press conference yesterday<sup>1</sup>

<sup>1</sup> For the full text of President Truman's news conference on July 14, 1949, see *Public Papers of the Presidents of the United States, Harry S. Truman, 1949*, pp. 375 ff.

concerning Spain. Mr. Baraibar said that the Spanish Government has of course the greatest respect and consideration for the President and the Government and people of the United States. His Government was therefore disappointed and regretted the President's statement that relations between Spain and the United States were unfriendly. On the contrary, he said, Spain has the greatest desire to cooperate with the United States and maintain friendly relations. He asked that Mr. Rusk and the Secretary be informed of his statement.

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852.00/7-2949

*Memorandum of Conversation, by Mr. Theodore Xanthaky, Special Assistant to the Ambassador in Portugal (MacVeagh)*<sup>1</sup>

SECRET

[LISBON,] July 27, 1949.

Participants: Don Juan, Pretender to the throne of Spain  
Theodore Xanthaky, Special Assistant to the Ambassador

I saw Don Juan at his home in Estoril last night. I told him that there were persistent rumors afloat in Madrid that he and Franco would soon have another meeting. He replied that there was absolutely no substance to these reports and that as a matter of fact his relations with the Generalissimo are now at an impasse. He explained that after Franco's speech before the Cortes last May, which was considered unfavorable to the monarchical cause, he communicated with Julio Danvilla, who has acted as intermediary between himself and Franco, and asked him to see the Caudillo and in his name request an explanation of the speech. Danvilla saw Franco and brought back to Estoril the latter's observation "But why does Don Juan read speeches? Tell him that it has no importance (*no tiene importancia*) and that there is nothing for him to worry about." Don Juan sent word back to Franco via Danvilla to the effect that he was not satisfied with the explanation given and he has heard nothing further from Franco since. Don Juan remarked that there has not been a single indication since his conversation last year with the Caudillo<sup>2</sup> which could even remotely be interpreted as a sign that Franco intends to relinquish power in the foreseeable future. "On the contrary," he said, "Franco appears determined to continue until his death. If he had a son I am convinced that he might even attempt to found a dynasty even though such a

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<sup>1</sup> The source text was sent as an enclosure to Despatch No. 205 from Lisbon, July 29, not printed (852.00/7-2949).

<sup>2</sup> Documentation on Franco's meeting with Don Juan aboard the latter's yacht in the fall of 1948 is in *Foreign Relations*, 1948, vol. III, memorandum dated November 2, p. 1059.



thing isn't done in 1949." Don Juan said he must in all fairness admit that Franco had prevented Falange newspapers etc. from attacking the monarchy which underlies the present clamor of the Falange for freedom of the press (for themselves alone, of course). The Pretender added that following his 1948 conversation with Franco he gave instructions to his supporters in Spain to suspend their propaganda activities. However, in view of Franco's May Cortes address and the unsatisfactory explanation received, Don Juan recently sent a short message to General Kindelan simply stating that there would be no objection to "monarchists discretely [*discreetly?*] resuming their activities." Concerning reports emanating from Madrid that Don Juan intended shortly to take advantage of the recent coalition of opposition forces to attempt to force Franco to step aside in favor of the monarchy, Don Juan remarked, "That, of course, is a complete fairytale. While I consider the coalition useful and important for the cause of the monarchy, Franco is still in an impregnable position, in spite of the hunger, the very difficult economic situation and the corrupt bureaucracy in Spain. In the meantime I shall remain in the background and allow the politicians to work." The Pretender remarked he was aware that at times his name was invoked rather freely in Madrid by some of his well-meaning supporters and for that reason he was very careful to restrict his personal communications to the barest minimum. Don Juan then mentioned that Carrero Blanco, the Sub-Secretary of the Presidency, is the *eminence grise* of the Franco regime. Completely devoted to the Caudillo, he is the only person who sees and consults with him every day, has his finger in every pie and really has influence. "Incidentally," remarked Don Juan "Franco is a complete cynic about men. I recall that in our conference on the yacht, he remarked that anybody could be bought." In this connection Don Juan said that on several occasions since 1942, and as recently as their 1948 conference, Franco has offered to facilitate his (Don Juan's) personal finances and foreign exchange problems but that he has always politely refused the offer. The Pretender said that not so long ago a story was being circulated in Spain that the Government had advanced him 700,000 pesetas toward the education of his son, the Prince of Asturias. As a matter of fact, he said, his son's expenses in Spain personally cost him 6000 pesetas a month, out of which the schooling of two other boys also is paid. Don Juan added that his two sisters, both of whom are married to Italians, were very anxious to go to Spain to spend some of their blocked pesetas there and he had to prohibit their visit. Continuing his ideas on the importance of the coalition of the leftist groups with the monarchists, Don Juan stated that he did not particularly fear leftist influence once he came to the

throne. "After all," he said, "the monarchy can only be revived with the active support of the Army and the Bishops. If I have that support, the leftist forces will have to take their proper back seat and if they should attempt to dominate they would be immediately knocked down." Don Juan said that if the Caudillo should suggest another meeting with him, it is his firm intention only to agree to this provided concrete subjects were to be discussed and in the presence of his advisers. He therefore does not anticipate that another meeting will take place in the near future.

T[HEODORE] A. X[ANTHAKY]

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*Editorial Note*

On August 5, S. Walter Washington, First Secretary of Embassy at Madrid, transmitted a lengthy despatch (No. 415) on the subject of Franco's political situation in the summer of 1949. Mr. Washington reviewed the economic and political scene in Spain and treated the Army, the Church, the Falange, and various exile groups in their relations with Franco. The despatch concludes:

"In summary, Franco's internal position seems to be as secure as it has ever been at any time during his regime and he gives every indication of intending to remain there until he dies. He is showing a will to resist economic pressures on his political set-up. Totalitarian controls are fundamental in his organization and probably seem to him even more essential as the economy deteriorates. His attitude toward foreign countries and foreign critics is one of blind faith in the infallibility of his policies. On the positive side of his foreign policy he is concerned primarily with saving the country economically and secondarily with satisfying his pride by eliminating the ban on the exchange of Ambassadors." (852.00/8-549)

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852.00/9-249

*The Assistant Secretary of State for European Affairs (Perkins)  
to the Secretary of State*

SECRET

WASHINGTON, September 2, 1949.

Subject: Policy toward Spain in the General Assembly.

*Background*

U.S. policy toward Spain is based upon recognition of the following facts: (1) Franco's position internally is strong, and he enjoys the support of many who, although they would prefer another form of government or another Chief of State, fear that chaos and civil strife

would follow any move to overthrow his regime. (2) At present there is no alternative regime in sight which could replace the present government in an orderly fashion since the opposition elements are weak and divided and those which are centered outside Spain have lost touch with former supporters within Spain to such an extent that they no longer exercise effective leadership. (3) Spain is an integral part of Western Europe which should not be indefinitely isolated from the coordinated political, economic and military programs of that area.

Accordingly, the primary U.S. objective in Spain has been, since the end of 1947, the integration of Spain into the Western European community of nations through the progressive normalization of Spanish relations with those countries and with the U.S. It has been recognized, however, that realization of this objective will be difficult without some evolutionary political and economic changes within Spain.

#### *Past Policy toward Spain in the U.S.*

The U.N. Resolution of December 12, 1946 has not resulted in the desired effect of forcing Franco from power. On the contrary there are many indications that it has strengthened Franco's internal position by allowing him to appeal to traditional Spanish pride and resentment against external interference. It has also risked damaging the prestige of the UN, since eleven member nations have violated the Resolution by returning Ambassadors or Ministers to Madrid. Furthermore that portion of the Resolution recommending withdrawal of Ambassadors is a departure from established American practice that the accrediting of an Ambassador does not signify approval of a government and is of course inconsistent with our maintenance of Ambassadors or Ministers beyond the Iron Curtain.

#### *Recommendations*

The Spanish issue has not as yet been placed on the agenda of the General Assembly for the forthcoming session and it now seems doubtful that the subject will come up for discussion. While no complete canvass of sentiment on the Spanish question has been made recently, the Brazilians, who strongly supported Spain in the last GA session, have indicated that they do not intend to bring the matter up at the coming session. The British and French on the working level have also indicated that their Governments hope that the question will not come up for discussion. Although it is recognized that the December 12, 1946 Resolution was a mistake, in view of all the circumstances it would not be in our interests to raise the Spanish issue at the forthcoming meeting of the General Assembly. However, should it be

brought up by some other country we could support a resolution on Spain:

(1) which, while reaffirming the undemocratic character of the present Spanish Government, would permit the return of Ambassadors and Ministers to Madrid on the basis that their withdrawal has led to widespread confusion of public opinion and has disregarded the principle that the exchange of Ambassadors with a government does not imply any judgment on the domestic policy of that government;

(2) which would leave it up to the specialized agencies of UN to decide whether or not they would remove the bar to Spanish membership in such agencies.

Such action would have the advantage of eliminating recurring discussions of the two operative parts of the 1946 Resolution (the withdrawal of Ambassadors and the bar to Spanish membership in specialized agencies of the UN) which have in the past provided propaganda benefits to the Soviet group and have also prevented normalization of relations with Spain.<sup>1</sup>

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<sup>1</sup> This memorandum was prepared at the request of the Division of British Commonwealth Affairs in connection with Foreign Secretary Bevin's visit to the United States for the NATO ministerial meetings in Washington and the Fourth Session of the General Assembly of the United Nations in New York. The initial draft was prepared by Dunham for MacArthur who forwarded copies to Achilles and Perkins on August 24. Copies of the draft and related documents are in file 852.00/8-2449.

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852.00/9-1449

*Memorandum of Conversation, by the Secretary of State*<sup>1</sup>

TOP SECRET

WASHINGTON, September 14, 1949.

Subject: Conversations with Mr. Bevin on Spain

Participants: Mr. Bevin  
Sir Oliver Franks  
Sir Gladwyn Jebb  
Mr. Barclay  
Mr. Acheson  
Ambassador Jessup  
Mr. Thompson  
Mr. Achilles  
Mr. Unger  
Mr. Satterthwaite

In opening the discussion on Spain, Bevin said that the British wanted to let sleeping dogs lie. He had not favored recalling the Ambassadors, but having done so he did not feel we should change. Such

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<sup>1</sup> The memorandum was prepared by Livingston L. Satterthwaite, Chief of the Division of British Commonwealth Affairs.

a step would be received very badly in England. He noted that when inclusion of Spain under the ERP was discussed in Congress, there had been immediate adverse repercussions in England.

I said we agreed entirely on not raising the question in the assembly. If it were raised, we might favor a resolution which, while reaffirming condemnation of the undemocratic character of the Franco Government, would permit the return of Ambassadors to Madrid on the basis that their withdrawal has led to widespread confusion of public opinion and has disregarded the principle that the exchange of Ambassadors with a government does not imply any judgement on the domestic policy of that government.

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711.52/10-349

*The Chargé in Spain (Culbertson) to the Secretary of State*

SECRET

MADRID, October 3, 1949.

No. 519

SIR: I have the honor to submit a few observations on United States policy toward Spain.

It is my understanding that as of October 5 no further items may be placed on the UNGA agenda for consideration by that body during the current meeting. If my understanding is correct and if we continue to adhere to the United Nations Resolution on Spain of 1946, a year and probably more must elapse before any effective steps could be taken looking to the integration of Spain into the Western community of nations unless of course Franco and the present régime, against which the Resolution of 1946 is directed, were to be eliminated or replaced. There is no present serious possibility of this latter event coming to pass, nor do I see the early possibility of a liberal evolution of the Spanish Régime which would in adequate measure meet the views of the socialist governments of Western Europe in such manner as to make Franco acceptable to them.

There is, however in Spain today more uneasiness with regard to and criticism of the existing Régime than there has been in the past two years or more. Furthermore, there is better and broader organization of the internal opposition forces than has existed heretofore. This latter heads up in the *Comité Interior de Coordinación*, activities of which have already been reported on by the Embassy but, I admit, in a rather spotty way. Enclosed with this present despatch is a memo-

randum<sup>1</sup> prepared by a . . . source which gives a sort of round-up of what we know about the *Comite*. Also enclosed is a memorandum<sup>1</sup> on Monarchy organization which was prepared some time ago by a well placed Monarchist. A further enclosure<sup>1</sup> is a copy, in translation, of a letter recently received from the President of the *Alianza Nacional de Fuerzas Democráticas*. This gentleman, who has over recent years gone by numerous aliases, has been the subject of several despatches in the past.

The importance of the *Comite Interior de Coordinacion* should not be overly minimized, nor exaggerated. Its main importance, of course, lies in the fact that it is *internal* in character and the exiled opposition, except for the connection with Don Juan, has ceased to have any importance—if it really ever had any. It has long been recognized that change or adjustment in Spain would have to come from forces within Spain.

The elements which make up the *Comite* have only one real interest in common and that is the removal of Franco, and they want that to come about in a peaceful, non-violent fashion. They hope that the economic situation will reach such a serious pass that Franco, as a patriot, will step down of his own volition. They seem to take it for granted that the removal of Franco would be immediately followed by a large measure of economic aid, particularly from the United States, and thus the political and economic wellbeing of the country would be solved. To me they are a bit naive. The new five peseta coins that have just come out carry the face of Franco and the inscription "Francisco Franco Caudillo of Spain by The Grace of God". If Franco, who is a very devout Catholic, considers that he is the leader of Spain by the grace of God, he is not going to step out of power because the economic situation gets a bit tough for him, especially when the harvest proved much better than expected. And, even if the opposition elements could muster physical force, there would be a very decided difference of opinion among the opposition as to whether such force should be used. Monarchists and rightist elements are not going to risk their fortunes and the welfare of their families to the uncertain outcome of civil violence. In the absence of united Army opposition to Franco and Army support of the C.I.C., I find it difficult to see wherein present opposition elements as now organized can bring about Franco's downfall.

In the Embassy's despatch No. 456 of September 1,<sup>2</sup> attention was drawn to the effect of Naval visits, Congressional Committee visits

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<sup>1</sup> Not printed.

<sup>2</sup> Not printed; in it Culbertson expressed his regret about the forthcoming visit of a United States naval squadron and members of the Senate Appropriations Committee since the Spanish would "read into them real political significance". Such trips in his estimation retarded "any consideration which Franco may have been giving to modification or change in his Regime." (811.3300/9-149)

and the like as having a deterring effect on the evolution of the present Spanish Régime in the direction of liberalization. The division of opinion in the United States with regard to Spain continues to be more pronounced and, since Franco listens to what he wants to hear and closes his ears to all other, it is not unnatural for him to think things are coming his way without any effort on his part. And, of course, it must be borne in mind that neither he nor his Régime consider that they have ever done anything to warrant the existing world enmity toward Spain. And now comes announcement that the Soviets have discovered the secret of atomic explosion.<sup>3</sup> Along with that comes Senator Taft's reported declaration that we must adjust our relations with Spain because of that discovery. The Régime and many Spaniards not in sympathy with the Régime have long held a rather smug, complacent attitude that Spain is of such strategic importance to us in the event of conflict with Russia that we will eventually be obliged to come to Spain on Spain's terms. There is nothing that I can see in the present situation which will tend to induce Franco to mend his régime in such fashion as to improve its chances of acceptance by the Western Powers in the light of the present policies of those powers. Our official encouragement to liberalize and change is completely neutralized by the attitude and statements of such people as Senator Taft and Senator McCarran.

If, as I see it, a change of régime or appreciable modification of the present one are not foreseeable in the early future I wonder whether consideration should not appropriately be given to policy modification on our part. The United Nations Resolution of 1946 has gained us nothing, yet its existence (and adherence to it) rather stymies policy modification. Our efforts to encourage Franco to bring his régime into line with Western thought without showing him the concrete benefits of such action on his part have also failed. I think they will continue to fail so long as Franco continues to be the world's most favorite whipping dog.

I do not profess to be able to judge or estimate the importance of Spain economically, politically and militarily to the Western community of nations. It certainly has some, and I think it is enough to make us question whether it is in our interest to let Spain simmer along for another year or more, during which a lot could develop in present world strained relations, without our taking stock of our own policy and the influence which France and England have on that policy.

I think we have two courses of action open to us. One, get hardboiled and cut our relations to a minimum (which France and England will

<sup>3</sup> Documentation relating to the Soviet atomic explosion in August 1949 is scheduled for publication in volume I.

not do) or come forward with material encouragement (which France and England will do in their own economic interest) but tie strings to it.

Respectfully yours,

PAUL T. CULBERTSON

711.52/10-3149 : Airgram

*The Secretary of State to the Embassy in Spain*

TOP SECRET

WASHINGTON, October 31, 1949.

A-287. The over-all objective of US policy toward Spain continues to be the reintegration of Spain into the free Western European community through the progressive normalization of relations. We still believe that the policies set forth in Deptel 903, Dec. 18, 1947<sup>1</sup> afford the best prospects, however slow, of bringing this about. Despite the lack of progress to date, we hope the Spanish Government can be convinced of the simple truth that this is a friendly rather than a hostile policy and is designed to further Spain's best interests.

At the same time, we would like to build up the popularity of the US with the Spanish people. The unpopularity of the present regime poses a dilemma for us in endeavoring to secure an attitude in the Spanish Government friendly enough to extend full cooperation in the event of a possible war while at the same time attempting to foster and maintain a popular attitude of support rather than hostility for the US.

We obviously cannot engage in effusive government to government friendship nor, in the absence of favorable developments in Spain, can we (1) promote its participation in such programs as the ERP, MAP or NAT; (2) extend government to government financial assistance or an outright program of aid on a project basis; (3) take a strong lead in seeking to alter the UN position on Spain. If the Spanish Government would show convincing concrete evidence of good intentions we could work progressively toward all three. However, we see little prospect of its being willing to do so in the near future.

Accordingly, we would like to promote a program to popularize the US with the Spanish people but without giving the Spanish Government cause for either antagonism or undue complacency. Obviously the most effective course would be an economic assistance program. However, we feel we cannot now go beyond the present US position which permits the Export-Import Bank to accept applications for individual project loans.

<sup>1</sup> *Foreign Relations*, 1947, vol. III, p. 1096.



Meanwhile, another course of action is open through the USIE program. We intend to build up and expand this program in Spain as the best means presently available to promote a wider knowledge and better understanding of the US among the Spanish people. In addition to some increase in skilled personnel which will be supplied to direct this program, we believe that the Embassy and the Consulates in Barcelona, Seville and Bilbao should make every effort to assist and promote this program in order to ensure its greatest possible effectiveness. Further suggestions as to specific measures for implementing this plan will be sent as the need may require.

Any comments or suggestions the Embassy or Consulates may have would be welcomed.<sup>2</sup>

ACHESON

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<sup>2</sup> In airgram A-615, November 28, from Madrid, not printed, Culbertson expressed his concurrence in this proposed plan, but deferred sending comments or suggestions pending the arrival in Madrid of the Public Affairs Officer (124,526/11-2849).

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852.50/11-1749

*Memorandum of Conversation, by Mr. William B. Dunham of the  
Office of Western European Affairs*

SECRET

WASHINGTON, November 1, 1949.

Participants: Conde de Marsal

Marques de Nerva, Spanish Embassy

Mr. Achilles, Director, Office of Western European  
Affairs.

Mr. Randall, ARA

Mr. Dunham, WE

The Marques de Nerva described the background and position of the Conde de Marsal and explained that he was in this country on his first trip and appreciated the opportunity of learning at first hand about the U.S. attitude with respect to economic relations with Spain.

Mr. Achilles briefly outlined the position of the United States Government. A clear distinction is made, he said, between economic and political affairs. It is the intention of the United States Government that political problems, including those in the United Nations, shall not be connected with economic relations with Spain. It is for this reason that the Department of State made clear last spring that no political objections would be interposed to consideration by the Export-Import Bank of Spanish loan applications. Such applications are to be considered on their merits and will, of course, be judged in

accordance with the Bank's normal practice with particular regard to the possibilities of repayment.

There are a number of general factors in Spanish economic policies and practices, Mr. Achilles said, which we feel are impeding the development of greater trade between the U.S. and Spain and which in the opinion of the United States Government, can be rectified only by action of the Spanish Government. These include such problems as the existing exchange rates, which have been thrown further out of line as a result of the devaluation of currencies in Western Europe; excessive controls over imports and their distribution; the influence of the INI and its competition with private industry; and the restriction of 25% on foreign investment and the treatment of such investment as for instance in the case of Barcelona Traction Company,<sup>1</sup> which are not encouraging to prospective investors.

Nevertheless, no barrier exists to the presentation of specific projects to the Export-Import Bank. The Bank would study such applications and would, of course, establish the terms of any loan. There are two points in this connection which should be emphasized. First that such applications should be for specific projects and be presented by the enterprises concerned. Second that the presentation should contain data justifying the means of repayment. In response to a question, Mr. Achilles said that it was his understanding this would include dollars saved as well as dollars earned.

The Conde de Marsal expressed his appreciation for Mr. Achilles' explanation of the United States Government's position and said that he would be happy, in the interest of promoting closer economic relations between the U.S. and Spain, to convey these views to the Minister of Industry and Commerce and to the Chief of State. Spain needs foreign financial assistance and must decide urgently the best course to follow in order to obtain it. Some interesting proposals have been made by certain of the Western European countries in assisting Spain to meet her economic problems, but the most important question for Spain is economic assistance from the U.S. It is more important to go directly to the well rather than to one or another of its secondary outlets. Although there have been some possibilities of assistance from groups in various neighboring countries, Marsal stated that there is strong feeling among businessmen in Spain and Government officials as well favoring close economic cooperation with the United States. This, he felt, could be explained from an historic

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<sup>1</sup> The Barcelona Traction Company had been declared bankrupt by Spanish officials for the alleged failure to meet its financial obligations. Protests by Belgium and Canada on behalf of their stockholders in the company were supported by the United States. Documentation on the case is in the Madrid Embassy Files, Lot 55F124 : 501.8 Barcelona Light and Power.

point of view since relations with close neighbors had at times been strained. For the U.S., however, there exists strong general opinion favoring closer relations. He emphasized that the Spaniards, both in official and private circles, do not seek Marshall Plan aid but prefer straight credit assistance to be repaid in full.

Notwithstanding this opinion, feeling has unfortunately developed in Spain, not only within the Government but among private business people, according to the Conde de Marsal, that there are certain imponderable difficulties which will make it impossible for any Spanish individuals or groups to obtain financial assistance from the United States. Mr. Achilles assured him that this was not the case. The U.S. position is quite clear. No political objection exists to consideration of project loans for Spain by the Export-Import Bank and it is our intention that these applications shall be considered solely on their economic merits.

It was brought out that no Spanish applications have yet been made to the Bank and that only Spain's over-all general needs for financial assistance have ever been mentioned by Spaniards. Marsal agreed that this was the case. He said he now understands that the correct procedure is to present individual applications covering specific projects.

The Conde de Marsal said he fully understood that the banking conditions for any loan would be established by the Export-Import Bank. He emphasized, however, that if these were to be set simply as cold banking proposition, devoid of any warmth or cordiality, he felt Spain would not wish to risk the presentation of applications. However, if these conditions were to be accompanied by a certain cordiality, he believed it would be easier for Spain to follow this course of action. Although he realized that economic and political questions are being kept separate, he hoped that he might be able to state upon his return to Madrid that the consideration and possible granting of a loan by the Export-Import Bank would indicate cordiality on the part of the U.S. toward Spain.

Mr. Achilles explained that in separating economic and political questions we did so realizing that there were sufficiently difficult problems in each case. While we did not wish to allow political considerations to make economic relations more difficult, neither could political considerations be used in the reverse sense to override economic difficulties. He could say that we cordially wished the further development of mutually beneficial economic relations between the two countries.

The Conde de Marsal pointed out that the Spanish Government had been forced to institute many of the general practices and policies in Spain which were mentioned as a result of the lack of foreign financial assistance. He then asked whether any or all of these general factors

were, in effect, conditions precedent to the approval of any Spanish project for assistance. In response, Mr. Achilles stated that the U.S. is interested in seeing expansion of Spanish trade with the U.S. and with the dollar area in order to increase Spain's dollar earnings. He did not feel that the rectification of the economic difficulties mentioned was necessarily prerequisite to the approval of an application, although any steps in this direction by the Spanish Government would be helpful in establishing a more favorable atmosphere by enhancing Spanish ability to repay. It was pointed out more specifically that an adjustment of the foreign exchange rate, for instance, could have a useful effect in stimulating an increase in trade and thus contributing to the Spanish justification of repayment.

In order to clarify a further point, the Conde de Marsal stated he understands that applications to the Export-Import Bank for project loans could be presented by groups of private concerns and by industries in which there is Government participation. Mr. Achilles explained that this would depend on the particular circumstances in each individual application. Such applications are not specifically excluded but basically applications from private enterprise would be preferable.

The Conde de Marsal thanked Mr. Achilles for his frank exchange of views and the cordiality with which he was received. He stated that he would make the U.S. position clear, upon his return to Madrid, to Minister Suances and eventually to the Chief of State. It was his feeling that this conversation was very important and it is his intention to give the strongest support to the general lines of action discussed. Mr. Achilles also believed the conversation important and hoped that it might bring mutually beneficial results. Mr. Achilles suggested that a Memorandum of Conversation be agreed between the Conde de Marsal and the Marques de Nerva and Mr. Dunham and a copy made available to the Conde. In view of his interest in obtaining further information on this subject from the Export-Import Bank, it was also agreed that arrangements would be made for him to call on an official of the Bank tomorrow.

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852.00/11-949

*The Chargé in Spain (Culbertson) to the Secretary of State*

CONFIDENTIAL  
No. 574

MADRID, November 9, 1949.

SIR: I have the honor to enclose a copy and translation of what purports to be an agreement made in Paris by the exiled leaders of

the Monarchists, Socialists, and C.N.T. This agreement was handed to a . . . source by a representative of the Comité Interior de Coordinación (C.I.C.) who stated that it had come by courier from Paris and was believed to have been signed by representatives of the three groups.

It will be seen that this accord carries a stage further the process of agreement between the principal leaders of the opposition to General Franco. It pledges allegiance to the eight points of the declaration of October 1948, which was reported on page 8 of this Embassy's despatch No. 621 of October 28, 1948.<sup>1</sup> Point 8 in that declaration provided for an election to determine the form of government in Spain. This Embassy's despatch No. 371 of July 11, 1949<sup>1</sup> reported the next step, a declaration of adherence to Don Juan by the C.I.C. This recognition of Don Juan as the leader of the powers that aim to overthrow Franco and the implied agreement that he would form the first government to be established following that of Franco appears now to have been formalized. The alleged new agreement assumes that Don Juan will inherit power from General Franco but that he would not accept any doctrinal ties or compromises with the dictatorial regime. It provides for a declaration in which Don Juan would reaffirm all his historical rights but by his own wish would not put them fully into effect until they should be validated by the wish of the nation. During a transition period Don Juan would act as Chief of State but would remain faithful to the principles of the declaration of 1948 and would apply the eight points contained in that declaration. The transition period would last for four years to permit the carrying out of a program for the normalization of the life of the nation.

There is no information available as to the signers of the alleged agreement. In view of the former insistence of Indalecio Prieto and Trifon Gomez that the transition government should not be Monarchist, it would be interesting to know if they are in accord. The adherence to the idea of a Monarchist transitional government by the C.I.C., containing representatives of Socialists and the C.N.T. within the country, undoubtedly had an effect on these exiled leaders and may have persuaded them to give in.

Respectfully yours,

For the Chargé d'Affaires *a.i.*  
S. WALTER WASHINGTON  
*First Secretary of Embassy*

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<sup>1</sup> Not printed.

[Enclosure—Translation]

*Alleged Agreement Between Émigré Anti-Franco Forces*

CONFIDENTIAL

MADRID, October 22, 1949.

*First*—General Franco would cede the power to Don Juan of Borbon. When opportune, that cession could be carried out by virtue of Article 5 of the Law of Succession dictated by the former.

*Second*—The acceptance of the Prince could never presuppose the acceptance of doctrinal ties nor of programatic compromises with the dictatorial regime. At the moment of the acceptance, he would declare that he reaffirmed all his historical rights, but that at his own wish he would not put them fully into effect until they should be validated by the will of the Nation.

*Third*—In this stage of transition, Don Juan de Borbon would act as Chief of State, with all the powers which that presupposes, but with fidelity to the principles of the joint declaration of the anti-Franco and anti-communist forces of October and November 1948.

*Fourth*—At the very moment of taking over the power Don Juan de Borbon would dictate a provisional organic Statute in order to make possible the application of the eight points contained in the joint declaration of the anti-Franco and anti-communist political forces of October and November 1948 which continue in full force and a copy of which is attached.

In order to give a complete effect of his proposal to give preference to the political normalization of the life of the country, the Prince will promulgate that provisional organic Statute before entering Spain, signing it in a Spanish Embassy in order that the act take place in National territory, in defense of the principle of extra-territoriality.

*Fifth*—In case this plan should be realized within a reasonably short time, the political and social forces subscribing will be obligated to postpone all demands for an election during a four-year period, which would permit the carrying out of the program for normalization of the national life, especially in those aspects of economic recuperation and of the practice of public liberties, the reestablishment of which will be initiated as soon as the change should go into effect.

MADRID, October 22, 1949.

852.00/12-3049

*The Chargé in Spain (Culbertson) to the Secretary of State*

SECRET

MADRID, December 30, 1949.

No. 657

SIR: I have the honor to refer to despatches nos. 621 of October 26, 1948; 371 of July 11, 1949; 519 of October 3, 1949 and 574 of Novem-

ber 9, 1949<sup>1</sup> concerning the establishment and development of the Monarchist-Socialist-Anarchist political alliance under the name of Comité Interior de Coordinación, more commonly known as the C.I.C.

A member of the Embassy and a . . . source have had several conversations recently with the secretary of the C.I.C. Those of the . . . source were reported to the appropriate offices in Washington on November 28 and entitled, "Opinions of Secretary-General of Comité Interior de Coordinación".<sup>2</sup> The present despatch transmits the results of a conversation between the member of the Embassy and the C.I.C. secretary on December 19.

The secretary stated that neither he nor General Aranda, the Monarchist member of the Committee, had been molested in any way since July, despite the fact that he now had definite proof that the Spanish authorities had known as early as July 19 that he was implicated in the Committee's activities. He attributed the failure of the authorities to arrest both himself and General Aranda, first, to the fact that both are Army officers and, second, to his belief that the extent of his own intervention was still not known.

He expressed the desire to be presented to the Chief of Mission, saying that he would soon have an important document to deliver to him, which would ask for "diplomatic support" of Don Juan. He was unable to define "diplomatic support" except to say that there should be an understanding with Don Juan after which the latter would make a pronouncement, to be supported immediately by the opposition within Spain. It was pointed out to him that in both the Tri-partite Note of March 4 and in the United Nations Declaration of December 12, 1946, the attitude of the participating nations with respect to the Franco regime was clearly stated; that in neither those pronouncements, however, nor in any of the official announcements which had been made during that period or since, had any commitment been made that the United States or the United Nations would support a change of regime and that the two above-mentioned declarations made abundantly clear the fact that the United Nations expected the people of Spain to bring about any change of their own regime. He said that he was fully aware of these facts and that although he, personally, did not believe that the U.S. would be willing to make any specific statement, he hoped that some way might be found for the United States to assure the Spaniards that the King's pronouncement was made with the knowledge and "moral support" of the United States. Such assurance, he said, would remove all hesitancy on the part of those who are afraid to join an anti-regime movement.

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<sup>1</sup> None of the despatches under reference except 574 is printed.

<sup>2</sup> Not printed.

The secretary expressed great interest in the anti-Franco declaration of the newly-formed International Confederation of Free Trade Unions<sup>3</sup> and asked whether the Embassy would transmit to it a document from the C.I.C. He was informed that such use of the diplomatic pouch is strictly prohibited. When asked why the organization did not have its own people in France deliver the document, his answer revealed that he was hoping to lend authenticity and prestige to the C.I.C. by having the document transmitted through American official channels.

The secretary said that the letter which Don Juan had allegedly been expected to address to Franco, calling upon him to arrange the early restoration of the Monarchy, had been held up, first, because it was not desirable to send it too soon after Franco's visit to Lisbon and, second, because it would be better for the present arrangement to be completed and a public pronouncement made instead.

The secretary warned against measuring the potential strength of the Opposition by the degree to which its activities and plans are known to the general public, adding that, because of the severe repression of any Opposition activity, the C.I.C. had been obliged to limit knowledge concerning its activities to four or five persons. He insisted, however, that the Committee members were fully accredited by the members of their own organizations and that commitments and agreements made by them would be respected and supported.

The C.I.C. hopes to keep the intervention of the Army to the barest minimum, believing that it will gladly support the Monarchist restoration whenever Don Juan calls for its support. Through avoiding such political intervention, the C.I.C. believes that it may be able to keep the Army out of politics in the new government.

Speaking of the economic situation, the secretary said that it is worse than ever. He pointed out that the discontent within the civilian security forces is becoming so great that Franco is infiltrating loyal Civil Guards into those offices. He spoke of the wheat shortage and warned that, although the miserable people would probably not rise of their own accord, the Communists might take advantage of the situation and organize disturbances. He said that the new taxes would be passed on to a public already on the verge of starvation and that the Army, which would be adversely affected by attempts to cut the budget, would be increasingly discontented and more amenable to a call from Don Juan. He stated that the Committee is in constant contact with important Army officers and is convinced that all the officers, even though not well-informed concerning the

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<sup>3</sup> Documentation relating to the formation of the International Confederation of Free Trade Unions is scheduled for publication in volume v.



activities of the C.I.C., would support Don Juan. He named Generals Varela and Munoz Grande as two important officers who are not in favor of the present regime but who continue in their positions of control, awaiting developments.

Documents delivered to the Embassy by a Monarchist emissary on December 22 (see A-702 of Decemer 28, 1949 <sup>4</sup>) show great similarity to the statements made by the C.I.C. secretary and their delivery may have been timed to coincide with the secretary's remarks.

The effective strength of the C.I.C. is difficult to assess. Its prestige within the Opposition is high but the organization is greatly weakened by the fact that its leaders cannot be known to their constituents nor can their plans and programs be submitted to the membership in general for acceptance or rejection. The belief of the officers of the C.I.C. that the Army will respond immediately to Don Juan's call is somewhat naive. Nevertheless, there is some discontent and, if the Army were fairly certain that a move toward restoration of the Monarchy had a good chance of success, their support might be forthcoming. It is not so much their loyalty to the present regime which would cause them to hesitate as their fear of the unknown. The present C.I.C. policy of not keeping the Army informed allows that uncertainty to continue. The present coalition, although representing either directly or indirectly the several strongest forces of the Opposition, has, like its predecessors, now reached the point of tacitly recognizing its need of support from an outside force and is, as the others have done before it, attempting to arrange for the United States to furnish that support and make the initial move.

Respectfully yours,

For the Chargé d'Affaires *a.i.*:

CLYDE L. CLARK

*Second Secretary of Embassy*

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<sup>4</sup> Not printed.

## SWEDEN

### RELATIONS OF THE UNITED STATES WITH SWEDEN

711.58/8-1549

#### *Policy Statement of the Department of State*

SECRET

[WASHINGTON,] August 15, 1949.

#### SWEDEN

##### A. OBJECTIVES

The objectives of US policy toward Sweden are the preservation of Sweden's independence and democratic outlook and the obtaining of Swedish cooperation in our efforts to achieve economic recovery and political stability in Europe. Therefore, within the framework of the friendly relations which have traditionally existed between the US and Sweden, our policy is designed to further the development of Sweden's will and ability to participate effectively in resistance to aggression. We encourage Swedish cooperation with the other western democracies and in various international organizations.

Our economic policy toward Sweden seeks to maintain economic stability and productive capacity in Sweden as an important factor for European recovery and for the preservation of democracy. We will continue to encourage the fullest possible economic collaboration by Sweden with other participating countries in the European Recovery Program and will assist Sweden to the extent possible to maximise its exports to those countries and to solve its balance of payments problem.

##### B. POLICIES

The traditional friendship between the US and Sweden is based upon many factors including a reciprocally advantageous commerce, mutually held concepts of democracy and the presence in the US of approximately a million and a quarter Americans of Swedish extraction. Trade between the two countries has long been important. For Sweden the US is an important source of industrial goods and raw materials and a necessary market for Swedish goods such as paper, pulp and iron ore. With the exception of the intermittent problems arising from Swedish neutrality, there has been an absence of major political issues between the US and Sweden.

### 1. *Political*

Our interest in Sweden in present circumstances is enhanced by its strategic geographic location and its position of influence among the northern countries. It occupies a vital position on the northwestern flank of the USSR and has a commanding position in respect to both the Baltic Sea and the Danish Straits. In the light of our military commitments to Norway and Denmark under the North Atlantic Treaty, an attack on Sweden could not fail to create the most serious effects for us. We would be subjected to extreme pressure from Norway and Denmark to intervene, and we would be faced with the fact that hostile occupation of Sweden would render infinitely more difficult any future defense of those countries. Occupation of Sweden would in addition furnish an attacking power with industrial and military potential of very great importance in the form of specialized products such as ball bearings, machine tools, electronics equipment, ordnance and high grade iron ore. For these obvious reasons, the position and policies of Sweden on current international issues are of great concern to the US.

The cornerstone of Swedish policy during the last 135 years has been neutrality and non-involvement in international political disputes in Europe. This policy, owing to its success in keeping Sweden out of two World Wars, has been strongly supported by the large majority of the Swedish people. In the recent war the Swedish people were generally pro-Allied and the Swedish Government made certain concessions to the Allies late in the war. However, the concept of neutrality remained as deeply imbedded as before. This fact combined with an ancient fear of Russia conditioned Sweden's attitude at the outset toward the United Nations, and toward the tension since the war between the US and the USSR. Sweden has carefully sought to avoid disagreement with the USSR. Relations between the two countries have on the whole been correct and during the immediate post-war period Sweden attempted to function in the role of a bridge leading to better understanding between east and west. Until 1948 the official Swedish attitude regarding the cold war was "a plague on both your houses," and the formation of blocs on either side was strongly decried by members of the Government and leading political figures.

Nevertheless, the events of the past 18 months have had a profound effect in Sweden, an effect which apparently may still be developing. The spectacle of Soviet bullying in eastern Europe, intransigence in the United Nations, and obstructionism in Germany and Austria has not been lost on the Swedes. The Communist coup d'état in Czechoslovakia and, most acutely, the ominous Soviet initiative in requiring

Finland to negotiate a treaty of defense<sup>1</sup> finally thoroughly aroused the Swedish Government and people, and had a strong effect upon the isolationist Social Democratic and trade union leaders. Still another factor modifying the Government's position of post-war aloofness was Sweden's economic difficulties as manifested primarily by a seriously adverse trade deficit with the dollar areas.

Increasing tensions led the Swedish Government during the summer of 1948 to enter into discussions with the Norwegian and Danish Governments to formulate a Scandinavian defense pact. An even stronger motive was Sweden's desire to prevent Norway and Denmark from joining a western defense association of the sort envisaged in the North Atlantic Treaty.<sup>2</sup> Technical discussions of the Scandinavian proposal proceeded during the summer and fall and culminated in a series of conferences ending in January, 1949.<sup>3</sup> The failure to reach agreement on a Scandinavian pact, in spite of the logical grouping of the three countries, was caused by a basic difference of opinion between Sweden and Norway regarding the future relationship of the Scandinavian countries with the other western democracies. While Sweden offered an immediate alliance to Norway and Denmark, its offer was conditioned on a prohibition against any extra-Scandinavian military agreements by members of the proposed pact. Such a condition was unacceptable to Norway, which insisted upon the necessity for itself of future arrangements with the US for military support and arms supplies.

The US, while in favor of regional defense pacts in accordance with the charter of the United Nations, was opposed to the Swedish *sine qua non* as weakening collective resistance to aggression. In response to a Norwegian inquiry we informed the three Scandinavian Governments that under the terms of the Vandenberg Resolution it was unlikely that military equipment would be made available to countries other than those associated with us in defense arrangements or to which we had existing commitments.

Although Sweden has attempted to maintain its policy of non-involvement in the political disputes of great powers, the offer of an alliance with Norway and Denmark was, considering the strategic location of those two countries and their unpreparedness for defense, a departure from the traditional isolationist neutrality which Sweden had followed for so many years. Following the failure of the Scandi-

<sup>1</sup> For documentation on U.S. interest in this matter, see *Foreign Relations*, 1948, vol. iv, pp. 759 ff.

<sup>2</sup> For documentation on Scandinavian discussions of a Nordic defense pact, see *Foreign Relations*, 1948, vol. iii, pp. 1 ff.

<sup>3</sup> See documentation on the North Atlantic Treaty Organization, pp. 1 ff.

navian discussions and the adherence of Norway and Denmark to the Atlantic Pact, which Sweden feels increases the danger of Scandinavian involvement in any future war, Swedish foreign policy has been subject to apprehensive reexamination and reevaluation by the Swedish press and political leaders. Sweden is now hemmed in by the members of the blocs, the formation of which it had hoped would be avoided, and is subject to anxiety concerning the increased possibility of Soviet counter moves in the north, especially in Finland. All non-Communist parties are in agreement that the danger of the isolated Swedish position has greatly increased and that the armed forces must be strengthened. A general theme of the many press editorials and political pronouncements has been that, while Sweden cannot follow Norway into the Atlantic Pact, Sweden's future course depends to a large extent on world developments, particularly those in relation to Finland, which might force such a decision. Speeches by top ranking Swedish military officers have with notable frequency stressed the need for supplies from and "technical cooperation" with the west, including the necessity for advance preparation for military aid from the west in the event of war. On the other hand, statements by the civilian chiefs of government do not support these ideas.

Under the stress of these developments the Swedish Government has expressed its hope that the US will continue to permit the commercial purchase here of materials needed for Swedish defense. Swedish military officials have explained that their military plans are conceived exclusively for defense . . . and that since Sweden is almost certain to be engaged if Norway and Denmark are attacked, these plans are based upon the joint defense of Scandinavia by the three countries. In respect to Swedish purchases of military supplies in the open market, our policy permits such purchases subject to appropriate checks to determine that there is no security problem involved and that the priorities of nations in the North Atlantic Treaty and others to which we have commitments can be taken care of.

During the last year and a half we have made clear to the Swedish Government our view that its policy of neutrality is dangerous and impractical. However, while we recognize the importance of Sweden for our own security and that of our allies, it is against our policy to exert pressure on Sweden to join the North Atlantic Pact.

Sweden's past position in the UN has been marked, not by hostility to the objectives of the US, but rather by a relatively negative position on major political differences between east and west. Modifications in this attitude were noted, however, during the 1948 General Assembly sessions when Sweden on several occasions voted with the US and other western powers in opposition to the solid Soviet-dominated bloc.

In fact, Swedish support of the US on the issues of the atomic bomb and disarmament has been the subject of critical Communist comment. Because of its severe dollar problem, Sweden has not been willing to assume the financial obligations incident to membership in ICAO or IRO, but continues to express its basic agreement with the objectives of these organizations.

Communism has not thrived in Sweden. A long history of democracy and independence, and a relatively high standard of living have combined to allay potential left-wing discontent and to hinder Communist organizational efforts in Sweden. Even though the Communists in Sweden lacked the prestige gained elsewhere from a record of commendable resistance to the Nazis, they nevertheless did successfully infiltrate certain labor unions and left-wing organizations during the war and immediate postwar periods. Since the end of 1947, however, the Communists have experienced a gradual decline in power in the unions and in influence throughout Sweden as the result of international events, the popular recognition of the fifth column characteristics of the Party, and the anti-Communist campaign of the Swedish Social Democrats and trade unions.

Communist representation in the lower house of the Riksdag was reduced from 15 to 8 seats by the last parliamentary elections held in September 1948. All the electoral constituencies in Sweden registered a net Communist loss in votes with the exception of the province of Norrland. Recent trade union elections similarly showed a strong anti-Communist trend, with the large locals of the powerful Metal Workers' Federation as the most striking examples. Several union locals remain under Communist domination, however. Geographically Communist strength is centered in Stockholm, Göteborg and the province of Norbotten which includes the iron mining regions of Kiruna and Gallivare. Communists have failed to penetrate the military forces but have penetrated the police, civil defense, home guard, railways, and public utilities. However, in the absence of armed support from a foreign power, they do not constitute an immediately serious threat to Sweden's peacetime security.

The attitude of the Swedish people toward the US is basically friendly. However, the US has come to represent different things to different groups of people in Sweden, and the observation can be made that the Swedish people generally are ignorant concerning US history, social development, culture, and foreign policy objectives. The Swedish people as a whole are inclined to regard the US as a country of great contradictions where the most bizarre occurrences are not only possible but common, and where materialism has triumphed over culture. American discrimination against the Negro race looms disproportion-

tionally large in this picture. To the business community the US is a paradise free of the ubiquitous influence of a socialist-directed state; to the laboring classes it is a capitalist barrier to the progress of socialism as well as communism and, consequently, is the object of a certain amount of Marxist-inspired dislike. During the early months of the debate over ERP, socialist and labor comments were somewhat skeptical of the dis-interest of American capitalism.

## 2. *Economic*

It is the policy of the US to assist Sweden not only to restore a healthy balance in its own economy but also to maximize Sweden's contribution to the trade and reconstruction of western Europe. Economically, Sweden occupies a unique position among the countries of western Europe. Undamaged by the war, Sweden during the immediate postwar period made a significant contribution to the relief and rehabilitation of Europe through extensive loans and credits. However, the postwar dislocation in Europe seriously affected Swedish foreign trade and created a very heavy drain on Sweden's financial resources. This fact was aggravated by the over-optimism of the Swedish Government which postponed too long the imposition of exchange controls. Sweden by late 1947 faced a heavy imbalance in its foreign trade and a foreign exchange deficit with hard currency areas of serious proportions involving the danger of a production crisis rising out of a shortage of imported raw materials.

Corrective measures were introduced, however, and the Swedish four-year economic plan as submitted to OEEC in Paris gives promise of a return to a stable economy by 1952. Controls applied to imports during 1948 have been effective in reducing Sweden's deficit in trade with the US. We have contributed to the attainment of this result by loans through ECA, and by modification of the Reciprocal Trade Agreement of 1935 whereby Sweden has been permitted to determine its imports on an essentiality basis. Swedish industrial production has remained high. Trade with Europe has greatly increased while imports from the US have been reduced sharply by rigorous planning and controls.

In the field of foreign exchange, the policy of the US toward Sweden, which is not a member of the International Monetary Fund, is to work toward stability of exchange rates and the eventual elimination of restrictions on international payments.

The objective of our commercial policy toward Sweden is the establishment of commercial relations according to the principles of the projected International Trade Organization. Until Sweden becomes a member of this organization or a signatory of the interim General Agreement on Tariffs and Trade (GATT), commercial re-

lations with the US will be regulated primarily by the provisions of the Commercial Treaty of 1935 as modified in 1947-1949.<sup>4</sup>

As one phase of its policy to encourage the free movement of international trade, the US is opposed to cartels because of their potentially restrictive influence on production and distribution. Swedish industry, however, is extensively organized along cartel lines in pulp and paper, timber, mining, metallurgical and electrical equipment, and this with the knowledge and concurrence of the Swedish Government. Because the danger from cartel arrangements in Sweden is more potential than actual, US policy remains one of alert observation for possible restrictive effects, which when discovered may be called to the attention of the Swedish Government under the terms of the bilateral ECA agreement.

Swedish participation in the ERP and various measures for European recovery has been active. Sweden has signed the bilateral Economic Cooperation Agreement with the US and has agreed to the intra-European payments scheme. Furthermore, it has reversed its initial position of opposition to the project for a customs union in Europe which was sponsored by OEEC in Paris, and replaced the Swedish observer on the committee studying this problem with a participating member. Sweden also is a member of the Scandinavian Economic Cooperation Committee which is attempting to achieve a reduction of customs barriers, a greater measure of regional specialization and improved economic integration in Scandinavia, with a customs union as a possible but more distant goal. We support these efforts to the extent they do not conflict with the provisions of the ITO charter.

Trade with eastern Europe as a whole, including the Soviet Zone in Germany, is of critical importance to Sweden, particularly in such items as coal from Poland and certain chemicals, ores and industrial equipment from the other areas. Realizing the need of maintaining Swedish production both for its own internal economy and the contribution that Swedish exports can make to the economy of western Europe, we interpose no objections to this trade provided it does not directly strengthen the war potential of eastern Europe, or affect adversely the security of western Europe and of the US. Negotiations are in process with the Swedish Government for the purpose of obtaining its cooperation in our east-west trade objectives.<sup>5</sup>

The US did not look with favor on the billion crown credit granted by Sweden to the USSR in 1946 to cover the successive five-year period. However, the provisions of this agreement have been slow of imple-

<sup>4</sup> See Agreement between the United States and Sweden, *infra*.

<sup>5</sup> Documentation on trade with the Soviet Union and Eastern Europe is scheduled for publication in volume v.



mentation, and the drain on Swedish production to meet its contractual deliveries to the Soviet Union has not approached what was initially anticipated or what is theoretically possible according to the treaty. By the end of 1949 Swedish deliveries to the USSR will have utilized less than one third of the total credit, and it appears unlikely that the agreement will ever be fully implemented. Swedish industry, which is fully employed, remains reluctant to forego its traditional trade outlets in the west in the interest of increased deliveries to the USSR.

#### C. RELATIONS WITH OTHER STATES

#### D. POLICY EVALUATION

US policy has been assisted by Swedish participation in the reconstruction of western Europe, primarily in the economic field through the agency of ECA. In the political field, however, Sweden has been less cooperative. Public sentiment has become more opposed to Communism and the USSR and more favorable toward the west, but Sweden continues to show a negative attitude toward plans for strengthening western Europe militarily against Soviet and Communist aggression. Nevertheless, developments in Scandinavia and current trends in Swedish public thinking encourage the belief that changes in Swedish foreign policy may be under way. The formation of the North Atlantic Pact is having a profound effect upon the Swedish strategic position and the thinking of the Swedish people. The implementation of the Pact combined with the evolution of popular thought may in time bring Sweden into participation in collective defense measures with the other western democracies. This evolution will be slow at best unless Russia takes some overt action.

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#### AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN RESPECTING QUANTITATIVE IMPORT RESTRICTIONS AND DEFERMENT OF PAYMENTS, EXTENDING THE AGREEMENT OF JUNE 24, 1947, AS MODIFIED, AFTER JUNE 30, 1949

[For text of Agreement, effected by exchange of memoranda dated at Washington June 27, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1953, or 63 Stat. (pt. 3) 2612.]

## SWITZERLAND

### **AGREEMENT BETWEEN THE UNITED STATES AND SWITZERLAND RESPECTING AIR TRANSPORT SERVICES, AMENDING THE AGREEMENT OF AUGUST 3, 1945**

[For text of Agreement, effected by exchanges of notes signed at Bern May 13, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1929, or 63 Stat. (pt. 3) 2437.]

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### **AGREEMENT BETWEEN THE UNITED STATES AND SWITZERLAND RESPECTING SETTLEMENT OF CERTAIN WAR CLAIMS**

[For text of Agreement, effected by exchange of notes signed at Washington October 21, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 2112, or 64 Stat. (pt. 3) B 1097.]

THE UNITED KINGDOM OF GREAT BRITAIN AND  
NORTHERN IRELAND

CONCERN OF THE UNITED STATES OVER THE BRITISH FINANCIAL  
CRISIS; DEVALUATION OF THE POUND STERLING

841.5151/6-949

*Draft Memorandum of Conversation*<sup>1</sup>

TOP SECRET

[WASHINGTON,] June 9, 1949.

Present:

State Department

Mr. Willard Thorp

Mr. Harold Spiegel

ECA

Mr. Jas. A. McCullough

Treasury Department

Mr. Wm. McC. Martin

Mr. C. Dillon Glendinning

Mr. Wm. B. Hebbard

British Representatives

Sir Henry Wilson-Smith

Sir Sydney Caine

Mr. Robert Hall

Mr. Allan Christelow

Mr. Edgar Jones

Sir Henry Wilson-Smith said that the British had found the exchange of views with the U.S. representatives very profitable and stressed the importance of continued informal contact between the two governments. He stated that the British were going away with somewhat less optimistic views than when they had come. In summing up the discussions he said there were three factors which he would like to mention: (1) Britain's own difficulties at home; (2) Developments in the United States economy; and (3) His impression of the current state of U.S. thinking on such questions as non-discrimination, convertibility, and exchange rates. He said—and indicated that he did not mean to be wholly facetious—that he thought Britain could live with any two of the factors but that he doubted that it could live with all three.

<sup>1</sup> The source text bears no indication of the drafter, but the meeting took place in Martin's office and so the memorandum presumably was prepared in the Treasury. No other record of Wilson-Smith's conversations has been found in the Department of State files.

With respect to Britain's own difficulties, Sir Henry indicated that Britain was going through a difficult period. Up until now there had been a steady improvement in Britain's dollar position. He said that there was now a reversal in this trend and that he expected the downturn to continue. He indicated that the picture which the government would present in its semi-annual report would be a gloomy one.

Concerning developments in the U.S. economy, Sir Henry indicated that the change from a seller's to a buyer's market would present increasing difficulties for Europe in meeting the dollar problem. He indicated that from the American point of view some adjustment was considered inevitable, and, barring a serious recession, would be a return to a more normal state of affairs. Noting that some further decline in business activity here appeared likely, he said he need not dwell on the worries which this occasioned in Britain and elsewhere.

Regarding current U.S. thinking, Sir Henry indicated that he thought the areas of difference between us did not concern ultimate objectives, but rather were in terms of the feasibility of steps at this time looking toward a greater degree of non-discrimination and convertibility. He stated that the British view was that the next stage must be a freeing of trade within Europe and the rest of the soft currency area.

As had been indicated by the British in previous discussions, it was their view that unless steps were taken in this direction in the near future, the trend would be toward a greater degree of bilateralism than at present. He stated that the freeing of trade within the soft currency area should help reduce costs and make an ultimate contribution toward multilateralization of trade throughout the world. He indicated again that they had not been able to look far enough ahead to see how and when the barriers between the hard currency and soft currency areas might be reduced, but the British were sure that the proposals they were making would be a contribution in the right direction.

In this context, he referred to the American proposals on intra-European payments providing for some degree of convertibility of payments rights as illustrative of the difference of views as to the steps which might be taken now toward nondiscrimination and convertibility.

Concerning exchange rates, Sir Henry stressed the desirability of taking steps which might reduce current speculation and asked American cooperation to this end. He said this should be done quite apart from whether the U.K. had been pursuing a policy of deflation and expected to continue to do so. He indicated that the pressures which would accompany a devaluation would force a reversal of this policy.

Concerning the International Monetary Fund, he said that it was clear that London needed to reconsider its position both with respect

to the short and long term operations and functions of the Fund. He said that the British could see the disadvantages of dissipating the Fund's reserves at this time even though the British could not support the criteria for Fund drawings submitted by the U.S. Executive Director.<sup>2</sup> He indicated that he hoped that matters could be handled reasonably in the Fund and that probably the U.S. and U.K. views were not so far apart as might be indicated by a debate on the U.S. Executive Director's paper.<sup>3</sup>

Sir Henry made some further comments on the problem of liberalization of trade in Europe. He said he realized the difficulties the U.S. faced in considering any modification of Section 9 of the Anglo-American Financial Agreement.<sup>4</sup> He said further, he realized that modification of Section 9 might raise the question of a revision of the entire Agreement at this time. However, on the economic side, he said there were only three alternatives: (1) Continue with present bilateral arrangements; (2) For the U.K. to take the leadership in reducing trade barriers in the soft currency area; (3) Go back to a more rigorous type of clearing arrangement based on bilateral negotiations.

Mr. Martin stated that the U.S. representatives had also found the exchange of views profitable and agreed as to the desirability of continuing informal consultations with the British on the broad range of problems of mutual interest. He indicated that he thought the exchange of views between the Treasury and the British on the Fund had been particularly helpful. He was doubtful if our discussions on the Financial Agreement had been profitable for either side.

Regarding devaluation, Mr. Martin said that he wanted only to stress two points: First, the critical importance of timing of any moves which might be made in terms of developments here as well as in Europe. Second, the importance of consultation prior to action. In this connection, he referred to the role of the Fund.

Mr. Thorp said he wished to stress the need for close cooperation in this current period. He said that we had passed out of the honeymoon phase of the ERP program, a period of extreme shortages and one in which the objectives were relatively simple, namely, to increase output, to a period in which the problems of adjustment were more complex. He said that now there would be a tendency both in Europe and the United States for a resurgence of nationalistic points of view, especially in the fields of commercial and trade policy. He said that

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<sup>2</sup> Frank A. Southard, Jr.

<sup>3</sup> Not found in Department of State files.

<sup>4</sup> For the text of the Anglo-American Financial Agreement, signed at Washington, December 6, 1945, effective July 15, 1946, see Department of State Treaties and Other International Acts Series (TIAS) No. 1545; for documentation relating to its negotiation, see *Foreign Relations*, 1945, vol. vi, pp. 1 ff.; Section 9 of the agreement dealt with import arrangements.

failure to cooperate closely would give encouragement to those nationalistic elements in all countries which would defeat our mutual longrun aims. He mentioned in this context the U.K.-Argentine Agreement as illustrative of the difficulties which arise without adequate cooperation.

Mr. McCullough said that ECA in its individual conversations with British representatives had probably been more specific than either the Treasury or State Departments. He said that this arose in part because of the direct operating responsibility of the ECA for the European Recovery Program. He said that the two matters on which the ECA felt it essential to express specific views to the British were on the importance of action on exchange rates and on the need for revision of the intra-European payments arrangements.

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841.51/6-1649: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Acting Secretary of State*<sup>1</sup>

TOP SECRET

PRIORITY

LONDON, June 16, 1949—6 p. m.

2326. For Webb eyes only from Douglas. Please give this message no other circulation except as authorized by Under Secretary Webb after he has seen it.

1. This is to alert you to the possibility that the UK may be confronted this summer with a major financial crisis not unlike that which developed in 1947.<sup>2</sup> The economic consequences would almost certainly precipitate a political crisis as well.

2. Information given us in utmost secrecy by Cripps<sup>3</sup> shows sharp and accelerating rise in dollar gold drain April-June quarter to pounds 150 million compared with pounds 82 million first quarter. After allowance for ECA, IMF, and Canadian contributions total reserves expected to fall to pounds 400 million end of June compared pounds 471 million end of March and pounds 552 million at beginning of ERP.

3. Increased rate of dollar gold drain is attributed here to several factors: (a) some abnormal purchasing, partly by India and Australia; (b) withholding of payments by US importers, slower repatriation of dollar receipts by UK and Empire exporters and some postponement of purchasing commitments by US and other countries,

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<sup>1</sup> Secretary Acheson was in Paris attending the sixth session of the Council of Foreign Ministers; documentation relating to this session is in volume III, chapter VI.

<sup>2</sup> For documentation relating to the British financial crisis of 1947, see *Foreign Relations*, 1947, vol. III, pp. 1 ff.

<sup>3</sup> Sir Stafford Cripps, Chancellor of the Exchequer.

all of these traceable to widespread talk about possible sterling devaluation; (c) general tendency in US to reduce inventories all products, resulting in sharp decline in volume US buying from UK, dominions and colonies, which has affected such important dollar earners as rubber, cocoa and jute; (d) general diminution US purchasing abroad as result lower level US economic activity.

4. While some of these adverse factors may not continue to operate so strongly in immediate future, there seems to be little prospect for sufficient degree of improvement, except in unlikely event of strong reversal of recent trends in US economy. In addition, psychological impact of announcement of June 30 reserve figures, which will be necessary about mid-July, will create strong adverse factor not presently operative. Realization that reserves have fallen a sixth in three months and that expenditure is proceeding at more than twice anticipated ECA allocation, will create shock which might even intensify drain. This is the basis for our judgment as to the timing of possible crisis.

5. The deterioration in the reserve position by itself is extremely serious but taken in conjunction with UK growing difficulties in exporting even to non-dollar countries we may see a convergence of factors this summer which may throw the country into an economic as well as a financial crisis. Even if our estimate of the imminence of a crisis in July or August is over-pessimistic, we nevertheless feel that the general position is deteriorating at such a rate as to make a crisis probable in a matter of months.

6. The leaders of this government vividly recall the 1931 crisis which brought down the second Labor Government and sent labor into the political wilderness, and we doubt that they would let themselves drift into disaster. We therefore think the government will try to cope with the situation before it has deteriorated beyond repair. The position will be watched closely in the next few weeks, with mid-July in mind as the critical time when the country's difficulties must be made public. The trends then apparent will, of course, influence judgment as to the course of action to be adopted. It seems to us the government must come out, as it did in 1947, with a program to arrest the rot. Some of the obvious avenues which might be explored in framing a program would include: (a) drastic cuts in UK dollar imports such as would reduce food consumption and require slashing the investment program; (b) shedding more military and political commitments abroad; (c) increasing the pressure on the sterling area to reduce its dollar drain; (d) tightening the bonds between sterling and certain other currencies, perhaps even trying to rivet them to sterling.

7. Since many other countries would be affected by a British collapse it seems to us that the logic of the situation would compel

Britain and other countries to move toward the development of at least a quasi autarchic sterling area, embracing as many countries as could be brought or forced into it. Also, with the probable shrinkage of trade with the dollar area, would not these countries eventually have to consider a reorientation of their trade toward Eastern Europe and Russia?

8. I am informed from wholly authentic sources that HMG has developed a program which, if necessary to adopt, "will insulate the UK from strong American pressure to devalue sterling and which the US will not like." Devaluation of sterling, unless the pressure of events takes command of the situation, will in our opinion be resisted to the end, principally because of fear of a repetition of the 1931 debacle and because Cripps is convinced that devaluation by itself will not make any material contribution to a solution.

9. How the government would put a drastic program over politically is not clear. (a) It might try to use its majority to force a program through, without modifying the original intention of staging an election next year. (b) Alternatively, the government might prefer to face a crisis by framing a policy, dissolving Parliament and going to the country immediately. In this case we would expect dissolution in July or August and an election in September or October. In either case it is not unlikely that the Labor Party may be defeated and that it would harbor, as it did after 1931, a conviction that US influence had brought about its downfall. Moreover, many other groups are likely in any event to blame the US for Britain's economic difficulties, attributing them to a combination of US political pressures and US economic depression. If a serious crisis develops, therefore, we must anticipate a difficult period in Anglo-American relations.

10. If the full seriousness of the financial position were known to the leaders when the Labor Party conference was in session in Blackpool last week, they concealed it successfully. The general seriousness of Britain's economic position was stressed, but there was no indication of an impending crisis. This does not mean, however, that the government will allow the situation to drift. The impression gained by our observer at Blackpool was of a party leadership with a strong will to power, and a rank and file with great confidence in the leadership. This is what makes us believe the government might elect to meet a crisis head on.

Sent Department 2326, repeated Paris 432 (for Secretary and Harriman <sup>4</sup> eyes only).

DOUGLAS

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<sup>4</sup> W. Averell Harriman, United States Special Representative in Europe.



841.5151/8-2249 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, June 22, 1949—5 p. m.

2406. For the Secretary eyes only from Douglas. Please give this message no circulation except as indicated by the Secretary after he has seen it.

This supplements Embtel 2326 and contains further views on rapidly developing British dollar crisis.

1. Gold and dollar expenditure, which will reach an annual rate of \$3 billion during June, may not continue indefinitely at so high a level. In a few months the outgo reflecting a current tendency to assume short positions in sterling should be checked by the necessity to cover such positions. Also, the initial impact of reduced purchasing (due to cutbacks of inventory levels in the US) will give way to more normal buying for current needs, although at a lower level than in 1948. However, the prospects are sufficiently serious to call for urgent remedial action and for immediate consultation with the British. A rate of expenditure of even \$2 billion a year would be intolerable in view of the scale of dollar assistance anticipated in the coming fiscal year, and the low level at which reserves will stand when that year commences on July 1. Four methods occur to us among other possibilities for attacking the fundamental imbalance reflected by the recently revealed figures.

2. The first method is a drastic reduction of costs by direct means. This does not appear feasible in view of the considerable political manoeuvring which would be required before a really effective policy of this nature could be implemented. This would require so much time, and so much additional time before it could have results, that it could not in any case provide a sufficiently speedy solution to a problem as imminent as that which faces us.

3. A second method would create a protected autarchic trading area, centered on London and using sterling as its basic currency. We fully appreciate what this would entail in damage to the US economy, in frustration of our political and strategic objectives in Europe and in effects on Canada. The British are not unaware of these considerations, but we anticipate that, in its efforts to deal with the imminent crisis, the UK will take many steps which would be consistent with the ultimate creation of such an area, especially if continued for a considerable time. We anticipate, for example, a plan for drastic reduction of imports from the dollar area. We are convinced, however, that the creation of an autarchy does not provide either a long-run or

a short-run solution to the British problem. The dollar economy is so important in the economic life of the western world that it would be impossible to isolate a sterling hegemony completely. Furthermore, attempts to create such a bloc would cut across so many opposing national interests on the continent and even in the sterling area that it would be impossible to hold the group together. In any event, the creation of such an isolated sphere would take too long to provide a sufficiently prompt answer to the present problem.

4. A third alternative would be to convince the public that the present value of sterling can and will be maintained. We foresee psychological obstacles to restoring such confidence in sterling when the facts of the present situation are revealed to the public. Even though the position may improve later, the shock to public opinion of the necessary revelation, now scheduled for July 5, will be severe. Already a crescendo of public speculation concerning an imminent dollar crisis is becoming apparent. This may, however, be a part of the solution if accompanied by other measures to restore confidence such as initial steps toward reduction UK costs and US stockpile purchases of tin, rubber, wool, etc. if money has been appropriated and this is otherwise practicable.

5. The fourth and last alternative is devaluation of the pound, and this in our view could be effective only if accompanied by strong measures for internal economic reform and suppression of inflationary effects. We must be prepared for the economic consequences to the US of a substantial devaluation and they might be formidable. We also should not overlook the possibility that Cripps is manoeuvring toward nothing more than a 10 percent devaluation, attributing it to the US pressures for devaluation action. In our view one of the curious effects of devaluation of sterling would be to aggravate inflation in the non-dollar area and to aggravate deflation in the dollar area.

6. The foregoing considerations lead us to be considerably concerned over the immediate future of Anglo-American relations. It has been made obvious in our conversations with Cripps that the government intends to defend the position initially by sharp curtailment of imports from the dollar area. Cripps is ostensibly strongly opposed to any proposal for a devaluation of the pound, and up to now seems prepared to stake his political position within the Cabinet and before the public on a refusal to change the present rate. We anticipate that the executive branch of the US Government will interpret the situation as requiring an immediate devaluation of sterling. At the same time British actions to cut dollar expenditures will in all probability include measures which are admittedly discriminatory, or which could be interpreted as building up an autarchy, and they would be regarded as retrograde in terms of American commercial policy. Consequently,

we foresee the possibility of a situation in which the UK blames adverse developments on the US recession and the US blames the UK for socialist mismanagement of its affairs. Acrimonious dialectical debate over causes might make it difficult to deal with brute facts of situation and arrive at reasonable remedy.

7. We are vitally concerned that such an acrimonious and disruptive situation be avoided. To this end we stress that what we are facing is more than a British dollar crisis—it is an Anglo-American problem, with Canada caught in the spider web, the implications of which go far beyond the question of the exchange rate of sterling and the immediate state of the British dollar reserves. The failure of our two governments to cooperate closely in the immediate future, in full appreciation that a problem of mutual concern is before us, might very well prejudice the Marshall program, the many aspects of our foreign economic and political policy which depend upon its success, and might give comfort and support to Communist and Soviet designs.

8. We are not able to come forward with any proposal for solving the immediate problem. We strongly urge, however, that every endeavor be made to create a mechanism through which representatives of the two governments can, at the earliest possible moment (if possible before July 5 when figures will be made public), talk secretly, bluntly and frankly, in an endeavor to reach an agreed program of action. We have no firm basis for judgment as to whether discussions should take place in Washington or in London. But we feel strongly that such conversations should be initiated immediately and be conducted on a basis which recognizes how greatly our mutual interests are endangered. We suggest that Canada sit in, first because unless we are able to prevent the development of an unfortunate UK policy Canada will be compelled to decide whether to go with the UK or with the US—a question which, however resolved, would have adverse effects everywhere—and second because Canada by sitting in would find it easier to attend the meeting of Commonwealth finance ministers called for July 11 and there to play more effectively the part of *amicus curiae*.

9. We mention the date of July 5 because it is then that it will be necessary to publish data revealing the adverse movements of the last three months. We mention July 11 as the date indicated to us by Cripps of meeting of Commonwealth finance ministers in London. The significance of these dates is obvious in terms of the development of a possible crisis and the initial arrangements for dealing with it.

10. Robertson<sup>1</sup> has been here on a secret emergency visit for two days, representing St. Laurent,<sup>2</sup> but does not wish his presence in

<sup>1</sup> Norman A. Robertson, Clerk of Privy Council and Secretary to the Canadian Cabinet; former High Commissioner for Canada in the United Kingdom.

<sup>2</sup> Louis Stephen St. Laurent, Prime Minister of Canada.

London to be known. He confirms the views expressed herein regarding Canada and confirms the general seriousness of the situation as we view it.

11. Meanwhile, in order to keep you fully informed, we will soon forward a supplementary cable giving you the benefit of whatever observations we feel able to make on the courses of action, and the political developments in the UK, which are likely to follow from public realization of the gravity of the situation.

DOUGLAS

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841.5151/6-2349 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, June 23, 1949—noon.

2163. Eyes only for Douglas from Acheson. Following message received today from Bevin:<sup>1</sup>

"Following our conversation in Paris on June 20th I talked with the Prime Minister<sup>2</sup> and the Chancellor of the Exchequer. I find that our dollar position is more serious than I supposed and that prompt action is essential to put things straight. We are considering what measures to take, and urgent consultation with the United States Government will be necessary. In the meantime we have given the United States Ambassador in London a memorandum of the facts,<sup>3</sup> which it is understood Mr. Douglas is sending to the State Department.

I hope that it will be possible for Mr. Snyder<sup>4</sup> to pay a very early visit to this country to discuss matters with Sir Stafford Cripps and that he will bring advisers from the State Department and ECA, as well as from the Treasury. We shall appoint officials on our side from the Treasury, the Foreign Office, and the Board of Trade to take part in the talks. We also propose that a Canadian Minister and officials should take part. We should like these meetings to begin on July eighth or ninth, before the meeting of members of the Commonwealth which we are trying to arrange for July eleventh.

I hope that you may have an early opportunity of discussing the situation with the President. I hope, too, that it may be possible for the United States Administration to take suitable action by the making of appropriate statements, etc., to damp down public agitation about

<sup>1</sup> Foreign Secretary Bevin's message was sent in a letter from Sir Frederick Hoyer Millar, British Minister in the United States, to Secretary Acheson on June 22, not printed (841.51/6-2249). In another letter on the same day, not printed, Hoyer Millar indicated that the urgency of the British financial situation was increased by the fact that Sir Stafford Cripps had to go into a nursing home for two months' treatment not later than July 17. (841.51/6-2249)

<sup>2</sup> Clement R. Attlee.

<sup>3</sup> The memorandum under reference was transmitted in telegram 2407, June 22, from London, not printed (841.5151/6-2249).

<sup>4</sup> John W. Snyder, Secretary of the Treasury.

a recession, as well as discussion of the position of sterling. In this way confidence would be restored.

Unless firm action is taken I fear that much of our work on Western Union and the Atlantic Pact will be undermined, and our progress in the cold war will be halted. It is because the political consequences may be so serious that I hope that Mr. Snyder may be accompanied by political, as well as financial advisers.

We naturally hope that publicity would be reduced to a minimum and this object might be helped by the fact that Mr. Snyder's visit to Europe has already been announced. But if necessary we should be ready to say frankly that the discussions concern the dollar crisis."

Harriman's Repto 635,<sup>5</sup> paragraph 3, indicates Cripps hopes obtain approval new austerity program prior publication figures July 5, which seems inconsistent with above message, particularly reference urgent consultation in first paragraph and later reference meetings to begin July eighth and ninth. My impression is that meetings July eighth and ninth immediately following release of figures on July fifth and simultaneous announcement new austerity program would leave little for consultation.

Snyder has agreed to advancing date his departure to 29th or 30th and remain available in Paris for discussions with you and Harriman for day or two. If your discussions with Snyder and Harriman indicate desirable, am certain Snyder would agree have Cripps come Paris for discussions over weekend or possibly Snyder might accompany you London for discussions with Bevin, Cripps and others. This would make available four days Snyder's time and still permit him to depart morning July 5 to follow previously arranged itinerary. It has advantage of consultations prior to decisions to be announced July 5. Minimum publicity would be involved and I feel sure you, Harriman and your staff members could supply all assistance which Snyder would need.

Planning conference with Hoffman<sup>6</sup> and Snyder Monday afternoon and will proceed with above plan unless you suggest modification.

Discussions with Snyder indicate he has no feeling that devaluation is necessarily best answer but wishes know what British, you and Harriman really think would be effective.

ACHESON

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<sup>5</sup> Not found in Department of State files.

<sup>6</sup> Paul G. Hoffman, Administrator for Economic Cooperation.

841.5151/6-2549 : Telegram

*The United States Special Representative in Europe (Harriman) to the Secretary of State*

TOP SECRET      PRIORITY

PARIS, June 25, 1949—7 p. m.

Repsec 32. Eyes only for the Secretary from Harriman. Please give this message no circulation except as indicated by Secretary after he has seen it.

Reference Department's No. 2163 to London; repeated Paris 2249, and London's 2444; repeated Paris 470.<sup>1</sup>

1. Concur in views expressed by Douglas reference message above. I assume that when Douglas proposed Canadian participation Snyder-Cripps talks, he did not suggest Canadian representative should sit in all of the meetings but only at appropriate times.

2. Agree validity Douglas argument regarding desirability postpone British announcement their figures, yet I want to point out continent is generally becoming aware of deterioration of British position and yet until figures are published, it is difficult to discuss frankly with continental governments problems which they face as a result.

3. I interpret, perhaps wrongly, Bevin message to you<sup>2</sup> as indicating Snyder will be faced with demand that United States Government strongly support publicly present sterling-dollar rate. I believe the clue to the interpretation lies in the words "unless firm action is taken". I have in the past held the view that it would be well not to attempt to influence British to devalue until they had felt the pressure lower world prices on their export producers. I had thought this would create healthy incentives to increase productivity and to reduce costs. Devaluation, I had thought, would be of more permanent use after than before these pressures had had their corrective effect. I am now of the view that the British position cannot be dealt with if all of the present rigidities in the Crippsian concepts are maintained. Something must give and at the present time it is the British reserves. I therefore feel that the British should now consider devaluation along with other steps they and we might take. My impression is that Cripps is as rigid as ever in his determination to maintain the sterling rate. It seems that his ideas of remedies are further austerity and controls on the British economy with perhaps some further assistance from the fund and/or the United States. Also I cannot avoid the thought that

<sup>1</sup> June 24, not printed; in it Douglas, *inter alia*, agreed that Bevin's message requesting Anglo-American consultations on July 8 or 9 with Canadian representation was inconsistent with the announcement of restrictions on July 5 on the one hand, and with Cripps' statement that discussions would be held with the United States before restrictions were imposed or announced. (841.5151/6-2449)

<sup>2</sup> Transmitted in telegram 2163, *supra*.

he may hope to high-pressure us into acceptance of his ideas of a closed discriminatory sterling area expanded to include the continental countries as far as possible. Perhaps, needless to say, I would view such a course as politically and economically disastrous.

4. It seems obvious Snyder-Cripps talks would naturally and should begin by Cripps analyzing British situation as he sees it, and offering his proposals for dealing with it. I believe Snyder should be prepared to take firm position on United States attitude. I think we should face the real possibility that no agreement can be reached at this time. I recognize all of the dangers including those pointed out in Bevin's message but feel that fundamentals are at stake and that we would therefore not be justified in yielding. In addition, I feel that action of kind desired by Cripps likely be futile in short-run as well as disastrous in long-run. On the other hand, if we find British Government is prepared earnestly to seek an agreement with us consistent with *our* fundamental objectives, I hope that Snyder will be prepared to talk through both immediate steps and long-range program.

5. I plan to go to London Monday morning to talk things out with Douglas. We will telegraph you our joint opinion after our discussion, but I thought it might be useful to make the above comments in the meantime.

6. I hope that I can have some word from you by then as to whether you wish Douglas and myself to discuss with Bevin the serious implications of Cripps' uncompromising position at Brussels meeting (reference Repto 4885<sup>3</sup>) with the hope we can induce British Government to accept a compromise payments plan which would at least avoid the increased difficulties coming from an OEEC impasse.

Repeated London unnumbered (eyes only to Douglas).

HARRIMAN

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<sup>3</sup> Not found in Department of State files.

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841.51/6-2749

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Secretary of State*

TOP SECRET

[WASHINGTON,] June 27, 1949.

Subject: British Financial Predicament

*Problem:*

The British are now losing dollars net after ECA assistance at a rate (100 to 150 million dollars monthly) which they cannot permit to continue. Excessive drain first appeared in April.

Basic to this difficulty is Britain's inability to increase further, or even maintain, exports to hard currency areas because of her relatively high costs and inadequate marketing techniques.

The situation is aggravated (a) by the current recession in the United States with consequent falling off of demand for United Kingdom products and lower United States prices for United Kingdom and competitive United States products, and (b) by holding off of orders, acceleration of payments for imports, and delay in payments for exports as a result of current talk of impending devaluation.

Any real solution to this problem will require reduction in costs of production, improved marketing techniques, design of products, etc. Such measures cannot operate quickly enough to check the current drain.

Devaluation would contribute to an immediate cost adjustment. It is probably an essential element in any long-term solution. Thus far the British have resisted it inflexibly. Political considerations contribute largely to this attitude.

The British therefore propose, when they announce the facts on July 5, to announce simultaneously further drastic restrictions on United Kingdom and Empire imports from the dollar area, designed to reduce such imports by about \$600 million a year.

The British have requested consultation with us, suggesting July 8 as a date, with Commonwealth consultation to follow on July 11.

#### *Recommendations:*

1. We should accept the necessity for further drastic, and inevitably discriminatory, British import restrictions.
2. We should not request postponement of the announcement or action proposed by the British for July 5 and should not try to negotiate on the substance of their action before July 5. We should, however, seek the fullest information as to their proposed action and should seek to influence the form of their announcement to see that it is the least unpalatable to United States opinion and does not in any way preclude a solution along lines we would regard as constructive.
3. We should endeavor to get the British to couple their announcement of these restrictions with a statement of their desire to move immediately to improve their competitive position and to liberalize their trade by relaxing restrictions on imports from OEEC countries and sterling area countries in accord with the proposals they have made to the OEEC. Obstacles to the latter action exist in such agreements as Section 9 of the Anglo-American Financial Agreement and Section 5 of the Canadian loan agreement, except with respect to war devastated countries.



4. The Secretary, Mr. Snyder and Mr. Hoffman should advise Congressional leaders immediately of the seriousness of the British situation, of the general nature of the measures the British propose to adopt, and of the impact on the United States, e.g. Section 9 of the Loan Agreement, effect on United States exports, and its relationship to ERP.

5. It should be made clear to the leaders (a) that the British are trying to work out their problem without asking for more aid, (b) that any reduction in the ECA appropriation would only make matters worse, and (c) that Section 9 is outmoded, that the British are physically unable to comply with it, and that the Administration needs their informal assurance that they will support a recommendation that Section 9 be waived or amended sufficiently to permit British action necessary to meet the exigencies of the present situation.

6. We should thereafter consult with the British in full detail on substantive measures for the solution of their problem. In this consultation we should be prepared to agree to their proposals for the expansion of their trade by the creation of a wide non-dollar trading area (including their proposals as to payments arrangements), provided we can be satisfied (a) that the area will be a genuinely European (or wider) project and will not be dominated by the United Kingdom, and (b) that it will be self-liquidating rather than self-perpetuating; there must be assurances of drastic steps to reduce costs within the area so that it can become competitive with the dollar area.

7. In discussions with the British, we should stress our conviction that devaluation is probably an essential element in the solution of their problem. They should not, however, be forced to devalue against their better judgment, or be given any excuse to justify devaluation to their public as something forced upon them by the United States.

8. To these ends we should

a. Ask Mr. Douglas immediately (i) to obtain from the British the fullest details of their proposed import restrictions and the reasons therefore, and (ii) to seek to influence the form of their announcement along the lines indicated in (3) above. (It would be useful to have a Departmental officer present to bring Mr. Douglas the latest Washington thinking and to bring back the fullest information for the Department's use in future policy making.)

b. Acquiesce in Mr. Bevin's request for consultation about July 8. This consultation should be by a well-rounded team of representatives of State, ECA and Treasury. Messrs. Hoffman, Harriman, Snyder, Douglas and Thorp should participate.

c. Clear this line of approach with the President, and consult promptly with the Secretaries of Agriculture and Commerce.

d. Inform the Canadians fully of our attitude and proposed action. They should be present at our consultations with the British whenever appropriate.

e. Before giving our assent to any proposals by the British which contemplate the formation of a European (or wider) trading area and a payments scheme such as they propose, consult the French and Belgians, whom we have hitherto been supporting in advocating a payments scheme along quite different lines.

[Here follows a discussion supporting the recommendations.]

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841.5151/6-2749: Telegram

*The Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>

TOP SECRET

WASHINGTON, June 27, 1949—7 p. m.

2210. For Douglas eyes only from Acheson. After long discussion with Snyder and Hoffman, we three submit the following program for comment and suggestion:

1. Preliminary work to arrive at a coordinated governmental position will go forward this week.
2. Snyder and Martin will arrive Paris about July 4 for several days' discussion with Harriman and others.
3. Snyder and Martin will proceed to London for discussions with British on 8th and 9th as requested by Bevin and then continue his trip as scheduled.

As we see these discussions on the 8th and 9th they will be to listen to any British proposals and to state the American position, which probably will be we should be prepared to agree to their proposals for the expansion of their trade by the creation of a wide non-dollar trading area (including some modification of our position as to payments arrangements), provided we can be satisfied (a) that the area will be a genuinely European (or wider) project and will not be dominated by the United Kingdom, and (b) that it will be self-liquidating rather than self-perpetuating; there must be assurances of drastic steps to reduce prices within the area so that it can become competitive with the dollar area. In discussions with the British, we should stress our conviction that devaluation is probably an essential element in the solution of their problem. They should not, however, be forced to devalue against their better judgment, or be given any excuse to justify devaluation to their public as something forced upon them by the United States.

Hoffman expects come over later but doubts availability until middle July.

We regard these discussions as mostly preliminary to further study and consultation on the complex problems involved. However, Snyder would be prepared to discuss how and where subsequent things will

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<sup>1</sup> Repeated to Paris for Harriman as 2297.

be done, including our feeling that further discussions should probably take place in Washington.

We should not request postponement of the announcement or action proposed by the British for July 5 and should not try to negotiate on the substance of their action before July 5.

In the meantime it would be most helpful if you can obtain the fullest details of proposed import restrictions and reasons therefor. Also it would help very much here if you can get the British to couple their announcement of restrictions with a statement of their desire to move immediately to improve their competitive position and to liberalize their trade by relaxing restrictions on imports from OEEC countries and sterling area countries in accord with the proposals they have made to the OEEC.

The manner in which the action is announced and the future program of which it is a part are of crucial importance. We must receive assurances, and the public must be advised, that this action is not a reversal of policy into the line of complete restrictionism, but that it will be coupled with intensive efforts to make United Kingdom exports competitive, to expand United Kingdom trade immediately with areas in which it is now possible for them to trade, and ultimately with hard currency areas.<sup>2</sup>

Problem is being discussed with Franks<sup>3</sup> in hope he can help on form of announcement.

ACHESON

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<sup>2</sup> In telegram 2505, June 28, from London, not printed, Douglas reported that he and Harriman concurred with the proposed timetable for the meetings. Douglas, however, suggested that no reference should be made to any particular measure which the British should take, but instead the United States should seek assurances that drastic steps would be taken "... to reduce prices, et cetera". (841.5151/6-2849)

<sup>3</sup> Sir Oliver S. Franks, British Ambassador at Washington.

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841.5151/6-3049 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

TOP SECRET

WASHINGTON, June 30, 1949—6 p. m.

2257. Eyes only for the Ambassador. NAC joined by Sec of Agri today unanimously approved statement quoted below re US views on current trade and payments problems of Europe:<sup>1</sup>

"1. The US expects to terminate financial assistance to the UK and Eur countries in fiscal year 1951-1952.

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<sup>1</sup> A brief memorandum of the proceedings of the meeting of the National Advisory Council on International Monetary and Financial Problems, June 30, is in file 840.5151/6-3049.

2. US desires to see most effective utilization of Eur resources so as to sustain high standard of living and employment at that time without dollar assistance.

3. Since continued Eur imports of substantial quantities of basic foods and raw materials from Canada, and US after 1952 will be a desirable and economic pattern of trade, overriding objective of US and Eur policy shd be to remove present dependence of Eur countries upon extraordinary dollar assistance, especially by expansion of sales from UK, other Eur countries and sterling area to Canada, US and Latin America during years 1949-52.

4. It is recognized that there is a marked disparity between prices in Europe and in dollar area. In addition to such steps as Eur countries may take to reduce internal prices and costs, an adjustment of Eur exchange rates wld appear to be an essential step in making Eur exports competitive in dollar area and increasing Eur dollar earnings.

5. The adoption of discriminatory import restrictions against dollar area as long-term solution to obtaining balance of Eur dollar accounts wld mean perpetuation of an uneconomic pattern of world trade. It can only lead to increased competition among Eur purchasers of goods from non-dollar area produced under relatively high cost conditions. Final result can only be lower level of Eur standard of living than could be obtained by proper emphasis on sales to dollar area.

6. In short run, however, it is recognized that UK and sterling area, and perhaps other Eur countries, may have to take drastic measures to reduce imports from dollar area in order to prevent serious decline in their remaining gold and dollar reserves. In this transitional period, these countries may desire to maintain or expand their mutual interchange of goods rather than reduce their own interchange to same extent that imports from dollar area are restricted. However, as has been recognized in OEEC report, there are serious limitations upon possibilities of replacing through imports from soft currency areas imports which are presently being obtained from dollar area.

7. US has consistently supported a reduction of trade barriers among OEEC countries and other steps toward effective economic integration of Eur economies that will contribute to a more efficient allocation of resources, provided that such steps are part of a program designed to restore multilateral trade on a world basis and global convertibility of currencies. Appropriateness of trade and payments arrangements within Eur must be viewed in light of steps by the Eur countries with respect to trade and payments vis-à-vis other currency areas, especially dollar area.

8. In connection with possible reduction of trade barriers in Eur, question will also arise as to reduction of barriers in wider soft-currency area, including particularly independent sterling area. It is felt that at present time no firm US position shd be taken on this matter. UK has indicated that it wld not participate in liberalization of restrictions on goods imported from Eur continent unless these measures of liberalization can be extended to independent sterling area.

9. Although under present circumstances US cannot realistically object to such discrimination as may be implicit in reasonable measures by UK to curtail dollar imports, US must regard such deviations from Section 9 of Financial Agreement as temporary measures to meet an

emergency situation. While the Executive Branch may wish to advise Congressional leaders promptly of any definite Brit proposals which may be presented to it, Exec Branch is not in position at this time to recommend to Congress modification of Financial Agreement. US is prepared, however, to enter into negotiations looking forward to the revision, under Section 12 of the Agreement, of Section 9 as well as other provisions of Agreement in such manner as may be consistent with long range objectives of US with regard to international trade and finance.

10. UK has not agreed to payments plan proposal made by ECA for fiscal 1950 embodying principles of convertibility and transferability of drawing rights. As an interim measure ECA has proposed a temporary plan to operate pending agreement within OEEC on an acceptable plan for fiscal year."

Obviously this is a preliminary statement which will require more precise definition on specific issues as they arise. Paper is being taken by Sec Snyder as background for his discussion in Eur but the extent to which he presses the views contained therein in course of his visits in Eur is being left his discretion. Statement on exchange rates is a technical judgment of current Eur position. It does not imply US should bring direct pressure on British to devalue.

Above being repeated Harriman by ECA.

ACHESON

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*Editorial Note*

On July 6 Sir Stafford Cripps reported to the House of Commons on the British dollar position, stating the extent of the deterioration and announcing a series of measures designed to check the drain by restricting imports from the dollar area. At the same time he announced that solutions to the sterling-dollar problem would be explored with representatives of the United States and the Commonwealth in the coming weeks. For the text of Cripps' statement, see *Parliamentary Debates*, House of Commons, 5th Series, Volume 466, columns 2149-2155.

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841.5151/7-949 : Telegram

*The Secretary of the Treasury (Snyder) to the Secretary of State*

TOP SECRET      PRIORITY  
 NIACT

LONDON, July 9, 1949—3 p. m.

2680. From Snyder for Acheson, eyes only.

1. Will transmit soonest detailed report current conversations with British and Canadians, which in general give little basis for optimism regarding vigorous attack by UK Government on fundamental problems underlying present critical situation.

2. Conversations have confirmed impression gained from Douglas conversations with Bevin, i.e., that we now seemed to be facing squarely a fundamental difference between US and UK in approach to problem of economic recovery and stability. In short, Cripps seems to want to propose what is essentially international state planning in a positive manner as a method of coping with recurrent dollar crisis of UK.

3. This approach is evidenced by his answer yesterday to my question of what the UK had considered as possible avenues for solving the long-term problem of the disparity between the dollar and non-dollar world. While he agreed that the UK had to make greater efforts to become competitive he viewed this as a problem of selected industries and not an over-all problem. He thought in terms of a reduction of US tariffs, as being consistent with our creditor position. He did not believe that devaluation of sterling would be helpful and said that, while he would not rule it out, he would consider it only as part of an over-all plan. The major part of such a plan—and this is what he emphasized—seemed to be international planning to insure stability on a *status quo* basis, rather than the kind of flexibility required to shake out high costs and restrictive elements which contribute to present difficulties. For example, he talked at some length about the possibility of price supports for rubber and other raw materials, in order to protect the British terms of trade. He used the argument that since the sterling area in effect bought wheat for rubber, it was unjust to support the price of wheat without supporting the price of rubber.

4. Cripps has proposed and I have agreed that a communiqué be issued this afternoon stating that the 3 governments have agreed to explore possibilities of a long-run solution to what appears to be a fundamental problem of disparity between the dollar and non-dollar areas. Communiqué will make reference to fact that 3 governments have agreed that talks will soon begin at expert level to ascertain facts and explore in preliminary way possible methods of approaching problem. Announcement will include statement that talks will probably lead to discussions at government level in Washington in August or September at which time thorough exploration will be undertaken for purpose of determining whether a mutually satisfactory solution can be found on the basis of the facts. Communiqué will thus be in accord with our prior agreement of advisability of later conversations in Washington, but will not commit US Government implicitly or explicitly to approach which apparently motivates Cripps' proposals or to any specific solution.

5. Final conversations will be held during lunch at Chequers with Attlee tomorrow, Sunday. Would be happy to receive any views you think should be communicated to UK Government at that time.<sup>1</sup>

[SNYDER]

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<sup>1</sup> In telegram 2381, July 9, to London, not printed, the Department of State agreed that the situation seemed discouraging and that the problem was not one "of a few price supports or tariff cuts". Snyder was then advised that it seemed "dangerous for experts to explore approaches without more detailed agreement on US policy than has yet been developed". (841.5151/7-949)

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841.5151/7-1049 : Telegram

*The Secretary of the Treasury (Snyder) to the Secretary of State*

TOP SECRET

PRIORITY

LONDON, July 10, 1949—2 p. m.

NIACT

2681. From Snyder for Acheson eyes only. Ref Embtel 2680, July 9.

1. Nothing in developments yesterday changed general views expressed reftel. Morning meeting devoted to exposition by Cripps of proposed import cuts to be announced Parliament Thursday. Neither Abbott<sup>1</sup> nor I implied concurrence with or willingness to accept responsibility for cuts proposed by British. In conversations with Attlee this noon I propose to emphasize this position more strongly.

2. Tentative schedule of British import cuts from dollar countries amounts to approximately \$400,000,000 against projected program, including cotton, tobacco, metals, newsprint and a wide range of other commodities. This does not involve cancellation of existing contracts. Program has not been fully agreed within the British Cabinet, but at present it appears that cotton and tobacco purchases will not be materially changed from present levels of actual purchases. Cut in Canadian purchases may seriously affect Canadian position. (Contents this paragraph highly secret.)

3. Early afternoon representatives of 3 governments met to draft communiqué intended to be issued last night. Cripps, Abbott and I joined group at 4 o'clock, and worked out revisions until 5:45. This long session required mainly because British wished to insert sentence implying that neither US nor Canada considered devaluation of pound as an appropriate measure to cope with present British difficulties. I stated strongly that since question of devaluation had only been touched upon during discussions, I could not subscribe to a sentence giving such implication. Cripps countered with statement that if meeting of 3 Ministers adjourned without some type of reassuring statement, inference would be drawn by people that Abbott and I had put

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<sup>1</sup> Douglas C. Abbott, Canadian Minister of Finance.

great pressure upon Cripps to devalue. He deemed it essential that something be said. After considerable discussion Abbott and I accepted statement saying merely that devaluation of sterling was not explored during discussions.<sup>2</sup> We consented only on explicit understanding that Abbott and I could say to press, in words of our own choosing, that if matter was not discussed it was because we had always considered that IMF was appropriate forum for discussions of exchange rates.

4. Arrangements will be made this afternoon for continuing talks at technical level to explore facts. Technical exploration will take place both in London and Washington. Douglas, Harriman and I shall instruct our representatives to put on agenda for these discussions questions which will place upon British burden of proof for showing that their present and contemplated policies are sufficient. Our intent is that discussions should be as broad as possible. Agreed that these discussions will prepare groundwork for conversations at ministerial level immediately preceding Fund and Bank meetings in Washington. We do not expect that either technical or ministerial discussions will bear conclusive results and do not foresee manner in which we can influence British to early action.

5. Nothing in afternoon session relieved my discouragement concerning attitude of Cripps and his associates. While they purport to be striving toward multilateral trade and non-discrimination, it is apparent that they consider attainment of these objectives to be subservient to requirements of maintaining stability and thus protecting rigidities not only of UK but, now, of sterling area as a whole. It is difficult to see how any fruitful results can be obtained so long as British refuse to take fundamental steps which will shake out the rigidities and make their economy more flexible. However, I believe we can make use of the forthcoming conversations to stress strongly that such steps are necessary if continued economic cooperation between our countries is to bear fruit.

[SNYDER]

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<sup>2</sup> For the text of the final communiqué, released to the press on July 10, see the *New York Times*, July 11, 1949, p. 3, or Department of State *Bulletin*, August 8, 1949, p. 197.

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841.5151/7-1149 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>

TOP SECRET

WASHINGTON, July 11, 1949—6 p.m.

2397. For Douglas.

1. In our view (ECA is informing Harriman in same sense) present technical discussions in London shd be confined strictly to fact finding

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<sup>1</sup> Repeated to Stockholm as 417, eyes only for Snyder.



in order provide firmest possible base for subsequent policy decisions by interested agencies Washington. If you consider useful wld suggest participation in factual review by Raymond Vernon from Dept's Commercial Policy Div, who could leave here on short notice.

2. Since Fund and Bank mtgs commence on Sept 13 believe it would be desirable hold further discussions at technical level in Washington last week of Aug. These preparatory discussions wld be addressed to clarifying and defining policy issues requiring final decision at ministerial level. Discussions of this character wld seem premature at present in absence more firmly and precisely defined views in Executive Branch on many of basic policy issues. Likewise development of agenda for Sept meeting cannot be firm pending full consideration of policy issues here.

ACHESON

841.5151/7-1949 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

TOP SECRET

LONDON, July 19, 1949—6 p.m.

2829. For the Secretary (eyes only) from Douglas for discreet circulation to Hoffman ECA and Foley,<sup>1</sup> Treasury after the Secretary has seen it.

1. Immediately following telegram (Embtel 2830<sup>2</sup>) outlines our suggestions for the study of British financial and economic crisis to be made in advance of September discussions in Washington.

2. We would like your comments and observations in advance of our discussing outline with British. Suggest it might be useful for you to show it to the Canadians. We are discussing it with them here tomorrow.

3. Object of the study should be to get at the fundamental causes of Britain's persistent economic and financial difficulties which we think are deep-seated and were also present in inter-war years.

4. We suggest the fundamental questions to be studied might be stated as follows: What geographic structural and organic changes have taken place in the sterling area and in the British Common-

<sup>1</sup> Edward H. Foley Jr., Under Secretary of the Treasury.

<sup>2</sup> Not printed; the proposed study was divided into four sections. Section one would treat the items responsible for the increased dollar gap in 1949; section two would examine the trends in 1948 and 1949 which would throw light on the character and magnitude of the sterling-dollar problem; section three would compare and contrast the balance of payments position between the wars with that of 1948-1949; and section four would appraise the prospects for the next several years based on the trends and data provided by the first three sections. (841.5151/7-1949)

wealth (the two are not identical), and what changes have taken place in the dollar area, which have contributed to the conversion of the sterling area and British Commonwealth from a state of comparative economic solvency, but growing difficulty prior to the war into a state where it cannot pay its own way.

5. To get at the answer we shall need to analyze by qualitative and quantitative means, the key factors in each of the countries or dependencies in the sterling area at different periods (and in some cases non-sterling area countries in or out of the Commonwealth) in order to determine the role which each played and now plays in relation to the solvency of the whole sterling area and the British Commonwealth. Specifically we shall want to know what each country contributed to and subtracted from:

- (a) The available supplies of goods in the sterling area;
- (b) The dollar and other foreign exchange earnings of the area;
- and
- (c) The available supplies of capital in the area.

6. In all this the changing internal position of the UK as it affects her operations as investor or banker for the sterling area and her activities as an overseas trading nation, will be the most important factor to be studied, for the UK is the keystone in the arch of the sterling area. (Our thought is that if she pursues policies at home which make it impossible for her to compete in international trade and which interfere with her role as a saver and investor in and solvent banker for the sterling area, then the sterling area will probably slowly disintegrate. The political and power consequences of such a development may be far-reaching).

7. Such a study as we have in mind has never been done in the past and we cannot do a complete job in six weeks nor do more than take preliminary soundings and lay the basis for a thorough study. We are convinced, however, that until this study is made we will not comprehend either the character or the magnitude of this problem which promises to be with us for many years. I, myself, think it is the chief problem of this epoch and the failure to resolve it may have the most profound consequences on the free world.

8. We suggest the following division of work in making the study outlined in the following telegram. Part 1 and 2 can perhaps be done more easily here where material is more readily available. Part 3, which represents most difficult part, can perhaps best be done in Washington where personnel and statistical material are more likely to be available. Part 4 can probably best be done in Washington. We will prepare various comments on aspects of parts 3 and 4 insofar as time and personnel allow.

9. When study gets under way we will send copies of all materials and papers to Washington fastest available conveyance. Since much of statistical material will be of nonconfidential character we propose use regular air mails where possible. Suggest similar procedure in Washington. We would appreciate your keeping us posted on progress of work and early receipt of sections of the study as they come out even if they are preliminary.

10. Would appreciate your comments on procedure outlined paragraphs 8 and 9.<sup>3</sup>

Sent Department 2829; for Acheson; repeated Paris 550 for Harriman.

DOUGLAS

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<sup>3</sup> In telegram 2545 to London, July 22, the Department of State indicated that its tentative reaction was favorable to the procedure outlined in paragraphs 8 and 9 of telegram 2829 from London, and it described various working groups concerned with preparations for discussions with the British. (841.5151/7-2249)

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711.41/8-949

*The Chief of the Division of British Commonwealth Affairs (Satterthwaite) to the Assistant Secretary of State for European Affairs (Perkins)*

SECRET

[WASHINGTON,] August 9, 1949.

Subject: Subjects Other Than Economic Which Cripps and Bevin Are Likely To Bring up in the September Talks.

The subjects which Cripps and Bevin will want to discuss in Washington, and their approach to them, will depend to a large extent on the progress of the economic talks.

We may expect the British to take the offensive in the talks, and in effect say "Here is the spot we're in, what are you going to do about it"? Nevertheless, their position is sufficiently difficult so that if we have a strong plan which shows some signs of working, and they think we mean to carry it out, they will do almost anything we ask them. If, however, we do not have a strong plan which looks as if it could be a long-term solution to the problem, there is a great danger that the British will make a well thought-out attempt to blame their own and the western world's ills on the United States. In this case, they will probably formally abandon adherence to multilateralism and do what they can to seal off the sterling area from the dollar world, whether we acquiesce or not, and we will lose some of our ability to control events. A deterioration of military and general cooperation between the United States and Britain, and in our ability to utilize the British to help us protect our world position, would almost certainly

take place if there was a rift in our economic and financial relations. It seems to me that we never have been in a better position to call the turn with the British, if we know what we want and have a plan, nor in a more vulnerable position to absorb needless and unjust blame if we fail to exercise our leadership. The trouble with a short range plan to carry them over a crisis for six months or so, is that the British won't agree to take sufficiently drastic measures to cure anything fundamental, if they have no assurances as to what will happen when the stimulant wears off.

Specifically, it is probable that the British will want to give up some of the military commitments which they have all over the world, not only those which involve some out go of dollars but those involving only sterling. This will be aggravated by the failure in recent months of British recruitment for their armed forces. The degree to which the British give up their military commitments will, of course, be influenced by their estimates of the usefulness of whatever help, financial or otherwise, they get from us.

The British will probably want to discuss the agenda for the September meeting of the General Assembly of the United Nations, as for example, Italian Colonies, India's membership in Security Council, et cetera.

The British will want to discuss Far Eastern policy. It is probable that their commitments on Hong Kong and elsewhere in the Far East will depend directly on their estimates of their own strength over the next few years, which are in turn dependent on what they think we will do to help.

We have asked our Embassy in London for a list of subjects, other than financial and economic, which Bevin may wish to discuss with us.

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CFM Files : Lot M-88 : Box 177 : WGB/Documents

*Paper Prepared in the United States Embassy in the United Kingdom*<sup>1</sup>

SECRET

[LONDON,] August 18, 1949.

IMPLICATIONS OF THE STERLING AREA CRISIS TO THE U.K. AND THE U.S.

1. During the past few weeks the Embassy, including of course, the Treasury Representative, and ECA Mission have been considering

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<sup>1</sup> This paper was transmitted as an enclosure to a letter from Don C. Bliss, Counselor for Economic Affairs in the Embassy in the United Kingdom, to Paul Nitze, the Deputy Director of the Policy Planning Staff, August 19, not printed. (London Embassy Files, Lot 58F47 : 501 Britain) It was circulated at a briefing session of Acheson, Snyder, Bissell, Webb, Martin, and Foster on August 24 and incorporated into the documentation of the Working Group on Britain on August 29 as WGB D-4/7.

some of the broad implications of the current financial crisis in the sterling area. We submit the following analysis of what appears to us to be a likely course of developments in the coming months, together with a general appraisal of the situation, for consideration in Washington.

### *I. Importance of the Washington Meeting*

2. The importance of the September meeting cannot be exaggerated. It will involve far more than the sterling area's current foreign exchange crisis and the policies of the UK and sterling area. The gravity of the developing situation is such that the Washington meeting will take place in the shadow of:

a) The deterioration of sterling as an international currency, which, if not arrested, will undermine the sterling area and ultimately affect the British Commonwealth;

b) Prospects of an economic set-back in the UK and sterling area, which will have repercussions on Western Europe, the US, and other parts of the world; and, if steps are not taken, make impossible the achievement of our ECA objective of dollar viability by 1952;

c) A possible major break between the UK and the US on economic policy, which would have far-reaching effects on all our relations with the UK, as well as other countries, and require a reassessment and readjustment of our post-war foreign and defense policies.

3. The importance of the meetings has been enhanced by the public attention they have received in both countries. This publicity has created great expectations. At the same time recent press comments on the problems involved have produced an atmosphere of tension. In conducting the conference it will, therefore, be necessary to keep constantly in mind the psychological setting as well as the grave issues which overhang the discussions.

4. We must also bear in mind the delicacy of the psychological situation in the UK. Acceptance of financial aid is always embarrassing no matter how tactfully given. With a people as proudly independent as the British, the slightest hint of interference in their internal affairs turns the embarrassment into resentment.

5. Furthermore, we must remember that the meetings will be held on the eve of a British election campaign. Whatever action is taken by the US will inevitably become a factor in the election. This will add to the difficulties of the talks. If the British people come to believe that in the Washington discussions the US interfered with or attempted to dictate internal British policies, the British people will unit wholeheartedly in opposition to the US, and this may determine the outcome of the election. It is essential, therefore, that the US not only avoid telling the British what they should do in their internal affairs, but also avoid giving any impression that we have done so.

6. The risk of irreparable damage to Anglo-American relations which could result from this meeting is so great that it is imperative to create and maintain a friendly atmosphere in which a constructive discussion of our mutual problems and responsibilities can take place.

## II. *The Background of the Developing Crisis*

7. As late as March or April, the prospects for the future appeared bright. The first year of ECA assistance to Europe had been enormously successful. The economic disintegration of 1947 had been arrested and there had been a slow steady climb in European production and trade. On the political side, the Communist tide in Western Europe had been turned. Through OEEC a beginning had been made in developing Western European economic cooperation. The Brussels Pact had laid foundations for political and military cooperation in Western Europe. The Atlantic Pact marked the beginning of US and Western European cooperation for mutual defense.

8. It seemed in March and April, as if the democratic West had at last found its feet and was making great and rapid strides in developing and consolidating its economic and political strength. The Soviet Union reacted to these signs of growing Western strength by asking for a CFM meeting and calling off the Berlin blockade.<sup>2</sup>

9. Despite these favorable developments, it was apparent early this year that some formidable problems lay ahead. The foremost of these was the growing difficulty experienced by the UK and sterling area and the OEEC countries, in maintaining, let alone expanding, their dollar exports and earnings—a difficulty which was bound to grow as the changeover occurred from a sellers' to a buyers' market.

10. It was apparent that the UK—whose economy is the most dependent on overseas and dollar trade, the most sensitive to changes in the international trade picture, and more intricate and complicated than any of the other OEEC countries—would be the first to feel these difficulties. Eventually the other OEEC countries would also feel them in varying degrees.

11. It was a growing appreciation of this which inspired much of the talk about the necessity for devaluing the soft European currencies including sterling, and which inspired a growing volume of criticism of the domestic policies of the European countries, especially the UK. Few people, however, foresaw the speed with which a crisis would develop—a speed greatly increased by the talk of devaluation.

12. The crisis began to manifest itself in the second quarter of this year in the form of an extraordinary drain on the sterling area's gold

<sup>2</sup> Documentation relating to the convoking of the sixth session of the Council of Foreign Ministers in Paris, May 23–June 20, and the lifting of the Berlin blockade is in volume III.

and dollar reserves. These had only fallen by \$326 million in the preceding twelve months. In the second quarter the reserves fell by \$262 million, reducing them on June 30 to \$1,636 million (exclusive of reimbursements due from ECA). The drain has since continued at a high rate. (August 7.)

13. The immediate causes of this extraordinary drain can be set out quickly:

a) A fall in UK and sterling area dollar sales arising from

- i) tapering off of US Government stockpile purchasing;
- ii) curtailment of private buying as a result of the slight US recession and the downward adjustment of US inventories; and
- iii) postponement of private buying of sterling area products in the expectation that prices would fall further or sterling would be devalued in the near future.

b) A consequent fall in the price of important sterling area dollar earners, such as rubber, jute, cocoa, and wool.

c) Delay in remitting dollars and an extraordinary conversion of sterling into dollars in anticipation of sterling devaluation.

d) A programmed increase in UK imports from the dollar area to make up for the lag in imports earlier in the ECA fiscal year.

e) An unexpectedly heavy call for dollars by India, and to a lesser extent, Australia.

f) Unexpectedly large dollar transfers to Belgium and Switzerland in accordance with existing bilateral agreements.

g) A diminution of sterling area dollar earnings arising from a decline in South African gold sales.

14. Thus, the exceptional drain on reserves during the second quarter was due to a whole complex of factors, and cannot all be laid at the door of the UK. In fact, an examination of the actual figures would show that the UK's dollar imports over the year stayed within the program originally submitted to ECA, but there was an exceptional call for dollars in the second quarter owing to the short fall in imports during the previous eight months.

### III. *Emergency Steps To Arrest the Drain*

15. No one can say what constitutes the minimum level of reserves necessary to operate the sterling area. So large a trading area must have a substantial reserve since it cannot live from hand to mouth. The smaller the reserves, the more important it is to defend them. The British Government at the outset of ECA aid stated firmly that a minimum reserve of \$2 billion had to be maintained. A fundamental feature of British policy has thus already collapsed. Moreover, we think the reserves may fall to \$1,400,000,000 by the time the Washington meeting takes place.

16. If the reserves had been allowed to continue their decline at the second quarter rate, they would be totally exhausted within twelve months. No responsible government could stand idle in the face of that prospect. On July 7, Cripps announced a virtual moratorium on UK dollar purchases for three months, and followed this on July 14 with an announcement that UK dollar imports would need to be cut by about \$400 million in the coming year. An emergency conference of Commonwealth Finance Ministers in July agreed to examine their dollar expenditures with the view to cutting them by about \$300 million in the next year.

17. The impact of these cuts on the level of production and the standard of living of the UK and the sterling area will not be immediate. This is because they can for a time use accumulated stocks; will be able to arrange for non-dollar sources of supply in a few cases and generally at higher prices; and will apply part of the cut to those imports that can be dispensed with without serious impairment to the economy. There will, however, be a gradual retarding effect on recovery. For any cut in the level of dollar imports must result in a definite set-back in UK and sterling area production and economic recovery, which will ultimately affect the recovery of other countries.

18. Certain of the factors which caused the drain in the second quarter will not operate, or will not operate to the same degree, in the coming months. On the other hand confidence in sterling and in the future prospects of the UK has been shaken by the fall in reserves and by continued talk of devaluation. On balance, we see nothing in the situation which will reduce the drain to minor proportions in the third quarter. On the contrary, there is every reason to expect, and we see no way of avoiding, a heavy drain on the reserves in this period. This will further shake confidence in sterling and may aggravate the developing exchange crisis as the figures become known. Action at the Washington conference to counteract this lack of confidence in the immediate future of sterling is, therefore, of the utmost importance.

19. The situation is so grave that if the drain on the sterling area gold and dollar reserves cannot shortly be halted, the UK Government, in our opinion, will be faced with one overriding necessity—to stop the drain at all costs. They may indeed be compelled to

a) declare a national emergency in the UK, vesting great powers in the hands of the Government; and

b) declare a moratorium on all gold and dollar payments including existing commitments, pending an examination of the whole UK and sterling area situation.

#### IV. *The British Approach to the Washington Meeting*

20. The British representatives will thus come to the meeting in a mood of desperation. Their major concern will be the deepening ex-



change crisis. They will stress that support of sterling and the maintenance of the sterling area are not only imperative UK objectives, but must be an important objective of American policy as well. Outside the US, the sterling area is the most important currency trading area in the world. Its preservation is essential to continued progress toward the restoration of a single multilateral world.

21. They will almost certainly point out that important sterling area commodities come from South East Asian countries—rubber and tin from Malaya and jute from India—which already have great internal difficulties, and will be increasingly exposed to the Communist threat both from within and without. It is, therefore, important that measures be taken to stabilize the income and maintain employment in these countries or the whole area may be lost.

22. They may also want to raise for discussion further steps which they may be compelled to consider to balance the sterling area dollar account. These steps may include

a) further cuts in UK dollar expenditures which go beyond those contemplated in July, and may extend to such important US exports as tobacco, cotton, oil and films;

b) pressure on sterling area countries to take additional measures beyond those contemplated in July to cut their dollar expenditures;

c) a search for non-dollar sources of supply even if this involves discrimination against the US, higher costs, and, in the case of Russia and Eastern Europe, political risks;

d) a refusal to make any new commitments which involve the risk of payment in gold or dollars; and

e) an approach to Canada to modify the existing wheat agreement in favor of payment in sterling, and ultimately to other hard currency countries to arrange trade on the basis of bilateral agreements involving no payment in gold or dollars.

23. The UK Government fully appreciates that such measures would not be constructive, for they would restrict international trade; would postpone further the eventual achievement of multilateral trade and convertible currencies; and would precipitate an immediate dispute between Britain and the sterling area on the one hand, and the US and certain other countries on the other with respect to world economic policy. The British situation is such that they may be compelled, however reluctantly, to adopt such measures in order to bring their dollar deficit under control.

24. Although the British representatives will be primarily concerned with the immediate crisis, they will also have in mind the need for affirmative and constructive action on the domestic front. The British recognize that their fundamental problem is to change from a policy of production regardless of cost, to a policy of producing goods that can compete successfully in buyers' markets throughout the world.

There is a growing recognition that there will have to be measures designed to

- a) give incentive to economic production and competitive selling;
- b) deal with the suppressed internal inflation; and
- c) curb restrictive practices which increase costs.

The foregoing will inevitably involve, among other steps, reducing the cost of Government, reducing taxation, and readjustments in the tax structure.

25. The British will also have in mind the possibility of sterling devaluation, as a means of stimulating UK exports to the dollar area. But they will approach devaluation with great caution. They recognize that devaluation would encourage UK dollar sales, but when devaluation is looked at from the view point of the sterling area as a whole, the disadvantages may outweigh the benefits in terms of dollar earnings. Secondly, devaluation would aggravate the internal inflation and add new strains on the UK wage-cost structure. Thirdly, devaluation, prematurely introduced or in advance of measures to deal with the more fundamental causes of the UK's persistent dollar difficulties, could give at best merely temporary relief and obscure the need for the more fundamental approach suggested in the preceding paragraph. For these reasons the UK will resist any pressure on them to devalue, although they may be compelled to do so by circumstances outside their control, such as devaluation by other countries.

26. We do not know what decisions the British Cabinet may have taken or may be contemplating to deal with the internal causes of their recurring economic difficulties; i.e., inadequate incentives and pressures to cut costs and increase labor output, management efficiency, and voluntary savings. Nor do we know to what extent their representatives may be disposed to reveal their intentions in those directions or to embark on a discussion of them at the September meetings. We hope that they will give some indication of their thinking on these matters, which would contribute to the restoration of confidence in the UK's determination to grapple with its problem.

#### *V. The Uncertainties Ahead*

27. It is impossible to predict with any certainty the future course of economic developments. The following section must not be viewed as a forecast but only as an attempt to formulate the possible results of failure to find effective and constructive measures for dealing with the fundamental difficulties on which the present crisis focuses attention. Without any desire to emphasize the gloomy aspect of the situation, it is necessary to state that it can take a course which could hardly be more serious.

a) It may be that the contemplated cuts in dollar imports announced in July together with further limited measures and the resumption of American buying of sterling area raw materials may meet the immediate emergency.

b) On the other hand it may be that further cuts must be imposed to balance the dollar account which will have a still further adverse effect on the level of economic activity. Next spring when the ECA appropriation is reduced, more of the dollar gap will need to be bridged with UK and sterling area dollar earnings or savings. Three cuts in dollar imports in less than a year would be difficult to absorb without a depressing effect on the standard of living, the level of production, or the level of investment, any of which might have far reaching consequences.

No one can foretell the consequences on the UK of dollar import cuts, for these would depend on what imports were cut and what other policies were followed. To the extent the cuts fell on import consumption goods, then production, exports and investments could be maintained. However, should tobacco or films be cut it would have adverse consequences on the budget, and force a curtailment of Government expenditures.\* If the cuts were divided between consumption and investment, then the modernization of British industry would be deferred to the detriment of Britain's long term competitive position; alternately housing and similar investment programs might be sacrificed. If, however, raw materials to industries were cut, there would be a direct effect on the level of UK production, in which case exports or the standard of living would suffer, or both.

Whatever choice of policy is thus actually decided on, the level of national income, tax revenue, the budget, employment, inflationary pressures, etc., etc. will be affected, and require greater or lesser adjustments in the internal financial and economic policies of the UK.

If, in addition, the UK is forced to devalue, this would enormously add to the complexity and intensity of Britain's financial and economic problem.

28. In short, while it is impossible to forecast future events with any certainty, the prospects ahead for the UK are serious, and may take the form of:

a) a continued drain on reserves which cannot be halted by any of the steps so far taken, which may reach its climax in a few weeks or months, and require most drastic measures; and

b) alternatively, the situation may be stabilized in the near future. In that case what we may expect are continued dollar difficulties over the next year or two, possibly punctuated by recurrent foreign exchange crises, unless steps are taken to deal with the fundamental causes of the UK and sterling area's persistent dollar difficulties.

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\*One can get some inkling of what might happen by appraising the consequences of the single action of curtailing US tobacco imports. This cut alone might undermine the whole national budget of the UK. About \$2,500 million or 16% of the UK's total revenue comes from tobacco, of which more than \$1,800 million, or 12% represents revenue based on American tobacco. [Footnote in the source text.]

29. Nor can Britain's problems be isolated from other countries. Sterling area countries would be compelled to follow in the wake of the UK and pursue similar policies, particularly such heavy dollar users as India and Australia. The process of readjusting their financial and economic policies would impose internal strains. There would also be strains on the cohesion of the sterling area and the British Commonwealth (the two are not identical). Some countries, like South Africa or Canada, might be tempted to loosen their ties in one regard or other.

30. Should an economic recession occur in the UK and sterling area, it would affect other, particularly OEEC, countries, for it would tend to reduce their level of economic activity, jeopardize their recovery programs, and drive them to restrictive trade policies. Moreover, such countries as France or Italy with major Communist movements might be faced with intensified political difficulties.

#### VI. *UK Politics and the Developing Crisis*

31. It should not be thought that political changes in the UK can materially affect the outlook ahead. A general election must be held in Britain between now and August 1950. There is a good chance that the Labor Government may stage the election this fall, before an economic blizzard sets in. We think they have a fair chance of winning an early election.

32. Should Labor lose, however, it would be a mistake to believe that a change in Government would quickly alter the UK's economic difficulties; change the character of the initial or short term policies which any Government would be compelled to follow; or materially lessen the coming strains on US-UK relations.

a) There are only certain methods of stopping a continuing drain on reserves and quickly reducing the current dollar deficit, whatever Government is in power. Any Government would be compelled to suspend dollar and gold payments, in the first instance, and then use such unconstructive methods as cutting dollar imports, and obtaining supplies through bilateral agreements which discriminate against the US.

b) The Conservatives, however, would be more readily disposed than Labor to follow this with classical economic measures to deal with the UK's fundamental difficulties: i.e., deflate, raise interest rates, reduce taxes, cut Government expenditures, follow a stiff wages policy, possibly devalue sterling, etc. The consequence would be wide-scale strikes, a reversion to class struggle characteristic of Britain in the 1920s, and a threat to national unity. A Labor Government would be less willing to resort to classical measures and would do so only reluctantly under the compulsion of external economic forces. But in doing so a Labor Government could count on a large measure of support from the trade unions and its own ranks, and thus reduce the intensity of industrial strife and moderate the threat to national unity.

c) If it came to the conclusion that the multilateral road was barred, a Conservative Government would tend to seek a long-term solution by building up the volume of trade and investment in the Empire and by promoting Empire preference. A Labor Government would be similarly disposed, not so much on nationalist grounds, but more in terms of economic planning. The tendency would be toward economic autarchy in either case.

33. It is thus safe to say that there will be a strain on US-UK relations whatever Government is in power. Moreover, ideological differences would add to the strain. A Conservative solution based on the Empire would be as unpalatable to US opinion as Labor's Socialist proclivities. However, we would probably be more indulgent, and less suspicious of a Conservative Government and vice versa, which would have a bearing on the cordiality of our relationship and on the degree of mutual confidence which existed.

34. The ideal solution for the UK would be a Coalition Government, but this does not appear to be politically feasible. We do not, however, eliminate it as an ultimate possibility.

## VII. *Implications for the US*

35. For the US the sterling area crisis raises grave problems. In the first place the direct effects on the US of further UK and sterling area cuts in dollar imports—whether imposed suddenly in the near future or recurrently over a period of time—can be serious, for the cuts will begin to extend to such items as cotton, tobacco, oil, and films. Secondly, continued economic difficulties in the UK and sterling area which induce difficulties in other countries could make impossible the successful achievement of our ECA objectives by 1952, as well as have effects on the level of US economic activity.

36. But the trend of events goes beyond economic considerations. For one thing, how could the close cooperation between the US and Great Britain—a cornerstone of our general foreign policy—be maintained in the teeth of a series of major actions by the UK to which we would have fundamental objections. Specifically, how could the US continue to furnish the UK (and other OEEC countries) with hundreds of millions in ECA assistance over the next three years in the face of

a) Additional severe restrictions imposed on US imports that would hurt important and influential sectors of American agriculture and industry and would be regarded as discriminatory;

b) a series of actions by the UK (and other OEEC countries) intensifying trade restrictions and barriers, postponing multilateralism, and undermining controls over East-West trade, which would mean abandoning, for a time at least, policy objectives on which we had assumed full agreement existed between us; and

c) possible cuts in defense expenditure at a time when the US is being asked to furnish military aid to the UK and other European countries.

### VIII. *Our View of the September Meetings*

37. It is evident from the foregoing that we will be in an extremely difficult position at the September meetings. We cannot allow events to take their course. On the other hand we cannot come to the rescue of the UK and sterling area by continually providing more dollars that apparently do little to prevent recurrent crises. To advance more dollars over and above those contemplated through ECA would merely postpone the crisis another six or nine months, or a year or two years hence, when we would be confronted by much the same problem. We, therefore, do the UK and the sterling area and ourselves no service by giving additional direct dollar assistance which merely postpones facing the real difficulties.

38. The Washington meeting must, therefore, come to grips with the fundamental causes of the recurrent crises and begin to lay the basis for a permanent solution. The causes of the crises are deep-seated and will require a broad approach on a variety of fronts.

39. In the first place the UK must take such steps as are in her power to deal with certain problems which have roots running far into the past. This is of particular importance because the UK occupies a unique position in the world. It is the hub of the sterling area, manufacturer, banker, and great trading center for much of the world. Unless the hub is sound, the spokes will come apart.

40. The UK must take steps either by deliberate design and selected policies, which, however painful, will get at certain of the fundamental causes of her dollar difficulties, and lay the basis for ultimate UK and sterling area economic solvency and political stability; or, economic forces will take control of the situation, in which case the adjustments will be just as, or even more, painful, and the end result may be economic and political retrogression.

41. It is not for us to tell the British how to increase production, cut costs, allocate her productive factors, or frame policies which will make the greatest contribution to economic solvency. Official UK reports, speeches and statements have repeatedly called attention to areas where more can be done. Responsible domestic critics have pointed the road.

42. The crux of the problem is the ability of the UK through economic production to compete successfully in world markets. Without this the UK will not be able to avoid continued dollar crises. To accomplish this, we think, the British must, by monetary and non-monetary measures, create an economic environment in which the

incentives to work, compete, save and invest—now frustrated—are strengthened and encouraged.

43. In approaching the Washington discussions, we should not be oblivious to the great effort and substantial progress and achievement of the UK since the end of the war. An impressive showing has been made by management, labor and the Government in raising production and expanding exports. The British people have accepted inconvenience, hardship and austerity. The trend to shorter hours has been checked, and in some cases reversed. British trade unionism is far more receptive to labor-saving devices than ever in its history. There is no basis for the charges that British labor is lazy or that management is incompetent, or that the Government has done nothing to tackle its problems, or that all of Britain's troubles stem from the policies of the present Government.

44. What we are saying is that what has been done has not been enough considering the dimensions of the UK economic problem; that certain policies of the Government have been premature or unwise and have impaired the UK's ability to produce and export; and that more can be done than has been done to achieve economic solvency.

45. As already stated, we must not enter the September discussions with any idea of imposing our views on the UK representatives. Nor should we conduct our side of the discussions in such a way as to give any impression that we have tried to interfere in their internal affairs. If an opportunity should rise, however—if, for example, they should ask our views—we might then state them informally, making it clear that we have no intention of exerting pressure on the UK to accept them.

46. The second front on which the UK dollar problem must be tackled is through the sterling area. It will be of little help for the UK to take a variety of measures designed to correct her fundamental difficulties, only to have the benefits dissipated by the imprudent or unwise policies of other members of the sterling area. Like the UK, certain of the sterling area countries must take steps to improve their competitive position, produce more dollar and dollar-saving exports, and live within their means. Reduction of barriers to trade and investment which have gradually grown up inside the sterling bloc and British Commonwealth over the last two or three decades would also be of long term benefit.

47. The third front on which action is needed is in Europe. What we have said about the steps the UK and sterling area must take applies in varying degrees to certain other OEEC countries as well. Their position vis-à-vis the dollar problem is different only in degree

from the position of the UK and the sterling area. Also barriers to trade among the OEEC countries and between them and the sterling area must come down to encourage competition, bring down costs, and reverse recent trends towards the development of a high cost trading area.

48. The foregoing are not an exhaustive list of suggestions. They represent the kind of approach called for to get at the basic causes of the recurrent financial and economic difficulties of the UK, the sterling area, and the OEEC countries.

#### IX. *The Responsibility of the US*

49. We must frankly face the fact, however, that even if all these steps have been taken by the UK, sterling area and OEEC countries, they will not resolve the whole dollar problem. The US, too, has responsibilities from which we cannot escape. It is not a matter of altruism, but of self-interest. The rest of the world cannot be expected and is in no position to make all the adjustments that are necessary to bring the dollar and non-dollar world into balance, which is a prerequisite condition of multilateralism and convertible currencies.

50. We cannot achieve a stable solution to the dollar problem by maintaining or erecting trade barriers which prevent other countries earning dollars, or in the absence of American investment abroad. Sheer intellectual honesty compels us to say that the US favors multilateralism and non-discrimination in areas of trade where we are in a strong competitive position; but resorts to subsidies, protectionism and discrimination in those areas where we are competitively weak, as, for example, shipping, shipbuilding, tin smelting and, possibly, synthetic rubber production. We must either behave like a creditor nation, or face the prospect of continually making loans that cannot be repaid, giving our exports away, or letting our exports fall to the level of other countries' gold and dollar availabilities.

51. The kind of actions we must consider to tide the UK and sterling area over the current crisis and to deal with the fundamental causes of the persistent world dollar shortage are the following:

a) As immediate measures we should:

i) consider the resumption and regularization of US Government strategic material buying;

ii) consider immediate steps to simplify our customs procedures and to reduce their costs, with the view to facilitating imports; and

iii) examine our administrative regulations with respect to the use of synthetic rubber, with a view to reducing the percentage required.

b) As long range measures we should:

i) encourage US overseas oil producers to expand their production and marketing of oil in sterling;



ii) examine our shipping policy in the light of the Atlantic Pact which has created a framework of military cooperation through which arrangements can be made for an allied shipping pool for purposes of defense. We would then be able to cut the cost of subsidizing and maintaining so large a shipping fleet, in order to relieve American taxpayers and, simultaneously, enable other countries to earn or save dollars;

iii) give urgent consideration to the President's "Fourth Point"; and

iv) examine our tariff structure with the view to its selective reduction; and increase the tempo of our educational campaign to teach the American people the connection between tariff policy, world economic well-being and our national security.

52. The expansion of private American overseas investment is a more difficult problem. There will be no great volume of private investment until there is much more political stability in prospective investment areas. Nor will private investment begin to flow until a condition of economic balance has been created in the world that will begin to support multilateral trade and convertible currencies.

53. We are not suggesting that the Washington meetings can resolve all difficulties. What we are suggesting is that the UK and the US can and must begin to deal with fundamental causes of the recurring dollar difficulties. Meanwhile

a) We must face the prospect that under the best of circumstances and with the best of wills it will take time to correct fundamental causes;

b) We must face the fact that conditions have not yet been created which permit an immediate return to multilateral trade and convertible currencies. For some time other countries will have no alternative except to support themselves by means of agreements which discriminate against the US;

c) We must recognize that British economic difficulties will not be overcome by a mere change in Government. The roots of the UK's difficulties are deeply embedded in Britain's economic, social and political history, and in the great organic changes which have taken place ever since the 1914-18 war in the political, economic and social structure of the world and in Britain's relations to that structure;

d) We must face the possibility of some economic set-back among the OEEC countries, and a possible reduction in the volume of world and US trade, while the world by design or under the compulsion of economic forces is making the adjustments necessary to establish a balance between the dollar and non-dollar areas; and finally

e) We must face the prospect that continuing dollar difficulties may have serious political repercussions abroad.

54. At the Washington discussions our concern should be to minimize the extent, duration and intensity of the world's dollar difficulties, the period of adjustment and the political consequences, without recourse to additional direct dollar aid, beyond that provided by ECA.

The dimensions of the dollar problem are such that it can be solved without continual recourse to direct dollar aid, providing there is but the will to solve it.

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*Editorial Note*

On August 19 the State and Treasury Departments in a joint statement announced that Secretary Snyder would preside as Chairman of meetings beginning September 6, which would carry forward the talks which Snyder had held with Cripps and Abbott in London during July. For the full text of this statement, see Department of State *Bulletin*, August 29, 1949, page 307.

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841.51/8-2649

*The Under Secretary of State (Webb) to the Director of the Policy Planning Staff (Kennan)*

SECRET

[WASHINGTON,] August 26, 1949.

MR. KENNAN: AS I understand Mr. Acheson's ideas on the British-Canadian-US talks as expressed yesterday,<sup>1</sup> they are as follows:

1. The problem can be broken down into those steps which must be done immediately and those things which can be done somewhat later. The idea primarily is that we can do little immediately to help the British but that they must take rather drastic steps which will create political problems for the government. Whether these steps lead toward a future constructive solution or away from it may depend on our own attitude and whatever hope we can give them as to a possible long-term solution in which we would participate in a way that would be constructive.

2. We should aim toward the issuance of a British statement of what they intend to do themselves; this statement to be within the framework as follows:

We recognize that the UK and sterling area must restrict its dollar purchases and also that this will provide difficulties for us as well as for them. We recognize that the need for this is absolute, that it is not a breach of contract, that it is taken in good faith, and such other preparatory material as would pave the way in the field of public opinion for the best possible acceptance.

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<sup>1</sup> Presumably Webb was referring to Secretary Acheson's daily meeting on August 25, attended by Acheson, Webb, Rusk, Jessup, Kennan, Nitze, Gross, and Humelsine, at which military assistance and the British financial crisis were discussed. Nitze and Kennan were to prepare a paper based on the discussion. Memorandum of conversation, August 25, not printed (Secretary's Daily Meetings, Lot 58D609, August 1949).

We should also state that we have reached a common understanding that what each nation must do to meet the present situation is internal and that all that anyone of us can expect is that each will take full, vigorous and effective steps to meet the situation; that we are convinced that the UK is determined to take the internal steps which will enable it to earn more dollars so that they will have more dollars to spend and that they have stated that they will do the following (statement to be issued by the British).

3. I would reiterate that both Canada and the US believe that in this statement the British are doing all that is possible immediately.

4. As to the long-term problem, we recognize that a part of the British problem comes from the necessity of financing other countries whose needs we all recognize. We are willing to take the view that this is a common responsibility and accept a large share of the responsibility for solving the problem. We also recognize that since sterling and the dollar are the only two world currencies we should provide some machinery for constant study and recommendations as to the steps to take in meeting the financial needs of the world with a stable currency. Therefore, we create a permanent combined board to work continuously on this problem.

5. We recognize also that as a part of the long-term problem the world needs more US goods and we want to sell more goods to meet this need. We recognize also that the wide gap between exports from and imports to the US may be narrowed both in our own interests and in the interests of stable world trade. Therefore, in addition to other specific measures which will have some immediate benefit to the British dollar position, we are setting up a US commission to study the problem of balance of payments and making every effort to find new markets in this country for goods which other countries need to export.

JAMES E. WEBB

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*Editorial Note*

On August 27 representatives of the United States, United Kingdom, and Canada began technical discussions at Washington in preparation for the ministerial talks in September. These sessions, chaired by Under Secretary Webb, were designated as meetings of the Combined Official Committee. In the course of its activity the Combined Official Committee established five subcommittees to report on the economic statistics of the British financial crisis, customs procedures, the possibility of substituting nondollar for dollar sources of United Kingdom imports, the competitive position of British exports, and tin, rubber, and stockpiling programs. The Committee met five times, with

the representatives of each country reporting to their principals before suspending deliberations to allow the preparation of reports for the Foreign Ministers.

The minutes of the five meetings, documents submitted to the Committee, and the five subcommittee reports are in CFM Files, Lot M-88, Box 143, Com/Official.

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Policy Planning Staff Files : Lot 64D563 : Box 732

*Position Paper for the Discussions With the British and Canadians on Pound-Dollar Problems, Prepared by the Policy Planning Staff*<sup>1</sup>

TOP SECRET  
PPS 62

[WASHINGTON, September 3, 1949.]

I

1. In determining our course of action in the forthcoming talks, the first consideration that presents itself is the extent of uncertainty about what the British will say, and the extent to which our own position will be affected by this variable.

2. Close examination reveals that our position must be importantly influenced by our impression as to the adequacy of the British approach to the problem, particularly as reflected in the immediate measures they themselves propose to take in the following fields:

- (a) Devaluation;
- (b) Creation of incentives for lowering of costs and orientation of exports toward dollar market;
- (c) Sterling balances; and
- (d) Disinflationary measures in the U.K.

3. These fields are all intricate and complicated ones; and there is some interaction between them. British assurances will certainly not meet our views 100% as to what would be adequate. On the other hand it is not to be expected that we will draw a complete blank and that they will refuse to take any action along these lines. What we are going to be faced with, therefore, is something between a full meeting of our views and nothing at all, and we will then be obliged to make a judgment of this "something" from the standpoint of the determination of our own position.

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<sup>1</sup> On August 31 the Policy Planning Staff had prepared an earlier version of this paper entitled "Policy Relating to the Financial Crisis of the United Kingdom and the Sterling Area" (PPS 61), not printed, which discussed the dollar drain, its implications, and the possibilities of United States assistance (841.5151/8-3149). Kennan then discussed it with Secretary Acheson, and revised it in light of that conversation and of certain further suggestions from the Treasury.

4. The variables in the British program are so many that it is impossible to chart out in advance any arbitrary line of which we could say that action falling short of it would be inadequate or action surpassing it adequate. Certainly a program which did not include early devaluation of a satisfactory character and degree could not be considered an adequate one. But devaluation alone would not insure adequacy. Nor would action in any other single field.

5. Plainly, we will be able to make our judgment, in this instance, only on the basis of an actual knowledge of the thoughts and program of the British leaders.

6. It is evident, therefore, that the talks should be so planned that when we have had an opportunity to take the measure of the British position we can sit down among ourselves and arrive at a judgment as to whether the US can, in effect, give a qualified blessing and support to the British program and take measures designed to enhance its chances for success, or whether we must recognize it as a plainly inadequate one, not warranting our support. Our conduct throughout the remainder of the discussions must be determined accordingly.

## II

7. Before examining how we can best elicit from the British a picture of their frame of mind and their program, and without trying to lay down an arbitrary line between what would be satisfactory or unsatisfactory, we might examine in somewhat greater detail what we would expect the British to be ready to do under each of these four headings.

### 8. (a) Devaluation.

It would be necessary for the British to indicate to us, at least on the very top level, that they did definitely propose to take action along the line of devaluation of the pound, but not in such a way as to establish another rate inadequate to the needs of the situation to which their prestige would again be engaged; rather, the rate should be experimental and subject to relatively easy readjustment in case it proves inadequate, and they must be willing to make this publicly clear. It will not be necessary for us to know the precise rate to which they propose to devalue or the precise day on which they would expect to make their approach to the International Monetary Fund; but on both of these points we should have a rough idea.

It is possible that the British will try to make devaluation conditional either on an increase in our price of gold or on some stabilization credit or on their total impression of our own attitude and position.

We should not accept any conditions with respect to devaluation; particularly not the two mentioned above. Devaluation falls into the

category of things which we think the British Government should be prepared to do not as a concession to us but in its own interest, if it has a realistic view of its own situation.

9. (b) Creation of incentives for lowering of costs and orientation of exports toward dollar market.

Among the measures which it might be expected that the British Government would take in the immediate future to meet the short-run dollar problem is the putting into effect of the administrative arrangements designed to strengthen the incentive to export to the dollar area. Such arrangements might include permission to exporters to retain for unrestricted use part of their dollar exchange earnings or the allocation of additional amounts of scarce raw materials as a reward for exceptionally good performance in the promotion of dollar exports. They might also include special tax incentives, so long as these would not give rise to charges of dumping. It is not within the province of the United States Government to suggest the form that such arrangements should take. It is recognized, however, that there is tremendous scope for greater effort by private sellers in the United Kingdom and the sterling area to invade dollar markets, that the direct effort required must be made largely or wholly by private sellers, but that it should be the objective of the United Kingdom Government to provide powerful, positive incentives to private sellers to make such an effort.

10. (c) Sterling balances.

The existence of the equivalent of \$13.5 billion of unfunded foreign holdings of sterling, largely accumulated during the war, unquestionably plays an important role in: (1) the demand of the rest of the sterling area for dollars; (2) the United Kingdom export surplus with the sterling area, with its substantial indirect dollar cost; (3) the direction of British export trade as between dollar and non-dollar areas; and (4) the pattern of investment.

The handling of these balances is important both with respect to Britain's short-term problem as well as in the long run.

While mindful of the political difficulties associated with the handling of the balances and of the probability that no uniform pattern of arrangements with holders of sterling can be achieved, nevertheless, we feel that Britain should undertake negotiations country by country for the purpose of funding a substantial portion of the balances and establishing firm maximum rates at which such balances can be utilized for current transactions.

11. (d) Disinflationary measures in the U.K.

The British ought to show some readiness to take domestic measures of a deflationary nature, such as cutting government expenditures, modifying full employment policies, etc.

12. Our estimate of the adequacy of their program must rest on our judgment of the combination of what they are prepared to do in these four fields.

### III

13. Our next problem, then, is how we are to obtain a clear picture of British thinking and intentions on these points.

14. It is to be expected that the British will open the conversations with a detailed statement of their position which would doubtless throw some light on the above. It is also to be expected that this detailed statement will leave considerable gaps in our knowledge, and that further questions will be in order. In particular, it is doubtful that the British will include, in such an initial statement, an indication of their intentions with respect to devaluation.

15. To some extent, it may be possible to bring out much by questions. It would not, however, be advisable to place direct questions to the British about devaluation in the initial stages of the official talks. This should be done in a more private and informal atmosphere, and preferably in a company not going beyond persons of cabinet rank. Here, our interest in the subject should be stated frankly to the British and we should not hesitate to tell them that a lack of readiness on their part to devalue, of their own accord and in a helpful and effective way, would decisively affect our judgment on whether they themselves were prepared to take adequate measures to meet their situation. The nature of this conversation would probably be such that we would also have to tell them basically what this would spell for us in our own position. (This will be treated below.)

### IV

16. In trying to define our position, and the extent to which it would be affected by the British position, we find that there is an area in which it will not be affected at all. Whether the talks are successful or unsuccessful, it will be desirable for this Government to make a show of an earnest effort to facilitate a solution of the world's currency difficulties, particularly with relation to the immediate future. There are a number of measures we can take along this line which could not be other than helpful and desirable even though the British program should turn out to be quite inadequate. In fact, to the extent that the reaction of the British to their present difficulties is unsatisfactory and the future is dark and troublesome, there is a virtue in being able to demonstrate that we did what we could, anyway, to ease the situation and that the principal blame therefore does not lie with us. To the extent that we can determine upon helpful measures and make known at the outset of the conversations with the British our readiness to take these measures, we can avoid the charge that we put pressure on

the British and that we have thereby incurred a share of the blame for their failure.

17. We must distinguish sharply those measures which we can with safety take independently from those measures which, unless coupled with and designed to support an adequate British program, would merely compound confusion and encourage unrealism and procrastination in the British.

18. The measures which we feel we can safely decide to take, and state at the outset of the conversations our intention of taking, are the following:

(a) Subject to some modification or delay in the light of the situation in Congress with respect to the present ERP program, affirmation of the determination of the Executive Branch of the Government to see the ERP program carried through to the end as contemplated. In this connection, we could state that the President would urge that the program be so handled that the accumulation of reserves by individual OEEC countries would be recognized and encouraged and would not lead to a cutting of allocations in the remaining years of the program. Similarly, we could state that the President would urge that in the remaining years there be maximum freedom of disposition, on the part of the OEEC countries, of the dollars to be made available to them (i.e. that they should have a far greater proportion of free dollars at their disposal).

(b) A formal statement of our intention to explore exhaustively all means of revising by administrative action our customs practices, from the standpoint of facilitating imports, and our intention of seeking new legislation designed to complete the achievement of the type of procedure we desire.

(c) Whatever we can do in the line of freeing dollars for purchase of Canadian wheat, and similar off-shore items (possibly wool) in terms of the present arrangements.

(d) Such action as we are able to take with respect to rubber.

(e) The announcement of the intention to appoint a representative U.S. committee to study ways in which this Government could facilitate the earning of dollars in this country by foreign governments, as set forth in the draft of the possible final communiqué, attached.<sup>2</sup>

19. The talks should be scheduled and planned in such a way that we can make known our decisions on these subjects to the British during the initial session, before any real give-and-take has occurred, making it clear, however, that this is not necessarily the sum total of what we can do but only represents a number of measures which we have already determined upon.

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<sup>2</sup> No draft communique was attached to the source text; however, among the papers supplied to Snyder, Acheson, and Hoffman on September 7, in preparation for the tripartite economic conversations, was a four-page draft entitled "Possible Final Communique of US-UK-Canada Financial Talks" prepared by the Policy Planning Staff on August 29, not printed (841.51/9-749).



## V

20. In the light of the above, we should plan on the following:

(a) Initial sessions at which we would hear the British opening statement and make an opening statement of our own, including the announcement of such measures as we were prepared to take at once, and possibly explore Britain's commitments to the sterling area and other countries.

(b) A private meeting of Ministers without any other persons present to discuss devaluation and other matters.

(c) Opportunity for thorough examination within the U.S. group of the picture as revealed to date and determination as to future position.

(d) Resumption of official discussions with British and Canadians.

21. From then on, our conduct would depend upon our judgment as to whether the temperature of British intentions was above or below the freezing point of adequacy. These two contingencies must therefore be separately examined.

## VI

22. On the assumption that we found the British attitude on balance adequate to warrant our support, we should take the following position:

23. (a) Action in the Monetary Fund.

Assuming that devaluation had been satisfactorily carried out and that other monetary adjustments would follow that of sterling, we would agree that our director on the fund would not adhere rigidly to the rule excluding ERP countries from access to the fund. That would not mean that we would go to the opposite extreme. We continue to feel that ERP countries should generally operate within the limits of ERP aid; and we would question sharply the purpose of any proposed drawings. We would have to continue to insist that the fund's resources should not be used for the correction of basic disequilibria. Nevertheless if a realistic pattern of exchange rates is achieved, we would not insist on waiting for the completion of the whole process of restoration of general financial stability before permitting the fund to be used. We would be prepared, in these circumstances, to adopt the approach of examining individual situations on their merits instead of the blanket approach now being practiced. Clearly, of course, we cannot undertake any specific engagements with respect to use of the fund, and such relaxations as we might agree to would have to come severally, in the light of the regular operations of the fund and of the situation of the moment.

24. (b) International Bank and other credit facilities.

While this subject is not so directly linked to devaluation as is our position in the fund, we could afford to be more forthcoming and helpful in questions involving international finances, if we felt that the British program was generally an adequate and hopeful one.

25. (c) Attitude toward British restrictive measures.

We must assume that the U.K. will state the specific cuts in U.K. dollar expenditures which they intend to make in implementation of the program announced in July, and perhaps going beyond it. These will affect important U.S. exports. They are dollar saving measures. If our general view of the British program is that it is an adequate one, i.e. that these dollar saving measures are adequately balanced by measures looking toward increased facilities for earning of dollars (which would include devaluation, etc.), then we can give at least our tacit, if reluctant, sanction of these U.K. measures and refrain from making issues of them with respect to the loan or otherwise.

26. (d) Impression to be given to public.

If we consider the British program in general an adequate one we can go along with a final communiqué of a hopeful and encouraging nature indicating, within limits, our confidence in an eventual overcoming of the difficulties.

27. (e) Continuing facilities for liaison.

We would be prepared, against a favorable background of British intentions, to join with the British in establishing some sort of continuing facilities for liaison on matters which are the subject of these talks, and particularly their problem of day by day decisions affecting their role as purveyors of dollars to other countries. It would not be necessary that these arrangements be extensively formalized. It would also not be the thought that they should cut in to the functions of any other existing organizations to which the British and ourselves both belong. But they should include some sort of a secretariat to serve as a registrar of the developing factual background and the services of one or two officials high enough and influential enough to discuss profitably, in their broadest political and financial aspects, current problems arising for the British, and in some instances for ourselves, in the demands of other countries for dollar and sterling exchange.

28. (f) Economic union.

We would be prepared, in the event that the British ask for this, to join with them in setting up a committee to study problems of economic union or closer political association. In accepting any such suggestion on their part, we would make it plain to them that we do not regard closer institutional association between the two countries (or the three countries) as a development which could substantially mitigate the

hardships involved in an adjustment of the British economy to that of the dollar area. On the contrary, to the extent that union might demand the early removal of British protective measures against our economy, it might cause them to face these difficulties more rapidly, and in more extreme form, than would otherwise be the case. We should not dismiss, however, the positive value of such a program as a framework in which the reduction of our own barriers to imports and to the acceptance of services from Britain could take place, and we should show ourselves ready to examine the problem if the British wished to do so. We should also put the British on notice that in any such study we would have to examine whether institutional changes of this nature could be limited, in their applicability, to the U.K., or the U.K. and Canada, alone, and whether they would not have to be extended to include other countries, either in the Commonwealth or the OEEC group, or both.

## VII

29. If our analysis is that British intentions and program are simply inadequate, and that the British do not intend to balance the forthcoming dollar saving measures with any adequate program to improve their dollar earning power, then our position would be roughly the converse of that just set forth. In this case, not only would we have to indicate that there could be little or no change in U.S. policies on use of the Fund and on international credit in general, but we would have to make it clear that we took a decidedly pessimistic view of the future, and that honesty to our own people would compel us to make that plain, if only by indirection, in the handling of the publicity about the talks. It would have to be made clear to the world, in this case, that there was very little this country could do, beyond the measures indicated at the outset of the talks, to assist the U.K. at this juncture with her problems, and that we could only stand by to be of service if at some future date the British were able to adopt a program which we felt we could support with some prospect of success and without creating a misleading impression among our own people. In the absence of such a program, there would be no point in our entertaining projects of economic union or of a continuing institution for the handling of our political-financial problems.

## VIII

30. It is probable that we will find the British unwilling to make, at the outset, any unconditional statement of their position; that they will rather say that the tenor of their action depends on our own attitude and how much we are prepared to do for them. This concept must be firmly but tactfully rejected. They cannot have it both ways. The problem at hand is primarily a British problem; and it is inti-

mately related to action they take in the domestic field. They cannot ask us to refrain from "telling them what to do" and at the same time maintain that what they are going to do is dependent on our attitude. To the extent we gain the impression that they are making a determined and realistic attack on their own problems, we will be able to use our influence to support them in that effort; but the determining factor will be, and must be, the quality of the program they themselves propose to undertake.

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841.20/9-349

*Memorandum by Mr. William H. Bray of the Office of the Coordinator for Foreign Military Assistance Programs to the Coordinator (Berkner)*

TOP SECRET

[WASHINGTON,] September 3, 1949.

On September 2, 1949 Mr. Kennan met with an inter-agency group to consider the effects of a possible curtailment of British military commitments throughout the world. Representatives of the military establishment were present. It is my understanding that the NME will prepare a paper on the military implications to the U.S. of such a possibility. It is also my understanding that a representative of the Treasury Department was the chief proponent of the view that the British will (or should) attempt to shift to the United States part or all of their defense responsibilities throughout the world. The Treasury Department apparently believes that the reduction of British defense burdens will reduce dollar burdens on the United Kingdom and that the Congress is more likely to authorize this Government to assume more in the way of additional defense responsibilities throughout the world than in authorizing additional dollar assistance to the United Kingdom.

My information comes from a member of my staff who was present for a part of this meeting. He did not obtain the full background of the discussion. Therefore his report on the meeting may not be accurate in all particulars. I suggest that you make independent inquiries regarding both the purpose and the scope of the paper to be prepared by NME on this subject.

I am very much concerned about the results of any study to be undertaken by the NME on this subject, particularly if adequate and carefully considered political and economic criteria are not provided by the State Department for guiding NME. In my judgment such factors as those listed below should have been considered before the NME was requested to make a study on this subject.

a. Mr. H. H. Bell of ED has prepared a study on United Kingdom defense expenditures<sup>1</sup> which indicates that the direct dollar costs of British defense efforts are not significant.

1. The Treasury Department might assert that British defense expenditures in Egypt for example, results in Egypt acquiring sterling which the Egyptian Government requires the United Kingdom to convert into dollars. To the extent that the British do convert sterling into dollars, U.K. defense expenditures abroad do result in a dollar burden on the U.K.

2. It is true, however, that the areas in which the U.K. has assumed defense responsibilities are also areas which attempt by one means or another to draw down dollars from U.K. dollar reserves. These areas would continue to claim dollars from the U.K. even if the U.K. withdrew its garrison forces entirely. Many of these countries hold large blocked sterling claims arising from the war. The problem is more than a purely military one.

b. Consideration of the possibility of Britain withdrawing from or curtailing its defense responsibilities outside Western Europe brings into question the whole set of premises on which MAP was formulated. Implicit in that set of premises was the assumption that Britain would continue to shoulder its share of defense responsibilities in certain areas of the Near East (Iraq, Transjordan, Egypt and the Suez Canal approaches) and the Far East (Malaya, Singapore and Hong Kong). With these areas guarded, the United States could concentrate its military assistance in Western Europe and in Greece and Turkey.

1. If Britain should withdraw from the areas which it had previously protected, the proposed military assistance program should be reconsidered and possibly reformulated.

2. It is for this reason that you should have been consulted in advance of this meeting and that a representative of S/CFA should have been invited to this meeting.

c. It will probably represent a tremendous financial burden and a grave political liability for the US to undertake directly the defense responsibilities of the British in certain areas of the Near and Far East.

1. The U.S. would have to garrison these areas with U.S. troops.

2. The cost to the U.S. of maintaining U.S. garrisons would be much greater than the comparable costs incurred by the United Kingdom.

3. The U.S. does not have the personnel, the organization, or the experience to discharge the defense responsibilities in such areas and over such societies as, for example, Egypt. It has required generations of experience accumulated by the British civil service to deal with the complex political relations of the Near and Far East. This body of experience cannot be transferred to new hands without risking the possibilities of political upheaval in certain of these areas.

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<sup>1</sup> Not printed.

4. The U.S. does not have the resources to undertake these additional responsibilities while continuing its foreign aid recovery programs in Western Europe, its programs for economic development in Latin America, the Near East and Africa, and military assistance to Europe and selected countries of the Far East. In my judgment, it would represent a tragic blow to the cause of human welfare, if the U.S. had to forego its programs of political and economic development in selected foreign countries in order to concentrate on defense needs.

d. The belief that Britain will withdraw from or curtail its defense responsibilities represents either despair regarding the future of the U.K. arising from our failure thus far to find remedies in possible economic and political action to aid Britain or placing undue emphasis upon a British offer, made to secure negotiating advantages, to let the U.S. assume its non-European defense burdens. In my judgment, Britain is not ready to be written off as a minor Power and the U.S. has not exhausted the full possibilities of applying economic assistance to maintain the United Kingdom and the sterling area. The real remedies lie in the fields of economic and political policies and not in the domain of military assistance and the expansion of U.S. military forces abroad. The U.S. cannot help Britain by taking over its military responsibilities and such a take-over would surely result in the rapid reduction of U.S. economic assistance to Britain and Western Europe. The free world would be an all-around loser if we permit this choice of possibilities.

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### *Editorial Note*

On September 6 Secretaries Snyder and Acheson appeared at a session of the Senate Foreign Relations Committee to brief its members on the nature of the British financial crisis and outline the position that the United States would take in the forthcoming tripartite economic talks with representatives of the United Kingdom and Canada.

On the following day the three delegations assembled at the Department of State to begin the talks. The United States delegation consisted of Acheson, Snyder, Hoffman, their advisers, and representatives from the Federal Reserve System, the Departments of Labor, Commerce, and Agriculture, the National Military Establishment, and the Tariff Commission. The British delegation consisted of Bevin, Cripps, Franks, their advisers, and representatives from the Bank of England, Board of Trade, and the Economic Section of the Cabinet Office. The Canadian delegation consisted of Lester B. Pearson, Secretary of State for External Affairs; Hume Wrong, Ambassador in the United States; Douglas C. Abbott, Minister of Finance; their advisers; and representatives from the Ministry of Trade and Commerce and the Foreign Exchange Board.

At the first session Snyder, Cripps, and Abbott made opening statements regarding the British financial crisis, possible solutions to it, and the nature of the talks. For the texts of these statements, see the *New York Times*, September 8, page 3. At the same session subcommittees were established to report to the Ministers on various aspects of the crisis and to prepare materials for the political talks that would follow. The meetings continued until September 12, when the communiqué (*infra*) was issued. No records of any of the meetings or the reports of the subcommittees have been found in the State Department or Treasury files, but see Dean Acheson, *Present at the Creation* (New York: W. W. Norton & Company, Inc., 1969) pages 322-325, and *Parliamentary Debates*, House of Commons, 5th Series, volume 468, columns 7-31. For documentation on the political talks that followed, see pages 469 ff. and volume III, pages 594 ff. and 1146 ff.

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841.5151/9-1249 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>

UNCLASSIFIED  
PRIORITY

WASHINGTON, September 12, 1949—5 p.m.

3298. Following is text of Joint Communiqué issued by Ministers at 3:45 p.m. this afternoon:

*Begin Verbatim Text.* 1. Representatives of the United States, the United Kingdom, and Canada have met during the past week to examine the trade and financial relationships between the sterling area and the dollar area. The pound and the dollar are the two principal world trading currencies. While the development of a satisfactory balance of payments between the two areas is a matter of fundamental concern to the democratic world, it involves many problems which concern in the first instance the governments which are the centers of these two currency systems. The present discussions were held to examine these problems. It was recognized that the task of working out conditions under which world trade can develop steadily and in increasing freedom will require a strenuous and sustained effort, not only on the part of the United States, the United Kingdom, and Canada, but also by all other countries desiring the same objectives.

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<sup>1</sup> Repeated to Ottawa as 134.

2. It was agreed that the common aim is to work toward an ultimate solution which will maintain employment and establish equilibrium of international trade on a mutually profitable basis at high levels. These objectives and general course of action have already been set forth in the United Nations Charter, the Bretton Woods Agreements, and the Havana Charter for an International Trade Organization. It was the broad purpose of the present meetings to explore, within this general framework, various specific measures which the three governments might take to prevent a serious breakdown in the dollar-sterling relationships which would have led to a crippling limitation of dollar imports into the sterling area and to hasten the achievement of those objectives.

3. These conversations have carried forward the consultations initiated in London during July 8-10. They have resulted in a clear understanding of the character of the difficulties to be faced and an increasing realization that a fully satisfactory solution will necessitate continuing efforts in many directions. In the course of these conversations it has become possible to discuss with complete frankness specific problems and the types of measures which will have to be taken if the three countries are to achieve their common purpose.

4. In the early stages of the discussion, attention was given to the immediate problem confronting the United Kingdom and the rest of the sterling area as a result of the rapid decline of gold and dollar reserves. Note was taken by the three governments of the emergency action which sterling area countries have decided to take to meet this situation. These measures are not pleasant ones; they will cause difficulties and sacrifices for everyone concerned. Nevertheless, they are a temporary necessity, and are recognized as such by all three governments.

5. The Ministers were in complete agreement that no permanent solution to the problem could be found in the emergency steps contemplated. A more fundamental attempt would have to be made by all concerned to expand the dollar earnings of the sterling area and to increase the flow of investment from the North American Continent to the rest of the world, including the sterling area.

6. This more fundamental attempt would involve both separate actions of the three countries operating individually, and joint action by the three acting in cooperation with each other. In approaching these possibilities of individual and joint action on the sterling-dollar problem, there was common agreement that this action should be based on the assumption that extraordinary aid from the North American Continent would have to come to an end by the middle of 1952. This would require that the sterling area increase its dollar earnings



so as to pay its way by 1952. This would require in the sterling area the creation of appropriate incentives to exporters to the dollar area and a vigorous attack upon costs of production to enhance the competitive position of sterling area products. Maximum efforts would be made to direct exports to the dollar area and build up earnings from tourism and other services. As a part of this export campaign by the sterling area countries, it was recognized that an essential element was the creation of a feeling of confidence on the part of sterling area exporters. They must feel that they will be afforded the opportunity to remain in the markets of the United States and Canada, in which they will have gained a place and that the minimum of difficulties will be placed in their way in entering those markets.

On their part the creditor countries undertook to facilitate, to the greatest extent feasible, an expansion of dollar earnings by debtor countries, including the sterling area. It was agreed that the United States and Canada should reduce obstacles to the entry of goods and services from debtor countries, in order to provide as wide an opportunity as possible for those countries to earn dollars through the export of goods and the provision of services, including tourism. It was recognized that such a policy would be in the interest of producers in the United States and Canada, for only in this way can the future level of trade provide adequately for those sectors of the American and Canadian economies which depend in considerable part upon foreign markets.

7. The discussion of possible individual and joint actions, both long-run and short-run, ranged over a wide field. In addition to the question of dollar earnings of the United Kingdom and the rest of the sterling area, mentioned above, the Ministers gave special attention to the following subjects:

1. Overseas investment
2. Commodity arrangements and stockpiling
3. Limitations on items which may be financed under present ECA procedures
4. Customs procedures
5. Tariff policy
6. Liberalization of intra-European trade and payments
7. Sterling balances
8. Petroleum
9. Shipping
10. Provisions for continuing consultation

8. A working group on overseas investment reviewed both recent experience and future prospects for the flow of productive investment, both private and public, from North America to overseas areas, especially underdeveloped countries. It was agreed that a high level of

such investment could make an important contribution toward reducing the sterling-dollar disequilibrium and that every aspect of this problem should be explored on a continuing basis. In order to initiate this work, the President's Committee for Financing Foreign Trade will be asked immediately to explore possible lines of action in cooperation with corresponding groups of British and Canadian financial and business representatives. While dealing with all aspects of private and public investment, the Committee will be expected to address itself especially to the problem of incentives and of providing a suitable environment for a high level of private investment.

9. A working group on commodity arrangements and stockpiling gave special attention to rubber and tin. The Canadian representatives stated that the Canadian Government was prepared to take steps to increase reserve stocks of tin and rubber in Canada. The United States representatives reported that the United States Government was prepared to open to natural rubber a substantial additional area of competition, including a modification of the Government order relating to the consumption of synthetic rubber. The United States would review its stockpiling program, with particular reference to rubber and tin.

10. Special attention was given by another group to the practical difficulty being experienced by the United Kingdom in making fully effective use of its ECA aid to cover its dollar deficit. This difficulty arises out of the fact that, although the United Kingdom needs dollars to pay for goods in the United States, to make settlement with other countries, to pay for services, and for other purposes, the types of transactions which may be financed by ECA dollars have been definitely limited. It has been agreed that, in order to carry out the basic purposes of the Economic Cooperation Act, it will be necessary for the United Kingdom to finance with its share of ECA funds a wider range of dollar expenditures than has hitherto been eligible, both within and outside of the United States. After careful examination of the dollar expenditures proposed to be made or authorized by the United Kingdom, it appears that eligibility requirements can be broadened to the extent required within the limits set by the Economic Cooperation Act. This would broaden the use but not increase the amount of ECA funds allocated to the United Kingdom.

11. In the consideration of measures which creditor countries might take to reduce barriers to trade, it was recognized that customs procedures may create obstacles, psychological as well as actual. Technical discussions of this subject disclosed that the United States, through administrative action and proposed legislation, was already contemplating constructive steps in this field. Canadian representatives

stated that the Canadian Government would undertake a further review of the administrative operation of its Customs Act in the light of these discussions. As to tariff rates, it was noted that high tariffs were clearly inconsistent with the position of creditor countries. There had already been significant and substantial reductions in the U.S. tariffs during the last fifteen years. The policy of the United States Government was to seek further negotiation of trade agreements through which additional reductions might be made, within the framework of the Reciprocal Trade Agreements Act.

12. There was agreement that one of the ways in which the competitive position of United Kingdom products might be improved was by a widening of the area in which such products competed freely with those of other countries. In this connection as an initial step toward a more general liberalization the United Kingdom delegation outlined its proposals for liberalizing trade with countries with which it did not have balance of payments difficulties, and raised the question whether the provisions of Section 9 of the Anglo-American Financial Agreement, and Article 5 of the Anglo-Canadian Financial Agreement presented an obstacle to such a plan. It was the view of the United States and Canadian delegations that such liberalization of United Kingdom import regulations should be considered since the United Kingdom shortage of dollars should not in itself force the United Kingdom to reduce its purchases from areas with which it does not have a shortage of means of payment. It was agreed that any United Kingdom import regulations as they affect United States and Canadian products would be the subject of continuing review by representatives of the three governments through continuing facilities for consultation.

13. (a) A further subject which was discussed was the United Kingdom liability represented by the sterling balances of other countries. A large number of countries has been accustomed to hold either all or a part of their foreign exchange reserves in the form of sterling. The existence and availability of such holdings is an integral feature of the widespread multilateral use of sterling for the purpose of financing international trade. One of the problems of the postwar period has been the existence of exceptionally large accumulations of sterling which were built up, mainly during the war, as the result of payments by the United Kingdom for goods and services purchased overseas in furtherance of the common war effort. In June 1945 these balances amounted to \$13-1/2 billion. Since then there have been considerable fluctuations both in the total and in the holdings of individual countries, though the amount outstanding at the end of 1948 was approximately the same as at June 1945.

(b) In principle the whole of these balances represents a charge on United Kingdom production of goods and services. In practice, however, a substantial proportion will continue to be held as reserves by the countries concerned. To the extent that the balances are liquidated, some proportion of United Kingdom production of goods and services is used to discharge this liability instead of to pay for current imports of goods and services.

(c) This whole problem in its various aspects, including the necessity to provide capital goods for development, was discussed in a preliminary way on the basis of prior technical examination by the experts of the three governments. It was agreed that this was one of the subjects which concerned other countries and would require further study.

14. Investigation of the ways in which the sterling area could move toward a position in which it could earn its own way led to the discussion of other special problems, including petroleum and shipping—two important elements in the sterling area balance of payments picture. The United Kingdom representatives set forth the facts of the very large dollar deficit which the sterling area presently incurs because of oil transactions, and their desire to reduce this deficit to the minimum possible level. It was mutually recognized that the question of oil production and refining, and geographical distribution raised problems of extreme complexity involving the protection of legitimate interests of the major producing countries and companies. The Ministers recognized that these two questions of petroleum and shipping could not be resolved in the short time available to them, and that further study would be required. In the case of petroleum they agreed to appoint representatives to analyze the facts and to provide the basis for subsequent discussions.

15. There has been agreement on the objective toward which policies should be directed and agreement on certain immediate steps which will be taken to bring that objective nearer. There are, however, as has been emphasized, a number of questions requiring closer examination than this short conference has allowed. It is proposed, therefore, to continue the examinations, initiated during the conference, of questions on which it is hoped that useful understanding can be reached under the direction of the present Ministerial group. These arrangements for continuing consultation—supplementing the usual channels of communication between governments—will be used to keep under review the effectiveness of actions already agreed upon and to prepare, for governmental consideration, measures which could carry further those adjustments which are considered to be necessary. In establishing these arrangements for continuing consultation, the three Govern-

ments wish to emphasize that these arrangements underline rather than diminish their interest in the development of economic cooperation within the entire community of western nations. The tripartite arrangements will not in any way encroach upon, or detract from, the area of competence of the OEEC and other existing organs of international economic collaboration. On the contrary, these arrangements for continuing consultation, by contributing materially to the solution of problems which today adversely affect the working of the entire OEEC group and yet are not susceptible of solution within that group, will facilitate the progress of economic collaboration in the wider field.

16. In summary the Ministers of the three countries concerned are satisfied that a real contribution to the solution of the sterling-dollar difficulties has been made by the conclusions recorded above. They are confident that, with sustained efforts on all sides and with the seizure of every opportunity by sterling area exporters to enter into and remain in dollar markets which are open to them, there is the prospect of reaching a satisfactory equilibrium between the sterling and dollar areas by the time exceptional dollar aid comes to an end. *End Verbatim Text.*

Repeated to Ottawa.

ACHESON

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*Editorial Note*

On September 18 Sir Stafford Cripps announced the devaluation of the pound sterling by a little more than 30 percent, reducing the exchange rate from \$4.03/pound to \$2.80/pound. For the text of Cripps' announcement, see the *New York Times*, September 19, page 6.

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841.5151/9-2049 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET

LONDON, September 20, 1949—5 p.m.

3772. Pass ECA. Following is our appraisal effect devaluation on political developments, here:

1. Devaluation well received in most responsible quarters except trade unions. Communists were of course delighted and expect to capitalize on it, but we do not think they will have much success for a time at least. Trades Union Congress General Council, which, along with Federation of British Industries, was told of move Sunday in advance Cripps broadcast, meeting today. It will almost certainly

issue statement endorsing action and expressing confidence in government.<sup>1</sup>

2. Trade union leaders, however, in great difficulties. They are already under heavy pressure from ranks for higher wages, and they know pressure will be intensified as result effect of devaluation on cost of living. They appreciate danger of inflation if new wage demands are pressed, but are fearful they will not be able restrain their members.

3. A major weakness in Cripps broadcast and press conference was absence of any change in government's wages policy. Such references to wages as were made still do not go beyond appeal for wage restraint. Exhortation in past has had only moderating effect on wage demands and will be even less effective in coming months. Unless devaluation accompanied by stiff wages policy and other measures, benefit of devaluation to Britain will eventually be cancelled out. This was theme of nearly all newspapers today.

4. Well informed minister, whose judgment we respect, in private conversation with Embassy official said he expects three to five percent increase in cost of living in next six months. Our studies earlier this year on basis 20 percent devaluation suggests increase will reach upper figure. Minister does not think general pressure for higher wages will become serious before next spring, owing time lag between rising prices, formulation wage demands and interval for negotiations. We concur.

5. Minister said he hopes Prime Minister will decide on autumn election. Devaluation will result immediate improvement in gold and dollar reserve position and stimulation exports. If election can be held on this rising tide and in advance substantial increase in cost of living and next spring's labor troubles, he thinks Labor can win. He doubts if they can win if they delay election until next spring.

6. Foregoing view, which is also held by other members of government, seems to be growing, but some party leaders are lukewarm to

<sup>1</sup> In telegram 3788, September 21, from London, not printed, Holmes reported that the Trades Union Congress General Council failed to endorse devaluation as he had anticipated, declaring only that it was satisfied that the government would not have taken "... so grave a step without careful assessment all factors." The Council wanted information on the reasons for devaluation and was arranging a meeting with Cripps after which it would formulate its position. Holmes also reported that a notable feature of the Council's discussion was a "... tendency to lay blame for Britain's recurrent difficulties on US and absence of confidence in US. US post-war inflation and deflation was attacked as disturbing force post-war world, along with our tariff, shipping, synthetic rubber, etc. policies." Some members of the Council expressed the view that Britain should abandon its policy of working with the United States to create a single multilateral trading world and should embark on a new policy of trying to create a third trading area independent of the dollar. Finally Holmes stressed that although these views were not official it would be a mistake for the United States to ignore the strength of this feeling in the United Kingdom. (841.5151/9-2149)

early election. They do not believe dispute with trade unions will take critical form. They believe common sense of trade union ranks and their loyalty to government will prevail. Secondly, they believe at least three to six months are needed to demonstrate beneficial effect of devaluation.

7. Our own view is that devaluation has increased odds in favor autumn election, not only for reasons set out paragraph 5, but also because government will be in grave difficulties if it tries to carry on during next six or eight months without a fresh mandate. There are a number of additional decisions government must take as result of devaluation, involving budget and fiscal policy, taxation, control of inflation, level of investment, and if country is to reap full benefit of devaluation, wages. These decisions will be unpopular. Government will have a very rough time if it tries to carry them out without a new mandate.

8. Conservatives and Liberal leaders asked Prime Minister yesterday reconvene Parliament immediately instead of October 18. Since devaluation is a step of utmost seriousness, government is morally obligated to reconvene Parliament and will be subject to heavy criticism if it refuses.<sup>2</sup>

Airpouched Paris for Embassy and OSR, ECA.

HOLMES

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<sup>2</sup> In telegram 3790, September 21, from London, not printed, Holmes reported a conversation with Eden in which the Conservative leader stated that he agreed that the gold and dollar position of the United Kingdom was such that devaluation was necessary. However, the Conservatives would attack the government on the grounds that it had been in power since 1945 "... with ample opportunity to achieve economic stability and situation requiring devaluation result of government's bad management." (841.00/9-2149)

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841.5151/9-2349 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Acting Secretary of State*<sup>1</sup>

SECRET

LONDON, September 23, 1949—8 p. m.

3820. Embtel 3810, September 23.<sup>2</sup> Further information on French reaction to British devaluation given Embassy Officer by Shuckburgh, head of Western Department.

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<sup>1</sup> Secretary Acheson was in New York attending the fourth regular session of the United Nations.

<sup>2</sup> Not printed; in it Holmes reported that members of the French Government had let the Foreign Office know their serious concern over "British unilateral devaluation." The main French criticisms were (1) that the new rate was too low (2) that there should have been consultation (3) that the British procedure constituted a direct and possibly severe setback to European cooperation. The British did not underestimate the seriousness of the French resentment and its possible repercussions on French relations with Britain. (841.5151/9-2249)

Massigli,<sup>3</sup> apparently without waiting for Quai d'Orsay instructions, called on Strang<sup>4</sup> to express French concern. In Paris there had been formal *démarche* to British Ambassador.<sup>5</sup> There was no objection to new rate as such but French based their representations primarily on failure of British to consult in advance with French. It was pointed out that before French devaluation Pétche<sup>6</sup> had come to London and the Chancellor had gone to Paris to discuss matter.<sup>7</sup> French therefore took exception to abruptness with which British decision had been communicated to them and absence of consultation.

Shuckburgh stated that no reply had yet been made but that outline had been sent to Bevin. It is believed that he probably has been discussing matter with Schuman and may be able to exercise some mollifying influence. FonOff proposed that tenor of reply should be that in view of need for secrecy it was not possible to give French any greater advance notice. They in fact were informed same time as members of Commonwealth. Furthermore, in view of everything that had been said about possibility of devaluation French should not have been taken by surprise. In fact, it was this extensive discussion of subject of devaluation that had made it all the more necessary to proceed with greatest caution in effecting it. Too much importance could not be attached to fact that there had been consultation before devaluation of French franc because France had gone flatly contrary to advice of the Chancellor. All in all, British are proposing to tell French that their resentment is unfounded.

Shuckburgh stated he thought French reaction would be transitory and that no long term ill-effects on relations with France need follow.<sup>8</sup>

<sup>3</sup> René Massigli, French Ambassador in the United Kingdom.

<sup>4</sup> Sir William Strang, British Permanent Under-Secretary of State for Foreign Affairs.

<sup>5</sup> Sir Oliver Charles Harvey.

<sup>6</sup> Maurice Pétche, French Minister of Finance and Economic Affairs.

<sup>7</sup> For documentation relating to the devaluation of the French franc in 1948, see *Foreign Relations*, 1948, vol. III, pp. 592 ff.

<sup>8</sup> In telegram 1307, September 27, from Brussels, not printed, Counselor Millard reported on a conversation in which Spaak expressed his view that "... precipitant British devaluation was a disastrous step and would emphasize divisive forces in Europe rather than contrary." (841.5151/9-2749) In a similar telegram on October 1, from Rome, not printed, Ambassador Dunn reported an "acerbity of criticism against British" for devaluation. Both the suddenness and the extent were annoying and devaluation had lost prestige for the United Kingdom. The manner in which it was adopted weakened Italian faith in international bodies and Italy would now feel freer to take its problems directly to Washington rather than to the OEEC on a European basis. Within the OEEC the continental delegates were now more likely to gang up against the United Kingdom. (841.5151/10-149)



Massigli has also made strenuous representations in protest of a devaluation of the west mark of more than 20 percent and insisting on an adjustment in the domestic and export prices of coal.<sup>9</sup>

Sent Department, repeated Paris 725.

HOLMES

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<sup>9</sup> Documentation relating to the devaluation of the German West Mark and the regulation of German coal prices is in volume III, chapter II.

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London Embassy Files : Lot 58F47 : Box 1398 : 500 Marshall Plan : Telegram

*The Chief of the ECA Mission in the United Kingdom (Kenney) to the United States Special Representative in Europe (Harriman), at Paris*

CONFIDENTIAL

LONDON, October 6, 1949—5 p.m.

Torep 1457, rptd Washington Toeca 1580. (Ref. Repto circ. 331.<sup>1</sup>)

1. Mission has studied problems set forth in reftel. We agree that in United Kingdom as probably in other countries primary attention is being directed at containing inflationary effects of devaluation in the domestic market. We also agree that every effort should be made to minimize undesirable increases in prices of goods destined for export to other participants.

2. Agree further that problem is especially complicated for commodities dealt in world markets. In terms of U.K. present problem this complication reflects itself in terms of the large number of commodities exported both to the Continent and to dollar markets. For these commodities problem is to balance the objectives set forth in reftel against equally commendable objective of maximizing dollar earnings. HMG has instituted vigorous campaign for penetrating dollar markets. In pursuing this objective businessmen have been advised, correctly we believe, to follow pricing policy which will maximize dollar income of United Kingdom. This is consistent with the intention of devaluation, which was to increase dollar exports so as to increase dollar earnings and it is obviously to Brit interest to secure the maximum dollar return consistent with the competitive position of those commodities and products in the dollar market. Accordingly some of the sterling prices will doubtlessly be increased even though there may also be substantial intra-European commerce in such articles and products. However the very fact that this increased sterling price

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<sup>1</sup> Not printed.

may diminish European demand for such products is of value to their major objective because it will contribute to a switch of Brit exports from soft currency to hard currency markets.

3. Second category of Brit exports includes (a) commodities sold largely to participating countries rather than dollar area and (b) commodities which may sell in dollar markets in future by virtue of depreciation of pound. While export prices of such commodities and products may be slightly increased to cover increases or anticipated increases in costs on account devaluation we do not foresee at this time any substantial increase in prices. With reference to Group (a) price rises should not be large because we expect that general inflationary pressure will be fairly well controlled in U.K. With respect to category (b) U.K. producers will have every incentive to maintain sterling prices at present level, since increasing such prices might tend to prevent acquisition of desired markets.

4. While we agree in principle that European trade should be maximized to full extent consistent with obtaining the dollar saving and dollar earning benefits which devaluation was intended to promote, we do not feel that we can consistently ask Brit either (a) to keep sterling export prices generally low at the cost of increasing the aid burden on the U.S. taxpayer or (b) to superimpose upon existing controls the heavy and cumbersome machinery which would be necessary for dual pricing and which, even if it could be successfully administered in the United Kingdom would lead to transshipments of Brit goods to the dollar area through the Continent, and would be inconsistent with the principles of IMF and GATT.

5. Foregoing are preliminary views. We will proceed with more intensive study of commodities exported by United Kingdom to OPC and dollar area in effort to formulate more definitive views.

6. Meanwhile would appreciate notification of any commodity or product which OSR or ECA/W feels should have special attention besides those mentioned Repto circular 325.<sup>2</sup> We wish to emphasize that most commodities and products are not subject to govt export price control and are thus subject to conditions of supply and demand in the markets concerned. Assume ECA attitude continues to be one of encouraging free play of supply and demand with resulting intensification of competition which it is hoped will lower average cost of products and channel trade through most efficient production.

[KENNEY]

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<sup>2</sup> Not printed.

841.5151/10-1449 : Telegram

*Memorandum by the Director of the Office of British Commonwealth and Northern European Affairs (Labouisse) to the Deputy Assistant Secretary of State for European Affairs (Thompson)*

SECRET

WASHINGTON, October 14, 1949.

Subject: Your Talk With the Secretary on October 17.<sup>1</sup>

You may wish to brief the Secretary on the following points at your meeting on Monday.

*1. Arrangements for continuing consultation with British and Canadians.*

(a). *Interdepartmental Arrangements.* Mr. Webb has set up an Advisory Group of which he is Chairman and of which Foster of ECA and Foley of the Treasury are members.<sup>2</sup> The group is to meet every Tuesday. I am to act as Executive Director of the group for the purpose of assuring that appropriate attention is given in the Department and interdepartmentally to the various problems to be considered. It is agreed that these arrangements shall be most informal and that the normal operating procedures will be employed to the greatest extent possible.

(b). *Arrangements with the UK and Canada.* The British are sending Sir Leslie Rowan and the Canadians probably Sydney Pierce to be attached to their respective Embassy's as Economic Ministers. These men will act as deputies for the two Ambassadors in carrying forward any tripartite discussions. Both the British and Canadians are anxious that no formal committee be set up and that, to the greatest extent possible, our discussions of matters be on an informal basis and through normal procedures. The US Advisory Group share this view. It is contemplated that the main point of contact between Rowan and Pierce will be me but that Mr. Webb will be available whenever he is needed. Rowan will arrive in early November and we shall get under way then.

(c). *Scope of Discussions.* No definite agreement has, as yet, been reached as to the precise scope of the continuing consultations, but it is generally understood among those concerned that they will include not only the matters left over from the Top Level ABC talks and other possible measures for aiding the dollar-sterling problem, but also analyses and appraisals of various facts and trends in trade and financial fields and frank exchanges of views as to our objectives in these fields and the possibilities of achieving them.

<sup>1</sup>No record of Thompson's talk with Secretary Acheson has been found in Department of State files.

<sup>2</sup>The Advisory Group had met twice in Webb's office on September 28, the day of the first informal conversation with Canadian and British officials, and on October 4. On both occasions the machinery for continuing the tripartite economic conversations was the subject of discussion. (Treasury Department files, Lot 67A1804, Box 34, OASIA United Kingdom-Miscellaneous)

## 2. *Petroleum Discussions with the British.*

The United States agencies concerned, with the exception of the Treasury, have agreed upon a line of action. The general line is that we emphasize the twin objectives of reducing the dollar drain on the sterling area and protecting the US national interest; that we urge the US companies to reduce dollar component of their costs of sterling area operations; that we seek an understanding with the British to the end that arrangements would not be made with third countries having the effect of precluding US company participation in their normal markets; that we urge the negotiation of arrangements between the British and the US companies which would permit the latter to sell for sterling in third countries wherever British companies would, in the absence of US company sales, be permitted to sell for sterling; that such arrangements cover the use and convertibility of sterling so owned and be directed toward obtaining the following objectives:

(a). That the total dollar drain on the British Treasury, including profits and capital charges, resulting from these arrangements does not substantially exceed the average dollar costs which would be incurred by the British Treasury if equal quantities of petroleum products were furnished by British companies, having regard for the increases in dollar investment and operating costs which the requisite expansion of British facilities would entail;

(b) That the US companies have the right to spend sterling in the sterling or other soft currency areas for the purchase of equipment and materials and to cover other expenses of their overseas operations, under the same conditions as are applicable to British companies, including equal treatment in the access to such equipment and materials; and

(c) That, should such arrangements begin to give rise to burdensome accumulations of sterling which cannot be converted despite such measures as shall be taken by the US companies pursuant to paragraph VII of these Recommendations,<sup>3</sup> the US controlled companies and the British Government consult in regard to ways and means of preventing further accumulations.

The Treasury opposes suggesting sales by American companies for sterling, presumably on the ground that this would give the petroleum industry a preferential position over other US industries. Apparently Treasury feels that the British companies should supply the sterling area, displacing the American companies and, thus permitting the American companies to take over previous British markets in third countries. The fly in this ointment is that the British have taken over the Argentine market and, we understand, British companies may displace American companies in other third country markets such as Spain, Denmark and Uruguay.

<sup>3</sup> The recommendations under reference here have not been identified further.

I have called this matter to Foley's attention and will seek to work out an agreed position with the Treasury early next week.

In the meantime, we had a talk with the British<sup>4</sup> emphasizing the twin objectives mentioned and saying that we were still working on the matter but would like to have the British proposals in light of facts which had been brought to light to date. The British will make some proposals of a short-term nature, such as using presently surplus sterling oil to displace US company oil now programmed for shipment to the sterling area. Pending receipt of definite proposals from the British we are seeking to beat out a US position with the Treasury.

As to prospects for success, it appears that substantial reductions in the dollar drain can be made if our proposal, outlined above, can be put into effect.

3. *Other Matters Carried over from the Tripartite Discussions.*

Some progress is being made on the remaining eight items listed in the communiqué, particularly with respect to customs procedures. The situation was reviewed today with Messrs. Webb, Foley and Foster. I am to follow up on these matters to press for action.

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<sup>4</sup> Presumably Labrousse is referring to a meeting on October 13 at which it appeared that neither side had developed a firm position on the policy issues involved in reducing the British oil dollar drain. It was agreed to suspend the discussions pending further study and the determination of joint policy positions with the expectation of resuming the talks when Rowan arrived in Washington in November. Telegram 3951, November 2, to London, not printed. (841.6363/9-2849)

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841.51/10-1949

*Memorandum by the Secretary of State*<sup>1</sup>

CONFIDENTIAL

[WASHINGTON,] October 19, 1949.

This very interesting report of Gene Rostow's bears on the question I asked the other day—Where did we go wrong? What did we miscalculate or overlook?

*Answer:*

As I look back on the situation the fault lay primarily with me in this way.

As we foresaw the talks, discussion of devaluation was a possibility but an improbability. It was left to the British. It seemed quite impossible that the British would tell us when and how much.

When to our great surprise they did just this and it turned out that action was imminent, we were told under restrictions which made

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<sup>1</sup> Addressed to Messrs. Kennan, Thorp, Rusk, and Webb.

impossible any discussion within the Department. We also were not told the moment, only the range, until the last, since the British had not decided.

Frankly, I did not grasp the significance of the amount of devaluation and the connection of it with our talks upon the Europeans. Probably I should have understood this and insisted that the French be brought in. I think that the British would have refused. Would any of you have foreseen the consequences?

How could the British have done otherwise than they did? Did they take advantage of us?

What do we learn from this?

D[EAN] A[CHESON]

[Annex]

*Memorandum by the Special Aide to the Executive Secretary of the Economic Commission for Europe (Rostow) to the Executive Secretary of the Economic Commission for Europe (Myrdal)*<sup>2</sup>

PERSONAL      CONFIDENTIAL

[GENEVA,] 12 October 1949.

Subject: Devaluation and European Cooperation

In the course of my conversations in Paris yesterday (13th October) [*sic*] certain aspects of recent developments were emphasized, which I might call to your attention.

1. In the first place, all those with whom I spoke felt that the way in which the devaluation of sterling was handled constituted a severe set back to the cause of European cooperation. In fact, it was widely feared that this episode greatly weakened the momentum achieved at Strasbourg. One highly placed and very keen observer, whose judgment has been proved excellent over a period of many years (and, be it said, a long-standing cooperator with Britain and the United States), thinks that at the present time it would be impossible for anyone to stand up in the Chamber of Deputies and talk about European economic cooperation without being greeted with laughter. This man quoted a French peasant's view to the following effect: "Those British always know how to look after themselves. That is what you can expect from them every time—a kick in the backside." The contrast to the way in which French devaluation a year ago was con-

<sup>2</sup> Rostow's memorandum was transmitted as an attachment to a letter to Secretary Acheson, dated October 12, not printed, in which he wrote that the "... British devaluation looks in Europe almost like the Anglo-German Naval Treaty of 1935, or other episodes of a similar character, which have the capacity to shake confidence and alter policy in a fundamental way." Rostow did not see how United States foreign policy could safely rest on any premise other than "... complete and intimate Anglo-French cooperation on every issue. . . ." (841.51/10-1949)

ducted, after lengthy discussions with the British, will rankle for a long time.

2. The apparent implications of the affair, in the light of obvious policy leaks to the American press from the State Department, support the hypothesis that some part of the American Government at least favours a policy of continental European cooperation, with Britain more or less free of Europe and linked to the United States. This policy is regarded as both ridiculously impractical and extraordinarily dangerous: impractical because, as the events following devaluation demonstrated, the continental economy and the British economy are indissolubly linked; and dangerous because Western Europe, without Britain, would inevitably be dominated by Germany.

3. This cycle of events has put American policy in a peculiar light. The United States has, of course, been pushing through the Marshall Plan in the direction of closer European cooperation and even integration and union, at least in the field of monetary policy and arrangements. A purely Anglo-American approach to European monetary problems seems not only inconsistent with such a policy, but the gravest possible menace to its fruition.

4. All the people with whom I spoke felt that very vigorous efforts would have to be made promptly by both the United States and Great Britain to overcome the negative results of the Washington Conference. In fact, one person went so far as to say that he thought Cripps' retirement was indispensable to the reconstitution of Anglo-French relations.

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841.20/10-2149

*Memorandum by the Deputy Director of the Office of British Commonwealth and Northern European Affairs (Satterthwaite)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] October 25, 1949.

Subject: Probable Retrenchment of British Military Commitments.

I was somewhat surprised when the British were here last September<sup>2</sup> that they did not go into the possibility of their having to eliminate or retrench some of their far flung military commitments as a result of their deteriorating economic position. This may have been because they had not yet thought out what they would have to do. It probably did not mean that they had considered the problem and had

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<sup>1</sup> The memorandum was addressed to Messrs. Thompson, Achilles, and Edwin M. Martin, the Director of the Office of European Regional Affairs.

<sup>2</sup> For documentation relating to the United States-United Kingdom-Canadian economic conversations in Washington during August and September 1949, see pp. 820 ff.

found a way to continue their military commitments unaided and, therefore, did not discuss it with us. It is also possible that at that time they could not make up their minds whether the military or their large and increasing social services would bear the brunt of budget cuts.

It seems to me that recent trends in England indicate that, although there will be some token cuts in social services, the exigencies of the political situation will result in military retrenchments. If this is so, it is likely that the bulk of the retrenchment will fall on establishments abroad and that we will be expected as far as possible to take up the slack. Perhaps some of the first retrenchments will be RAF operated airfields on the route between England and India. I assume that our own strategic planning calls for the continued operation of these fields.

I do not know to what degree this is already being considered in this Government but it might be wise for us to consider what we would do in the event of various degrees of British retrenchment. We may have an opportunity to make a choice of which installations are given up.

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841.5151/11-349 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, November 3, 1949—3 p.m.

4402. Re Embtel 4161, October 17.<sup>1</sup>

1. The current British scene is dominated by two outstanding features: Devaluation of sterling, necessitating an immediate complementary economic program; the imminent general election, making the months from September to next April a period when party politics have inordinate importance. The exact significance of current developments is thus doubly difficult to evaluate.

2. Devaluation has mitigated but has not removed entirely the necessity for other economic adjustments essential to long-term recovery. Furthermore the inflationary forces released by devaluation and the tapering off of US aid will both require direct counteraction. Maximum foresight might dictate the earliest possible application of strong measures to meet all of these requirements. Given the imminence of an election, however, the imposition of severe measures at this time was not considered politically feasible. Nor was it considered necessary by government technicians who devised the pro-

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<sup>1</sup>Not printed; it reported that an assessment of the post-devaluation situation in the United Kingdom would not be sent pending revelation of further details by the British Government. (841.5151/10-1749)



gram, who count on natural disinflationary forces coming into effect in the second half of the budget year to stabilize the situation until next spring. Until then the government's program will have only mild disinflationary effects. The economic program announced for the immediate future should, therefore, be regarded as an interim program to serve the needs of the economy until next spring. It should not be misinterpreted as representing all that a British Government can or will do to meet longer-term economic requirements.

3. The Labor Party's reputation for political integrity was at stake in this matter, and it was felt necessary to announce the economic program well in advance of the election date, which we now believe to be March. The result has been some political disadvantage, since the economic measures so far announced are open to criticism as inadequate for the country's longer-term welfare. The manner in which the program was presented has added other political handicaps.

4. The economic measures complementary to devaluation were sketched only roughly at the time of the devaluation announcement, their nature was outlined more clearly in government statements during the parliamentary debates at the end of September, but certain substantive actions to be taken were not revealed until nearly the end of October. This evolution of the economic program in stages, with considerable intervals for speculation by the press, the markets and the general public, has produced a sense of confusion which would have been avoided if a definitive program could have been announced at the time of devaluation. The impression has been created of a government uncertain of its course and now committed to measures drafted under pressure, as though devaluation had caught the cabinet unaware.

5. In the course of this evolution, the government led the country and the world to expect more drastic measures than it was in the end prepared to institute. Devaluation was originally presented as a calamity, attributable in large part to external influences beyond British control. It was indicated, then and later, that painful measures would be required to control the inflationary forces created by devaluation. No apparent attempt was made to correct the over-emphasis given to these possibilities by the press. As a result, when unexpectedly moderate steps were finally announced, the impression was created of a government unwilling to put through measures vital to the welfare of the country.

6. This maladroït management stems from the uncertainties of the political situation. The initial delays and postponements can be explained only on the ground that, at the time of devaluation, the possibility of an early election was under consideration. Subsequently the cabinet found it difficult to work out an agreed program in view of serious differences of opinion as between the ministers responsible for

economic operations and those more preoccupied with politics. In the final analysis, no government could be expected to come up in an election year with an avoidably severe economic program, and this one did not.

7. Originally the government, faced with an increasingly urgent problem of balancing its international hard currency accounts, rejected outright the possibility of meeting the situation by severe domestic deflation. Instead it is relying mainly on devaluation to achieve a diversion of exports from soft currency markets and from the home market to the hard currency markets.

8. We have good reason to believe that Cripps and some others in the cabinet wanted a greater measure of deflation, but were unable to carry a majority of the cabinet on this issue. There was in fact little opportunity for deeper or more immediately effective cuts than those actually taken unless the government applied the axe to food subsidies, public housing, defense, or the national health service. With the general election probably planned for March immediate drastic action along such lines might risk alienating votes.

9. In the end a compromise was reached in which Cripps achieved the minimum disinflation he regarded as essential to tide the country over the next few months and through the general election. We think he also obtained an understanding that more vigorous measures would be instituted if necessary. A hint of further cuts was made by Morrison in the October 27 debate.<sup>2</sup> We would certainly expect considerably more vigorous measures to be instituted in the April budget. (Should the Conservatives be returned they will have the same problems and must take much the same measures.)

10. Our conclusion is that the current economic program, therefore, represents a compromise between economic and political considerations. However, in seeking adequate disinflation without deflation the government is dealing with intangibles impossible to measure precisely. The margin of safety is not great, and the cabinet is perhaps risking not only the economy but its political future in cutting its program so fine. Nevertheless it seems to us there is a fair chance that devaluation, plus the supplementary measures already announced, may carry the economy through until April or May without serious danger of another foreign exchange crisis or of uncontrollable internal inflation.

Pass Treasury and ECA.

DOUGLAS

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<sup>2</sup> For statements by Herbert S. Morrison, Lord President of the Council and Leader of the House of Commons, and by others, see *Parliamentary Debates*, House of Commons, 5th Series, vol. 468, cols. 1529 ff.

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RESPECTING A UNITED STATES EDUCATIONAL COMMISSION IN THE UNITED KINGDOM**

[For text of Agreement, amending Agreement of September 22, 1948, effected by exchange of notes signed at London February 25 and March 5, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1916.]

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**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RESPECTING FERROUS SCRAP**

[For text of Agreement, amending Agreement of September 30, 1948, effected by exchange of notes signed at Washington July 1, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1956.]

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**AGREEMENTS BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RESPECTING FUSION OF AMERICAN AND BRITISH ZONES OF OCCUPATION**

[For text of Agreement, amending and extending Agreement of December 2, 1946, as amended and extended, effected by exchange of notes signed at Washington March 31, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1959. For text of Agreement further amending and extending Agreement of December 2, 1946, as amended and extended, see TIAS Series No. 1962.]

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**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RESPECTING LEASED NAVAL AND AIR BASES**

[For text of Agreement, modifying Application of Agreement of March 17, 1941 to Trinidad, effected by exchange of notes signed at Washington September 19, 1949, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1985.]

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**ARRANGEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM RESPECTING PASSPORT VISA FEES AS APPLIED TO MALTA**

[For text of Arrangement, effected by exchange of notes dated at Washington October 31 and December 12, 1949, see Department of

State, Treaties and Other International Acts Series (TIAS) No. 2069.]

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**MULTILATERAL AGREEMENT ON TELECOMMUNICATIONS BETWEEN  
THE UNITED STATES AND REPRESENTATIVES OF THE BRITISH  
COMMONWEALTH GOVERNMENTS**

[Agreement replacing the agreement of December 4, 1945. For text of Agreement, annexed to Final Act signed at London August 12, 1949, which entered into force February 24, 1950, see *United States Treaties and Other International Agreements* (UST), volume 3 (pt. 2), pages 2686.]

## INDEX



# INDEX

- Abbott, Douglas C., 801-802, 820, 832-833
- Acheson, Dean G.:  
British financial crisis, 654-655, 787, 790-793, 795-799, 801-803, 806*n*, 820, 826*n*, 832-839, 841*n*, 845, 847-848, 850
- Council of Europe, 317-318
- European Recovery Program, 238, 374, 378, 380, 382-383, 391, 394-395, 399, 409, 411, 412*n*, 415, 421-468 *passim*, 714
- France: Economic and political situation, 633, 635, 646, 651, 661, 668, 689; U.S. policy, 626, 642, 656, 660-661, 663-665
- German question, 442*n*, 447*n*
- Iceland, U.S. and North Atlantic security interests in, 314*n*
- Italian colonies, disposition of former, 528, 530, 534-538, 551-552, 554, 556-557, 562, 564, 569, 571, 579-586, 591-602, 604-607, 610
- Italian relations with Yugoslavia, 503
- Labor movement in Italy, U.S. interest in the formation of non-Communist, 704, 711
- Meeting of U.S. ambassadors at Paris, 469-472, 478, 496
- North Atlantic Treaty Organization, 41-44, 46-48, 50-51, 60-68, 73-74, 76-77, 81-89, 91, 93, 102-110, 114-145 *passim*, 151-179 *passim*, 185-187, 189-194, 201-203, 205, 209-214, 217-222, 224, 233-237, 239, 242-244, 248, 253-255, 261-297 *passim*, 307-309, 318-329, 345-346, 350-353, 362-366
- Secretary of State, appointment as, 4*n*
- Sovereignty in Western Europe, question of merger of, 472
- Soviet atom bomb, 473*n*
- Spanish question, 723-749 *passim*, 753-754, 756, 758-759, 762-763, 766, 768
- Trieste question, 497-525 *passim*
- U.S. military assistance program, 48, 112, 136, 146, 165, 183-184, 194-197, 224, 229, 248, 250-251, 258-261, 267-269, 288, 294-301, 304-305, 310, 341, 351-352, 360-362, 364-365, 660-661, 670-671, 681
- Western European Union, 44-45, 48, 53, 60, 64, 101, 106-107, 110-113, 310-311, 339, 342, 344-346, 348-349, 371
- Achilles, Theodore C., 1, 23-24, 69, 107-108, 113, 121, 135*n*, 198, 255, 267, 271, 291, 311, 325-326, 328, 356, 434*n*, 504, 522*n*, 583-584, 666*n*, 758, 763-765, 849*n*
- Adenauer, Konrad, 487
- Afanasyev, Sergey Alekseyevich, 53, 91
- Afghanistan, 560-561
- Africa, 451, 528, 549, 584, 605, 717, 832
- Agriculture, (U.S.) Department of, 832
- Airey, Gen. Terence, 500-507
- Akilou, Abte Wold, 588
- Ala, Hussein, 62*n*
- Alaska, 5, 14, 194, 205
- Alessandrini, Adolfo, 580
- Alexander, Albert V., 138-139, 358
- Algeria (*see also under* NATO), 541
- Allen, George V., 725-726
- Alphand, Hervé, 410, 654, 667, 677*n*
- Alsop, Joseph W., Jr., 338*n*, 666
- Alsop, Stewart J. O., 338*n*, 666
- American Federation of Labor (A.F. of L.), 707, 710-711
- American Republics (*see also Latin American subheadings under* Italian colonies, etc., and Spain), 158, 172-173, 185, 207-208, 731, 733, 738
- Anderson, Hans, 202-203, 225, 271
- Anglo-Egyptian Sudan, 542-543, 553, 555, 575, 582, 585, 596-597, 602
- Angola, 716-717
- Ansiaux, Hubert, 385-387, 395*n*
- Antonini, Luigi, 705
- Arab states (*see also under* Italian colonies, etc.; Cyrenaica, Libya, and Tripolitania), 733
- Arce, José, 723-724
- Argentina, 560, 589, 723, 729, 836
- Army, (U.S.) Department of the, 294, 505
- Atherton, Ray, 743
- Atomic energy, U.S. development of, 617
- Atomic weapons: Soviet production of, 429, 473-475, 477, 480, 761; stockpiling of bombs, 263; utilization of, 263, 357, 363-364, 776
- Attlee, Clement R., 138, 452*n*, 465, 790, 801, 840-841
- Austin, Warren R., 237, 497, 551, 586-588, 591, 593, 602-605, 737-739
- Australia, 290, 560, 606, 724, 784, 809, 814
- Austria, 241, 378-379, 386, 397, 616, 773
- Austrian peace treaty, 499-500, 508
- Azores: Strategic importance of, 313; U.S. military facilities in, 201, 238*n*, 239, 242-243; utilization during World War II, 275; war fears, 292

- Baldanzi, George, 705  
 Baldwin, Charles F., 500-502, 504, 511-514, 515n  
 Bang-Jensen, Povl, 1-3, 198, 206, 210, 271  
 Bao Dai, 495-496  
 Baraibar, German, 753-754  
 Barbour, Walworth, 504  
 Barclay, Roderick E., 271, 325, 758  
 Bartlett, Frederic P., 59  
 Baruch, Herman B., 163, 165-166, 178-179, 225, 233, 258, 303-304, 635  
 Barzani, Mustafa, 235  
 Baumgartner, Wilfrid, 643, 680  
 Bay, C. Ulrick, 6-7, 34-36, 51, 60-62, 91-94, 121-122, 145-146, 303-304  
 Beam, Jacob D., 265, 267  
 Bear Island, strategic importance of, 98, 100  
 Bebler, Aleš, 517, 519, 521-525  
 Bech, Joseph, 271, 285, 306  
 Bech-Friis, Johan H., 36n, 37  
 Belgian Congo, 14, 43, 617  
 Belgium (*see also* Belgian Congo and Benelux and under NATO, OEEC, Spain, and Western European Union):  
   Agreements with the United States: American dead in World War II, Jan. 17 and 31, 617; surplus property settlement, May 12, 617  
   Dollar transfers from the United Kingdom, 809  
   Economic and commercial negotiations with France, Italy, and the Netherlands, 656-658, 666  
   Italian colonies, disposition of former, 560  
   Political situation, 409, 411-412, 415-416, 425, 431, 436, 447  
   U.S. export controls program, 476n, 480n  
 Bell, Harry H., 831  
 Benediktsson, Bjarni, 22, 68, 84, 202-206, 225-229, 233n, 236-237, 248, 271, 285, 314  
 Benelux (Belgium, Netherlands, Luxembourg): Belgian credits to, 406; ECA aid for, 238; exchange convertibility with France and Italy, proposed, 349, 419, 423, 490-491; meeting, 238; progress, 458; U.S. export controls program, 483; U.S. policy 343, 666  
 Bérard, Armand, 4, 271, 291  
 Berkner, Lloyd V., 830  
 Berlin: ECA assistance for western sectors of, question of, 487; inclusion of western sectors in the Federal Republic of Germany, question of, 486-487; U.S. policy, 473, 486  
 Berlin blockade by the Soviet Union, 94, 481, 485, 808; U.S. airlift, 162, 481, 486  
 Bermuda, 158-159  
 Berthoud, Eric A., 442  
 Bevin, Ernest: Anglo-American-Canadian financial talks, 655; British financial crisis, 790-793, 795-796, 800, 805-806, 832, 842; Council of Europe, 418, 443; European Recovery Program, 137, 349, 371-372, 416, 418, 425-456 *passim*, 465; German question, 447n; Indonesian question, 260; Italian colonies, disposition of former, 526-529, 536-538, 545, 552-554, 556-557, 559-560, 562, 565, 567n, 584, 593, 596-601, 603-604, 606, 610; North Atlantic Treaty Organization, 44, 48, 159, 209-210, 270-271, 273, 275, 278, 280, 285, 307, 317, 322, 325-326, 339; Scandinavian union, attitude toward, 71; security of Greece, Turkey, and Iran, 175-177; Spanish question, 723-724, 730, 734, 758-759; Trieste question, 519; U.S. military assistance program, 136-137, 147, 163, 165-166, 178-179, 183, 224-225, 229-232, 245, 247, 310, 365; Western European Union, 42, 44-45, 290, 306-307, 310-311, 339, 346-348, 372, 433  
 Bidault, Georges, 677, 678n, 680  
 Bigart, Homer, 752  
 Billotte, Gen. Pierre, 294-295  
 Bingham, George B., 443, 444n, 464, 647-653, 671-673, 675, 677n, 678-680, 686-689  
 Bissell, Richard M., 377-380, 383, 408, 412-418, 471, 643, 688, 806n  
 Blackley, Travers Robert, 528, 567  
 Blaine, James G., 258  
 Blanco, Carrero, 755  
 Bliss, Don G., 59, 806n  
 Blum, Robert, 677  
 Boheman, Erik C., 27, 37, 63, 89-90  
 Bohlen, Charles E., 3-5, 48n, 64, 66, 68-73, 79, 83, 102n, 105, 108-109, 113-115, 193, 198-206, 210, 225, 227, 255-257, 271, 291, 472, 478-479, 482, 493, 681-682, 725-727, 740-742  
 Bolivia, 560, 742, 749  
 Bonbright, James C. H., 320, 721  
 Bonesteel, Charles H., 3d, 15-16, 58, 136, 184, 244-245, 305, 472, 482-483, 491  
 Bonnet, Henri, 3-5, 29, 31-34, 76-77, 83-87, 107-108, 120-121, 123-125, 127, 129-135, 151-152, 155-156, 159-161, 167, 169, 171-173, 185-188, 192, 214-215, 219-222, 245n, 265, 271, 285, 307, 309, 318, 338-339, 475, 654, 663-666  
 Bonsal, Philip W., 136, 165, 178, 244, 375, 408, 454-455  
 Bouzanquet, 668-669  
 Boyd, John Gordon, 519-520  
 Bradley, Gen. Omar N., 294, 308, 357-358  
 Bray, William H., 830-832  
 Brazil, 560, 606, 733, 742, 747, 749, 757  
 Bream, Gray, 198, 206, 225  
 Brewster, Owen, 259, 269



- British Commonwealth, 90, 158, 169, 173, 185, 338-340, 347-350, 364, 371, 392, 433, 437-438, 469, 471, 484, 491, 493, 664, 724, 730-731, 790-817 *passim*, 829, 854
- British Empire, 437, 485, 493, 815
- Brittain, Sir Henry, 57
- Bromley, T. E., 210-211
- Brooks, James R., 650
- Bruce, David K. E., 56, 303-304, 306, 342-344, 431, 437, 442-443, 464, 472, 474*n*, 479, 491, 494-496, 512*n*, 630, 637-638, 641-643, 645-646, 649, 651-652, 661-670, 677-678, 680-682, 689-691
- Bruce, Howard, 388
- Brussels Pact. *See* Western European Union.
- Bryn, Dag, 69, 71, 102, 105-106
- Budget, (U.S.) Bureau of the, 150
- Bulleri, Romolo, 705, 708
- Burma, 417, 560, 608
- Buset, Max, 432
- Butrick, Richard P., 22, 68
- Butterworth, W. Walton, 725
- Byelorussian Soviet Socialist Republic, 560, 742
- Byington, Homer M., 504*n*
- Cadogan, Sir Alexander, 497
- Cairo da Matta, José, 19-20, 179-180, 201, 243, 271, 274-277, 285, 714
- Caffery, Jefferson, 42-43, 45-46, 53, 56, 122, 124*n*, 146-150, 225, 233, 266, 288-289, 459*n*, 626-638, 640, 646*n*, 721
- Caine, Sir Sidney, 781
- Canada (*see also under* NATO, Spain, and United Kingdom): British financial crisis, effect of, 787, 789-790, 811, 814, 821; economic and financial assistance to the United Kingdom, 485, 784; Italian colonies, disposition of former, 154, 560; Northwest Atlantic fisheries convention, 614; U.S.-Canadian Joint Defense Board, 316; U.S. export control program, 350; Western European Union, relationship to, 471
- Canham, Erwin B., 739
- Canini, Giovanni, 704-705, 708, 710
- Cannon, Cavendish, 512*n*, 516*n*, 517-518, 521*n*
- Cappelletti, Alessandro, 705, 708
- Carinthia, Yugoslav claim to, 508, 512*n*
- Carmognola, Luigi, 705
- Carter, Pat, 246
- Castellani, Vittorio, 501-503, 511
- Castro, Fernandez, 464, 467
- Catalano, Felice, 612
- Cattani, Attilio, 410
- Cavour, Count Camillo Benso di, 519
- Ceylon, 528
- Chapin, Selden, 463
- Chase National Bank, 729
- Chauvel, Jean, 53, 123
- Cherrière, Maj. Gen. Paul, 681
- Chile, 560, 738
- China, 218, 500
- Chinese Communists, 477, 495, 690
- Chipman, Norris B., 635*n*
- Christelow, Allan, 781
- Clacton International Socialist Conference, 704
- Clark, Clyde L., 768-771
- Clay, Gen. Lucius D., 305
- Clemens, George, 673
- Clutton, George L., 526, 528, 566-567, 581-582, 587, 602-604, 610-612
- Cochin China, 495-496
- Cochran, H. Merle, 260, 268-269
- Cohen, Benjamin V., 425, 738-739
- Collier, Sir Laurence, 36, 51, 60
- Collisson, Norman H., 389, 407
- Colombia, 560, 608, 742, 749
- Combined Chiefs of Staff (U.S.-U.K.), 108, 120, 256, 263, 294
- Commerce, (U.S.) Department of, 421, 832
- Committee for European Economic Cooperation, 448
- Communist Information Bureau (Cominform): Break with Tito and the Yugoslav Communist Party, 473, 477, 494*n*, 516, 522; France, policy toward, 669; Trieste Communist Party, domination of, 500, 505; Warsaw Conference (1947), 636
- Communist International (Comintern), 636-637, 691
- Congress (U.S.): Brewster amendment, 259, 269; British financial crisis, 795, 799, 832; Economic Cooperation Administration, 370, 483; European exchange rates, 382; European Recovery Program, 409-436 *passim*, 445, 466, 471, 489-490, 492-493, 656-658, 759, 826; Foreign Assistance Act, 376; House Foreign Affairs Committee, 113, 174, 642; Indonesian question, 251, 259, 269; Italian colonies, disposition of former, 529-530, 533; North Atlantic Treaty Organization, 33, 47, 73, 77, 81, 103-104, 119, 147, 266, 298, 308, 307, 309, 311, 363-365; Senate, 103, 107, 109, 113-114, 132, 135, 152, 158-159, 162, 190, 198, 281*n*, 289, 303, 309, 311; Senate Appropriations Committee, 760*n*; Senate Foreign Relations Committee, 73, 75-76, 80, 82, 110, 114, 117, 153, 172*n*, 174, 177, 186, 296, 303, 832; Spanish question, 746, 759; U.S. budget, 668; U.S. military assistance program, 16, 49-50, 55, 58, 71, 106, 111-112, 147, 149-150, 163, 208, 212-213, 259, 266-267, 287-289, 295-296, 298-299, 302-303, 309, 312-313, 318, 320-321, 324, 326, 429, 478, 627, 635, 640, 642, 830; war powers, 103-104, 109, 205, 248; Western European Union, 253, 656-657

- Congress of Industrial Organizations (CIO), 707, 710-711
- Connally, Tom, 64, 73-74, 84-86, 108-110, 114-115, 117, 128*n*, 141-142, 298, 339, 746
- Conolly, Adm. Richard L., 118-119, 234, 244, 640
- Consultative Council of Foreign Ministers. *See under* Western European Union.
- Corsica, 151
- Costa Rica, 219, 560
- Council of Europe: Assembly, 102; Belgian participation, 297, 418, 438; British participation, 297, 339-340, 347, 372, 418, 443, 652; Committee of Ministers, 102, 339, 346, 372, 418, 438; Consultative Assembly, 317, 347, 372, 438; Danish participation, 297; development of, 40-41, 45, 48, 60, 101, 306, 372, 465, 467; French participation, 297, 548, 652, 664; Irish participation, 292, 297; Italian participation, 144, 297, 349; Luxembourg participation, 297; meetings, 147, 418, 424, 441, 443; members, 297; Netherlands participation, 297; Norwegian participation, 297; President, 431; seat of, 102; statute, *May* 5, 297, 347; Swedish participation, 297; U.S. policy, 343, 470, 473, 483, 490, 664, 666; West German participation, question of, 490
- Council of Foreign Ministers (CFM): Austrian question, 473*n*; Germany, 473*n*; Italian colonies, disposition of former, 563; meeting at Paris, 306, 395*n*, 556*n*, 745*n*, 784*n*; Soviet position, 808; Trieste question, 508; union of British and Italian Somaliland, proposed, 576
- Couve de Murville, Maurice, 271, 320, 425
- Cripps, Sir Stafford, 59, 138, 165-166, 225, 326, 346, 369-371, 375-376, 380-381, 392, 394-395, 399-402, 411*n*, 416, 425, 430-432, 434*n*, 435, 437-438, 440-442, 451*n*, 456, 461-462, 464-466, 468*n*, 655, 659, 784, 786, 788, 790-793, 799-802, 805, 810, 820, 832-833, 839-840, 849, 852
- Cuba, 560
- Culbertson, Paul T., 727-730, 735*n*, 744*n*, 745-747, 750-753, 759-762, 763*n*, 766-771
- Cumming, Hugh S., 37
- Cyrenaica. *See under* Italian colonies, etc.
- Czechoslovakia, 292, 483, 498, 560, 619, 773
- Da Costa Leite, João Pinto, 401*n*, 714
- Dahomey, 676
- Dalla Chiesa, Enzo, 705, 708
- Dalton, Hugh, 41-42
- D'Andrea, Alfredo, 708
- Danville, Julio, 754
- D'Aragona, Ludovico, 704*n*, 705
- Daridan, Jean, 670-671
- de Faria, Antonio, 271, 714
- Defense, (U.S.) Department of (National Military Establishment), 9-10, 15, 111-112, 300, 314-315, 317, 324, 351, 450, 640, 661, 670, 725-726, 731, 830, 832
- De Gasperi, Alcide, 7-9, 23, 323-324, 329, 349-350, 509*n*, 511, 526, 550-551, 565, 566*n*
- De Gaulle, Charles, 288-289, 630-633
- De Margerie. *See* Jacquin de Margerie.
- Denfeld, Adm. Louis, 10-13, 95-97
- Denmark (*see also* Greenland and Scandinavia and *under* ECA, ERP, NATO, OEEC, Spain, and United Nations): British oil companies, activities of, 846; Communist Party, 619, 621; Export-Import Bank loan, 622; German refugees in Denmark and South Schleswig, consultations regarding disposition of, 624-625; Italian colonies, disposition of former, 560, 606; neutrality of, 619-620, 624; Northwest Atlantic fisheries convention, 614; strategic importance of, 619; Sweden, relations with, 3, 21, 25-26; trade with Poland and the Soviet Union, 623; U.S. arms, request for, 619-620, 624; U.S. export control program, 476*n*, 623; U.S. policy, 618-624
- Dennett, Raymond, 421
- Devinat, Paul, 633-634, 651-652
- Dickinson, Edward T., 402, 667
- Dimitrov, Gheorghe, 637
- Dominican Republic, 560, 613
- Don Juan, 754-756, 760, 767-771
- Donnelly, Col. C. H., 352
- Double taxation agreements, 703, 713
- Douglas, Lewis W.: British financial crisis, 784-790, 792-793, 795-797, 800, 802-805, 850-852; European Recovery Program, 391-394, 397*n*, 430-431, 433-434, 435-437, 443, 448*n*, 451-454, 465; Italian colonies, disposition of former, 554-556, 566-567, 569-571, 581-582, 603, 605, 607; meeting of U.S. ambassadors, 472, 474-475, 477-478, 482-485, 489, 491, 493; Trieste question, 509*n*; U.S. military assistance program, 110, 112, 136-139, 146, 163, 165-166, 179, 183-184, 195, 224-225, 229-233, 244-253, 258, 267-268, 295-296, 301-304, 310, 322, 635; Western European Union, 9, 59, 101-102, 106, 107*n*, 310-311, 342, 344, 348, 371
- Dowling, Walter C., 23, 253, 532
- Dulles, John Foster, 544-551, 556-557, 633, 738, 739*n*
- Dunham, William B., 731*n*, 735*n*, 753-754, 758*n*, 763-765

- Dunn, James Clement: Devaluation of the British pound, Italian reaction to, 842*n*; European Recovery Program, 434*n*, 437; Italian colonies, disposition of former, 550-562, 564-566; Italian relations with Yugoslavia, 503-504; labor movement in Italy, U.S. interest in the formation of a non-Communist, 704-705, 706*n*, 711; meetings of U.S. ambassadors, 472, 474-475, 488-489; North Atlantic Treaty Organization, 7-8, 18, 144, 323*n*, 329; Trieste question, 509*n*, 512*n*, 515-520, 524*n*; U.S. military assistance program, 303-304; Western European Union, 343-344, 349-350
- Economic Commission for Europe (ECE), 241, 444
- Economic Cooperation Act of 1948, 389, 412, 414, 419, 679, 836
- Economic Cooperation Administration (ECA) (*see also* ERP *and under* OEEC): Benelux, aid for, 238; Berlin, question of assistance for western sectors of, 487; British position in ECA program, 344, 369, 372, 411*n*, 745, 784-785, 790, 793, 795, 799, 802, 809, 813, 815-816, 819, 836, 839, 844, 852; counterpart funds, utilization of, 637, 640-641, 643-645, 647-653, 671-674, 678-680, 682-686, 688-689; Danish cooperation, 622, 624; economic objectives, 667, 807-808, 815; French policy, 642-643, 745; German problem, 470; Iceland, aid for, 693, 697-699, 701; Italian non-Communist labor movement, interest in, 710; meeting of European Mission Chiefs, Oct. 20, 426-429, 473; missions in individual countries, 56, 374, 644, 647-653, 667, 671*n*, 672-674, 676, 682, 685*n*, 688-689, 707, 715, 717, 806; Netherlands, aid for, 238, 259, 269; Office of the Special Representative in Europe (OSR), 15, 54, 112, 257, 373, 375-376, 380*n*, 387*n*, 388*n*, 397, 402, 404, 407-408, 411-412, 428, 440, 445-447, 456-458, 468*n*, 638-639, 641, 651, 674, 677, 686, 841, 844; overseas territories, questions regarding ECA assistance for, 672-673, 675-677, 686-688, 716-717; Portugal, aid for, 238*n*; 714-715; U.S. export control program, 482; U.S. military assistance program, coordination of ECA program with, 112, 147, 225, 295, 300, 367-368, 661, 667
- Ecuador, 560
- Eden, Anthony, 841*n*
- Egypt, 14, 392, 417, 529-531, 533, 545, 560, 831
- Eisenhower, Gen. of the Army Dwight D., 294
- El Salvador, 560
- Ely, Gen. Paul R., 670-671
- Erhardt, John G., 464
- Eritrea. *See under* Italian colonies, etc.
- Erkin, Feridun C., 117-120, 234-235, 359-360
- Ethiopia. *See under* Italian colonies, etc. Eritrea *and* Italian Somaliland.
- European Recovery Program (ERP, Marshall Plan) (*see also* ECA *and* OEEC): Benelux attitude toward, 238; bilateral agreements, 380, 385, 454, 778; British role, 137, 367, 369*n*, 372, 390, 410, 435, 784, 795; Communist opposition to, 669; counterpart funds, utilization of, 628, 637-638; Danish participation, 624; French participation, 627-628, 663, 688-689; Iceland, assistance to, 696, 698-699; Irish attitude, 292; Italian participation, 367; Norwegian role, 70; offshore procurement, 207, 397, 826; Portuguese attitude, 715, 718; rearmament of Western Europe, coordination of plans concerning, 14-17, 49-50, 54-57, 106, 149-150, 195, 257-258, 267-268, 367-368; Soviet opposition to, 52, 390, 439; Spanish participation, question of, 722, 728, 732, 734, 737, 759, 762, 765; Swedish attitude, 777-779; Trieste, assistance to Anglo-American zone of, 505; U.S. policy, 78, 240-241, 251-252, 259-260, 268, 297, 299, 339, 362, 365, 374-376, 388, 390-391, 398, 414, 426, 471, 478, 489, 491-492, 544, 627, 647, 656, 677, 772, 783-784, 789, 797, 827, 832, 849
- Evatt, Herbert, 734*n*
- Export-Import Bank of Washington, 622, 730, 735-736, 744-746, 750, 762-766
- Fales, Herbert P., 90
- Fanfani, Amatori, 708
- Far East, 256, 474, 480, 489, 494, 806, 831-832
- Faravelli, Giuseppe, 705
- Faroe Islands, defense and security of, 21, 25, 69, 194
- Faure, Edgar, 643
- Federal Republic of Germany (West Germany): Allied High Commission, 454, 486, 488; Berlin, relationship to, 486-487; British policy, 487, 660; coal exports, pricing of, 475, 662-664, 843; decartelization program, 454; devaluation of the German mark, 338, 475, 662-664, 843; discrimination problem, 473; dismantling problem, 473, 487-488, 490, 660; dumping problem, 473; economic policies, 659; establishment of, 485-486; French policy, 470, 472, 487-488, 662-664, 843; Government, 486; Social Democrats, 487; Soviet atomic bomb explosion, reaction to, 475; U.S. policy, 469-471, 487-488

- Federal Reserve Bank, 858  
 Federal Reserve Board, 373n  
 Federal Reserve system, 832  
 Fezzan. *See under* Italian colonies, etc.  
 Figueiredo, José Duarte, 271  
 Finland, 36, 63, 89, 98, 122, 774-775  
 Finletter, Thomas K., 56, 59, 258, 370, 390-391  
 Flückiger, Col. Hermann, 499, 505  
 Foley, Edward H., 803, 845, 847  
 Foreign Assistance Act, 376  
 Foreign Assistance Correlation Committee (FACC), 16, 110, 184, 195-197, 257, 295, 301, 304-305, 341, 639, 667-668, 748-749  
 Foreign Assistance Steering Committee (FASC), 14n, 16, 54, 112, 247, 301, 304-305  
 Forrestal, James V., 10, 14, 16, 37, 39n, 49, 95, 100, 112-113, 161, 636  
 Forslev, Maj. Gen. C. C. J., 206  
 Foster, William C., 349, 385-387, 389, 408, 450-451, 464, 651n, 653, 661, 673-674, 682-686, 688n, 806n, 845, 847  
 France (*see also* French subheadings under individual countries and subjects):  
   Agreements with the United States: Maritime claims and litigation, *Mar. 14*, 691; settlement of certain financial claims and accounts, *Mar. 14*, 691  
   *Confédération Française des Travailleurs Chrétiens* (CFTC), 668  
   *Confédération Générale des Cadres* (CGC), 668  
   *Confédération Générale du Travail* (CGT), 479, 668  
   Council of the Republic, 107, 318, 320  
   Devaluation of the French franc (1948), 842, 848  
   Economic and commercial negotiations with Belgium, Italy, and the Netherlands, 656-658, 666, 680  
   Economic and financial stabilization programs, 480, 627-652 *passim*, 661-663, 668, 678-680, 682-686  
   Economic Cooperation Administration program for imports for French West Africa, 672-673, 675-677, 686-688  
   Elections, 634-635  
   Exchange convertibility with Italy and Benelux, 349, 419, 423, 490-491  
   *Force Ouvrière* (FO), 668-669  
   Germany, policy toward, 109, 253, 266, 339, 345, 487, 490, 659-660, 664-665  
   Italy, customs union with, 253, 349, 458, 548  
   National Assembly, 107, 147, 320, 479, 626, 628, 636, 646, 651, 667  
   Northwest Atlantic fisheries convention, 614  
   France—Continued  
   Political parties: Communists, 303, 479-480, 627, 633-634, 636-637, 665, 668-669, 689-691, 722, 814; Gaullists, 665; Independents, 646; *Mouvement Républicain Populaire* (MRP), 632; Radical Socialists, 632; *Rassemblement du Peuple Français* (RPF), 632; Socialists, 632, 634  
   Political situation, 415, 630-637, 646, 661-662, 665, 668-669, 671n, 672, 689-691  
   Soviet policy, 627, 635-637  
   Swiss loan, 678  
   Trade policies, 655  
   United Kingdom, policy toward, 475  
   United States: Export control program, 350, 476, 480, 482; loan, 632, 638-639, policy toward, 338-339, 345, 663-666; stockpiling program, French interest in, 655  
 Franco, Francisco, 721-770 *passim*  
 Franco, Nicolas, 254-255, 747  
 François-Poncet, André, 488, 662  
 Franks, Sir Oliver S., 29-33, 77-79, 84, 87, 114-115, 127, 130-132, 151-178 *passim*, 185-187, 189-191, 210, 215-218, 220-222, 271, 285, 325, 346, 360-362, 365, 435, 441, 447, 528-531, 538, 593n, 596-602, 604, 758, 797, 832  
 French Guinea, 676  
 French Indochina, 296, 480, 494-496, 571, 626, 644-645, 660, 669, 683, 689-690  
 French Morocco, 541, 676, 691  
 French Niger, 676  
 French North Africa, 569-571, 574, 581, 584, 676  
 French Sudan, 676  
 French Union, 495-496  
 French West Africa, 672-673, 675-677, 686-688  
 Gaither, Brig. Ridgely, 502  
 Galloway, William J., 271, 315, 451, 681-682  
 Garrett, George A., 15n  
 General Agreement on Tariffs and Trade (GATT), conference at Annecy, 391n, 623  
 George, Walter F., 128, 141, 162  
 German Democratic Republic (East Germany), 343, 475, 477, 486, 488-489, 690  
 Germany (*see also* Berlin, Berlin blockade, etc., Federal Republic of Germany, and German Democratic Republic): Anglo-American zones of occupation (Bizonia), 659; British policy, 290, 345; division of, 473; French policy, 109, 253, 266, 339, 345, 487, 490, 659-660; French zone of occupation, 624; Soviet policy, 262, 489, 690, 773; Soviet zone of occupation, 199, 778; U.S. policy, 109, 202, 345, 473, 507; unity of, 486-487, 489

- Gibraltar, 32  
 Glendinning, C. Dillon, 781  
 Gomez, Trifon, 740-742, 767  
 Gordon, Lincoln, 408, 426, 428-429  
 Gorizia, Yugoslav claim to, 508, 522-523  
 Grant, Col. Walter, 294  
 Greece (*see also under* NATO, OEEC, and Western European Union):  
   British military forces in, 162;  
   British policy, 557; civil war, 473, 476; Italian colonies, disposition of former, 560; security of, U.S. policy regarding, 13, 24, 27, 46, 103, 175-178, 209-210, 233, 235-236, 244, 270-271, 529; Soviet pressure on, 94, 235, 270, 477, 499; United Nations Special Committee on the Balkans (UNSCOB), 477; U.S. economic and military assistance, 117*n*, 207, 234, 297-299, 478, 831; U.S. military forces in, 162; Yugoslav policy, 512*n*  
 Greene, Joseph N., 504, 507-508, 519-522, 568  
 Greenland: Danish sovereignty over, 621-622; defense and security of, 21, 25-26, 69, 77, 82, 84, 88, 97-100, 109, 128, 194, 200-201, 205, 211, 621-622; purchase by the United States, question of, 621; strategic importance of, 313, 618, 621; U.S. military base rights and facilities, 98, 101, 200-201, 211-212, 621  
 Gronchi, Giovanni, 705  
 Gros, André, 681  
 Gross, Ernest A., 16, 48-50, 58-59, 71, 102*n*, 105, 174, 194, 198-199, 206-210, 212-213, 236-237, 245*n*, 271, 626, 725, 820*n*  
 Grotewohl, Otto, 690  
 Gruber, Karl, 464  
 Gruenther, Maj. Gen. Alfred M., 121, 255, 301, 319, 670  
 Guatemala, 560, 608  
 Guidotti, Gastone, 271, 337, 518, 546  
 Guindey, Guillaume, 654  
 Gunneng, Arne, 69  
 Gutt, Camille, 382, 397-398, 424, 656-657  
 Haile Selassie I, 575, 587-588, 594, 596, 603  
 Haiti, 559-560  
 Halaby, N. E., 356-358  
 Hall, Robert, 781  
 Hall, William O., 121  
 Hall-Patch, Sir Edmund L., 410, 431-432, 453  
 Hare, Raymond A., 554  
 Harmony, Col. John W., 319  
 Harriman, W. Averell: British financial crisis, 786*n*, 791-793, 795, 797*n*, 799, 802, 805, 843; European Recovery Program, 367-408 *passim*, 415-467 *passim*, 641-642, 645, 654, 658-659, 673, 677-678, 680, 714-719; meeting of U.S. ambassadors, 472, 474, 478-479, 481-483, 489-491, 493-494; North Atlantic Treaty Organization, 350; U.S. military assistance program, 14-16, 56, 59, 106, 113, 136-139, 146, 148-150, 183, 185-186, 184, 225, 233, 244-249, 258, 266-267, 296, 301-304, 310, 342, 634  
 Harvey, Sir Oliver Charles, 442, 842  
 Hebard, William B., 781  
 Hedtoft, Hans Christian, 63, 140-141  
 Henderson, Alexander I., 16  
 Henderson, J. N., 271  
 Hensel, H. Struve, 506  
 Hickerson, John D., 1-3, 23-25, 39*n*, 40*n*, 48*n*, 66, 68-69, 72, 79, 84, 90-91, 102*n*, 113, 120-121, 134-135, 154, 157-158, 167, 173-174, 176-177, 188, 193, 198-205, 210, 221-222, 225-229, 236, 253-255, 271, 291, 504-507, 630, 721, 725, 730-735  
 Hiiss, Abdulla, 583  
 Hirschfeld, H. M., 410-411  
 Ho Chi Minh, 495  
 Hoffman, Paul G., 14, 16, 257, 301, 304, 342, 350, 367-369, 373-374, 377-380, 383-385, 395-397, 400-401, 407-409, 412-418, 421, 425-429, 436-469 *passim*, 637-643, 647-650, 654-660, 671-673, 675-678, 686, 688, 791, 795-796, 803, 826*n*, 882  
 Hoge, Maj. Gen. William M., 507*n*, 513-514  
 Holmes, Julius C., 9, 44-45, 56, 244, 304-306, 339-342, 360, 364-365, 429, 463-464, 526-528, 610-611, 663, 665, 705*n*, 839-843  
 Honduras, 560  
 Hong Kong, 806, 831  
 Hoyer-Millar, Sir Frederic. *See* Millar, Sir Frederic Hoyer.  
 Huebner, Lt. Gen. C. R., 244, 247-248, 301-304  
 Hulley, Benjamin M., 1, 24, 27*n*, 69, 88-89, 102*n*, 135*n*, 193, 198, 202-203, 210, 225, 236  
 Humelsine, Carlisle H., 177-178, 820*n*  
 Huse, Robert, 639, 647, 688  
 Hvass, Frants, 193, 198, 206, 210, 271  
 Iceland (*see also under* NATO, OEEC, and Spain):  
   Communist *coup d'état*, threat of, 313-315  
   Communist party, 695-696, 698, 700-701  
   ECA and ERP assistance, question of, 693, 696-699, 701  
   Economic situation, 696-697  
   Foreign troops or military bases during peacetime, opposition to, 314, 695  
 ICAO assistance, 700  
 Italian colonies, disposition of former, 560

## Iceland—Continued

- Northwest Atlantic fisheries convention, 614
- Strategic position of, 228, 313, 693-694, 697
- Trade relations with: Czechoslovakia, Germany, and the United Kingdom, 697; Italy, 699; Soviet Union, 698; Spain, 697-699
- U.S. air base facilities at Keflavik airfield, 228, 693-696, 700-701
- U.S. policy, 693-702
- India, 290, 417, 495, 528, 560, 586, 589-591, 597, 606, 717, 726, 784, 806, 809, 811, 814, 850
- Indonesian question, 163, 165-166, 178-179, 224, 230, 238, 246, 251-252, 259-261, 267-269, 296, 549-550
- Inönü, Ismet, 118-119
- Inter-American Defence Board, 219
- Inter-American system, 169
- International Authority for the Ruhr, 488
- International Bank for Reconstruction and Development, 802-803, 828
- International Civil Aviation Organization (ICAO), 700, 776
- International Confederation of Free Trade Unions, 770
- International Monetary Fund, 344, 379, 382-383, 387, 397-398, 469, 490, 623, 656-657, 777, 782-784, 792, 802-803, 823, 827-829, 844
- International Refugee Organization, 776
- International Trade Organization, 381, 387, 469, 777; Charter, 375, 445, 454, 460-461, 623, 778, 834
- Inverchapel, Lord Archibald Clark-Kerr, 433
- Iran: Italian colonies, disposition of former, 560, 606; security of, U.S. declaration regarding, 175-178, 209-210, 233, 235-236, 244, 270-271; Soviet pressure on, 65, 94, 210, 233, 235-236, 270
- Iraq, 529, 560, 586, 589-591, 613, 831
- Ireland (*see also* under ERP, NATO, OEEC, and Western European Union): Double taxation convention with the United States, *Sept. 13*, 703; partition question, 15, 90-91, 292-293
- Israel (*see also* Palestine question), 560
- Italian colonies, disposition of former:
  - Argentine policy, 589
  - Asiatic bloc, policy of, 558-559, 561, 573, 584, 587, 606
  - Bevin-Sforza agreement, 552-554, 559-560, 567*n*
  - British policy, 476, 489, 526, 528, 539, 542-543, 551-552, 554-556, 559-560, 565, 569, 580-593, 596, 604-607, 613, 806

## Italian colonies, etc.—Continued

- Cyrenaica: Arab position, 541, 558, 587; British military bases in, 529, 547, 564, 573, 598, 602, 609; British policy, 526, 554, 556-557, 562, 564-565, 581-582, 584, 605-607, 610; British trusteeship, proposed, 529-537, 540, 542-543, 547, 550-552, 558-559, 563, 573, 580; French policy, 523; independence, proposed, 541, 554, 556*n*, 557, 565, 580, 584, 605-607, 610; Italian policy, 540, 547, 562, 569, 580, 584, 610; U.S. policy, 531-532, 534, 536, 540, 551-552, 556-557, 559, 562-563, 579, 585, 593
- Eritrea: British policy, 527-528, 565, 575, 582, 587, 596-597, 599-604, 610-611; cession of Western province to Anglo-Egyptian Sudan, proposed, 542-543, 553, 563, 568, 575, 577, 582, 585, 596-597, 602; Egyptian policy, 575; Ethiopia, proposed cession to, 527-528, 534, 539-540, 542-543, 547-548, 551-553, 560, 563-565, 568, 574-612 *passim*; French policy, 527; independence, proposed, 580, 582, 584-587, 590-591, 594-595, 602-603; Italian policy, 527-528, 539, 547-548, 558, 579-580, 584, 587, 591, 595, 610-611; multiple trusteeship, proposed, 539, 547; Soviet policy, 586, 591; United Nations Commission of Inquiry, 597, 599-601, 603, 606, 608, 613; United Nations trusteeship, proposed, 586, 590-591; U.S. military facilities in, 574-575, 578; U.S. policy, 532, 540, 553, 558, 563, 568, 574-575, 577, 584-587, 594, 596, 600-603, 606, 608
- Fezzan, proposed French trusteeship for, 526, 530-531, 533-534, 536, 540, 543, 547, 550-551, 553, 563-564, 567, 569, 573-574, 580-581, 585, 605
- Four Power Commission (1948), 583
- French position, 526, 533, 539, 558-560, 565, 580-581, 613
- Indian interest, 542, 586, 589-591, 597, 606
- Iraqi interest, 542, 560, 586, 589-591, 598
- Italian position, 539-542, 546-551, 558, 560, 564-565, 568-569, 579-581, 593-595
- Italian Somaliland: Advisory Council, 608; British policy, 526, 556, 575-578, 582, 604, 611-612; British trusteeship, proposed, 578-579, 582; Colombian role, 608; Egyptian policy, 606, 608; Ethiopia, proposed cession to, 548,

## Italian colonies, etc.—Continued

## Italian Somaliland—Continued

588, 612; French policy, 526, 545; Greater Somaliland, proposed, 556, 575–576, 578, 584; independence, proposed, 564, 585–586, 591, 608; Italian trusteeship, proposed, 527, 534, 539–540, 542–543, 545, 551–553, 558, 560*n*, 563–564, 568, 575–579, 582–585, 587–589, 591–592, 594, 603, 606, 608, 611–612; Philippine policy, 608; political situation, 582–583; Soviet policy, 586; trusteeship agreement, 613; United Nations General Assembly resolution concerning, 608, 611–613; United Nations trusteeship, proposed, 534, 542, 578–579, 586; U.S. policy, 532, 534, 540, 553, 558, 563, 568, 575–579, 584–586, 592, 594, 602, 612–613

Latin American position, 542, 558–560, 565, 570, 581, 588, 591–592, 594–595, 600, 603, 606

Liberian position, 589, 591

Libya (*see also* Italian colonies: Cyrenaica, Fezzan, etc., and Tripolitania): Advisory Council, proposed, 568, 574, 577, 579, 585, 590, 593, 607, 610; Arab position, 545, 563, 573, 591–592, 606; British position, 474, 485, 531, 533–534, 536–537, 544–546, 558, 563, 566–573, 576–577, 581, 593, 598–599, 602, 604–607; Egyptian position, 533, 535–536, 558, 563, 568, 573–574, 576–577, 607; foreign troops and bases, Soviet proposal for withdrawal of, 590; French policy, 533–534, 536, 558, 563, 568–571, 573–574, 576–577, 607, 609–610; independence, proposed, 474, 529, 534, 537, 540–543, 545, 551–553, 559–593 *passim*, 607–608; Italian policy, 533–534, 541–542, 550, 568, 577, 580*n*, 584, 607, 609–610; multiple trusteeship, proposed, 531, 533–534, 536–537, 546, 558–559; Pakistani policy, 607; Soviet policy, 570, 573, 586, 589–590; strategic importance of, 570, 572–574, 577; United Nations Commission, proposed, 599–600; United Nations Commissioner for, 607–608, 610; United Nations General Assembly considerations, 474, 485, 526, 533–534, 542, 551, 564, 567, 569–570, 572–574, 577, 585, 589, 593, 605–609; United Nations trusteeship, proposed, 593; U.S. policy, 532–534, 536–538, 540–541, 551–553, 558, 561, 563–564, 568, 572–574, 576–577, 579, 585–586, 592–595, 598–603, 605, 607, 609–610; U.S. trusteeship, proposed, 534

## Italian colonies, etc.—Continued

## Pakistani proposals, 586

Soviet position, 542, 559–561, 589, 605, 734

Tripolitania: Advisory Council, proposed, 553, 563, 581, 584; Arab position, 541, 553; British administration, 534, 536, 553, 563, 582, 605; British policy, 526–530, 533, 537, 550, 556, 567, 584, 605; Egyptian interest, 529–531, 553, 563; French policy, 526–527, 529–531, 545, 553, 563; independence, proposed, 533, 541, 580, 584, 609; Iraqi interest, 529; Italian trusteeship, proposed, 526–585 *passim*, 606, 610; Lebanese interest, 529; multiple trusteeship, proposed, 530–531, 533, 536, 553; Pakistani interest, 529; Soviet policy, 530, 533; United Nations General Assembly considerations, 527, 529, 540, 584–585; United Nations trusteeship, proposed, 530; U.S. air base facilities at Wheelus Field, 529, 564, 573, 609; U.S. policy, 527, 534, 541, 549–551, 553–554, 558, 563, 565, 579, 584–585, 593; U.S. trusteeship, proposed, 529–530, 532–533, 537, 541, 556; Uruguayan proposal, 553–554

United Nations General Assembly considerations, 539–613 *passim*, 806

U.S. policy, 474, 528, 534–585 *passim*, 591–608

Italy (*see also* Italian colonies, etc., and Italian subheadings under individual countries and subjects):

*Confederazione Generale Italiana del Lavoro* (CGIL), 704*n*, 705*n*, 708–710

Council of Ministers, 593

Customs Union with France, 253, 349, 458, 548

Devaluation of the Italian lira, 476

Economic and commercial negotiations with Belgium, France, and the Netherlands, 656–658, 666, 680

Exchange convertibility with France and Benelux, 349, 419, 423, 490–491

*Federazione Italiana del Lavoro* (FIL), 708–711

Government, 8–9, 18, 23, 29–30, 32, 39, 41, 43, 48, 125–126, 144–145, 155–156, 173, 253, 323, 346, 349, 475–476, 488, 497, 501, 503, 511, 514–516, 519–522, 524, 526–529, 540, 542, 546–547, 549–550, 558, 565–566, 569, 575–576, 578–580, 594, 600, 610

Greece, relations with, 476

Labor movement in, U.S. interest in the formation of a unified non-Communist, 704–711

## Italy—Continued

- Libera Confederazione Generale Italiana dei Lavoratori* (LCGIL), 704n, 708-711
- Northwest Atlantic fisheries convention, 614
- Peace treaty, implementation or revision of, 18, 24, 30-31, 41, 43, 133, 142-143, 156, 222, 319, 497, 504-507, 510, 512n, 514-516, 520, 523, 548, 555-556, 562-563, 567, 581, 607
- Political parties: Christian Democrats, 708-710; Communists, 254, 303, 476, 637, 704n, 707, 709, 814; Nenni Socialists (*see* PSI); *Partito Socialista dei Lavoratori* (PSLI) (Saragat Socialists), 704-705, 708-710; *Partito Socialista Italiano* (PSI) (Nenni Socialists), 167, 704, 708-709; Republicans, 704n, 708, 710-711; Saragat Socialists (*see* PSLI); Socialists (*see* PSI and PSLI)
- Soviet atom bomb explosion, reaction to, 475
- Strategic importance of, 13, 143-144
- Supreme Council of Defense, 323n
- U.S. export control program, 350, 476, 480n, 482
- U.S. policy, 144-145
- Yugoslavia: Fisheries convention with, Apr. 13, 503-504, 517; naval agreement with, 504; policy toward Italy, 253, 475-476; relations with, 503-504; trade agreement with, 476, 504, 516-518
- Ivory Coast, 676

- Jacquin de Margerie, Roland, 566
- Japan, 455, 477
- Japanese peace treaty, 477
- Jebb, Sir Hubert Miles Gladwyn, 44-45, 48, 183, 271, 289-291, 325, 326n, 365, 758
- Jellicoe, Earl George Patrick John Rushworth, 504, 507, 508n, 521n
- Jernegan, John D., 117-118, 120, 209-210, 234n, 359
- Jessup, Philip C., 265, 267, 269, 325, 423n, 425-426, 588-589, 594-602, 605, 738, 758, 820n
- Jester, Perry N., 672
- Johnson, Louis A., 301, 304, 308, 322-323, 357-358, 362-364, 640n
- Joint Chiefs of Staff (JCS): French desire to be included on the Combined Chiefs of Staff, 294; North Atlantic Treaty Organization, 10-13, 40, 120-121, 315-317, 319, 322-323, 325-328; Scandinavian defense pact, military and security implications of, 95-101; Tripolitania, strategic importance of, 529; U.S. military assistance program, 37, 39n, 668; U.S. military base rights, 37-38,

- Joint Chiefs of Staff (JCS)—Continued 39n; U.S. representative on the Military Committee on the Western European Union, 110
- Jones, Edgar, 781
- Jones, George L., 554
- Jonsson, Emil, 202-203, 205-206, 225, 236
- Jonsson, Eysteinn, 202-203, 225, 227-229, 236
- Joyce, Robert P., 472, 494, 504, 506
- Judd, Walter H., 500n
- Juin, Gen. Alphonse, 108, 121
- Kardelj, Edvard, 521n
- Katz, Milton, 257-258, 375, 395n, 408-412, 464-467, 468n, 677
- Kauffmann, Henrik de, 1n, 17, 88, 134, 140, 157, 193, 198, 200-201, 206, 208, 210, 271, 285, 625
- Kennan, George F., 289, 301, 725-726, 820, 830, 847n
- Kenney, W. John, 443, 450, 454, 460-462, 464, 843-844
- Kenya, 578
- Kibler, Maj. Gen. A. Franklin, 57, 322
- Kirk, Adm. Alan G., 13-14, 40-41, 43-44, 60, 64, 124, 165-166, 225, 233, 238, 258, 343-344, 369n, 423, 437, 472, 476-478, 481-482, 489, 635
- Kjoelsen, Commodore Frits Aage Hammer, 206, 209
- Kohler, Foy D., 26n, 51-53, 65-66, 235-236, 499-500
- Kopper, Samuel K. G., 554
- Korea: Defense of South Korea, U.S. responsibility for, 24, 27, 46; Soviet policy, 235
- Kurds, 235
- Labor, (U.S.) Department of, 832
- Labouisse, Henry R., Jr., 48n, 380-381, 397n, 439, 845-847
- Lacoste, Robert, 650
- Landon, Maj. Gen. Truman H., 301
- Lane, Thomas A., 704-705
- Lange, Halvard Manthey, 7, 35-36, 51, 60-62, 65-73, 76-77, 79, 83, 91, 94, 102, 104-105, 109, 121-146 *passim*, 157, 271, 275-276, 280, 285, 464, 467, 723
- Latin America. *See* American Republics and under Italian colonies, etc., and Spain.
- League of Nations, 620
- Leahy, Fleet Admiral William D., 38
- Lebanon, 529, 560
- Le Gallais, Hugues, 30, 34, 80-81, 127, 151, 155, 158-160, 186, 190, 217, 221, 271, 285
- Lemnitzer, Maj. Gen. Lyman L., 16, 105, 206, 212
- Lend-Lease, 361
- Lenin, Vladimir Ilyich, 690
- Leopold III, King of the Belgians, 412, 431-432, 436
- Le Rougetel, Sir John H., 210, 233



- Liberia, 560, 589, 591  
 Libya. *See under* Italian colonies, etc.  
 Lie, Trygve, 511*n*, 514, 592  
 Lippmann, Walter, 104  
 Lodge, Henry Cabot, 142  
 Lombardo, Ivan Matteo, 704*n*, 705, 709  
 Longman, Tremper, 460  
 Loridan, Walter, 40-41, 43, 60, 271  
 Lovett, Robert A., 4-40 *passim*, 48, 141, 369, 526, 704  
 Luciolli, Mario, 271, 319, 579-581  
 Luxembourg (*see also* Benelux and under NATO, OEEC, Spain, and Western European Union), 560  
  
 Macao, 720  
 MacArthur, Douglas, 2*d*, 356-358, 423, 426*n*, 473, 494, 681, 758*n*  
 MacBride, Seán, 15*n*, 292-293, 441, 464  
 MacVeagh, Lincoln, 19-20, 179-182, 237-239, 242-243, 254-255, 714-715, 754  
 Maddox, Maj. Gen. Ray T., 255  
 Makiedo, Sergiye, 514, 515*n*  
 Makins, Sir Roger M., 57, 138, 325, 369  
 Malaya, 246, 811, 831  
 Mallaby, Howard G. C., 367  
 Mallet, Sir Victor Alexander Louis, 507*n*, 508, 562, 565  
 Malta, 32, 853  
 Mangano, Philip A., 504  
 Manzini, Raimondo, 532  
 Marjolin, Robert E., 422-423, 432, 453, 456, 463, 658  
 Marras, Gen. Efisio Luigi, 319, 346  
 Marsal, Conde de, 763-765  
 Marshall, George C., 9, 15*n*, 70, 72, 108, 117, 139, 141, 294, 306, 372, 433, 435, 727, 730, 732, 734  
 Martin, Edwin M., 351, 849*n*  
 Martin, William McC., 781, 783, 796, 806*n*  
 Martino, Enrico, 517  
 Marvel, Josiah, 6, 17, 20-22, 46-47, 139-140, 200  
 Massigli, René, 340, 474, 842-843  
 Mates, Leo, 508-509, 521  
 Matthews, H. Freeman, 5, 25-27, 36-37, 63, 463  
 Mauretania, 676  
 Mayer, René, 672  
 McCarran, Patrick A., 761  
 McCloy, John J., 343-344, 350, 434*n*, 437, 447-448, 454, 459*n*, 473-475, 485-488, 494, 659, 663, 665  
 McCormack, John W., 298  
 McCullough, James A., 383, 781, 784  
 McGhee, George C., 325, 596-600, 604, 609*n*  
 McNeil, Hector, 447, 544, 546, 556, 596-608  
 Meade, C. A. Gerald, 531-534, 536, 538  
 Mediterranean (*see also under* NATO):  
   Pact, proposed, 117, 119-120, 125, 142, 234, 517; security of, question of, 13-14, 30, 43, 142  
   Meeting of U.S. ambassadors in Europe at Paris, Oct. 21-22, 469-496  
 Meisdalshagen, Olav, 401*n*  
 Merrell, George R., 582-583  
 Mesta, Perle, 463  
 Mexico, 560  
 Military assistance program (U.S.) for countries participating in NATO and Western European Union: Belgian role, 148, 251-252, 267-268; bilateral agreements, 351-352, 360-362, 364-365, 668, 671; British role, 136-139, 146-147, 163, 165-166, 224-225, 229-232, 247, 251-252, 268, 295-296, 360-362, 364-365; Brussels Pact Foreign Ministers meeting at London and request for U.S. military assistance, 183, 195, 224-225, 229-233, 245-248, 285-288; Canadian role, 138, 311-313; Danish role, 206-208, 212-213, 288, 362; development of, 1, 16-17, 37-39, 48-50, 54-59, 71, 100, 103-104, 106, 110-113, 136-139, 148, 194, 206-209, 231-232, 240-241, 245-253, 257-261, 267-269, 287-288, 294-307, 309-310, 323, 339, 341-342, 351-352, 389, 427, 473, 478, 490, 494, 634, 660-661, 748-749, 816, 820*n*, 831; equality of treatment principle, 246, 251-253; European Correlation Committee, 244-250, 301-306, 310-311, 341-342; French role, 146-150, 230, 232, 251-252, 266, 288-289, 294-296, 318*n*, 320-321, 362, 626-629, 634-635, 639-642, 660-661, 667-668, 748; Italy, negotiations with, 249, 288, 341, 362; Luxembourg role, 148, 251-252; mutual aid principle, 231-232, 241, 249, 286-287, 300, 360, 362, 626, 667, 671; Netherlands role, 148, 163, 165-166, 178-179, 194-195, 224, 230, 246, 251-253, 258-261, 267-269; Norwegian role, 208, 249, 288, 362, 774; OEEC relationship, 248, 389; Portuguese role, 249*n*; reciprocal aid principle, 138-139, 147, 149, 230-232, 249, 251; Spain, noninclusion of, 734, 748-749, 762  
 Millar, Sir Frederic Hoyer, 32, 79-80, 187, 214*n*, 245*n*, 271, 290, 346-348, 504, 790*n*  
 Millard, Hugh, 303-304, 399-400, 411-412, 415-416, 423, 431-433, 437-438, 454, 842*n*  
 Mitterand, François, 633  
 Moch, Jules, 672  
 Moens de Fernig, 409  
 Molotov, Vyacheslav Mikhailovich, 435  
 Mondello, Mario, 271  
 Monnet, Jean, 444*n*, 463, 643-644, 648  
 Montana, Vanni, 706  
 Montgomery, Field Marshal the Viscount Bernard Law, 64, 165  
 Moose, James S., 531-532, 596-602  
 Moreland, William Dawson, 673  
 Moreno, Andreas, 744

- Morgenstierne, Wilhelm Munthe de, 24-25, 61-62, 66, 69, 123, 135, 151, 158, 160-163, 167, 174, 217, 220-222, 271, 285
- Morocco. *See* French Morocco.
- Morrison, Herbert S., 138, 400, 852
- Mozambique, 717
- Munitions Board, 113
- Murphy, Robert D., 265, 453-456, 462-464, 467*n*, 468*n*
- Mutual Defense Assistance Act of 1949 (MDAP), 341, 351, 360-362, 366
- Myrdal, Gunnar, 848
- National Advisory Council on International Monetary and Financial Problems, 195, 379, 382, 398, 419-421, 637-638, 649-650, 682, 684-685, 718, 744, 797
- National Military Establishment. *See* Defense, (U.S.) Department of.
- National Security Council: Italian colonies, disposition of former, 529, 563-564, 571-579; Italy, U.S. policy toward, 143; North Atlantic Treaty Organization, 10, 95, 98, 324; Southeast Asia, U.S. policy toward, 496; Spain, U.S. policy toward, 731; strategic importance of Greenland, Iceland, and the Azores, 313; U.S. and North Atlantic security interests in Iceland, 313-315; U.S. base negotiations with Denmark and Norway, 98-99; U.S. representation on the Military Committee of Western European Union, 110
- Near and Middle East, 244, 256, 270, 290, 340, 831-832
- Nenni, Pietro, 523, 708
- Nerva, Marques de, 763, 766
- Netherlands (*see also* Indonesian question and under ECA, NATO, OEEC, Spain, and Western European Union):
- Agreements with the United States: Relief supplies and packages for the Netherlands, *Jan. 17*, 712; U.S. Educational Foundation in the Netherlands, *May 17*, 712
  - Economic and commercial negotiations with Belgium, France, and Italy, 656-658, 680
  - Economic Cooperation Administration aid, 238, 259
  - Italian colonies, disposition of former, 561
  - U.S. export control program, 476*n*, 480*n*
  - U.S. policy, 549-550
- Netherlands East Indies. *See* Indonesian question.
- New Zealand, 560, 724
- Newfoundland, 614
- Nicaragua, 219, 560
- Nicholson, Kenneth J., 653
- Nielsen, Sivert A., 69, 271
- Nitze, Paul H., 15-17, 48*n*, 54-59, 626, 806*n*, 820*n*
- Nolting, Frederick E., 258
- Norstad, Gen. Lauris, 255-256
- North Africa (*see also* NATO: Algeria, etc.), 565-566, 576
- North Atlantic Treaty Organization (NATO) (*see also* Military Assistance Program, etc.):
- Algeria, question regarding inclusion of, 5, 14, 27-28, 32-33, 77, 86-87, 107, 114, 129, 131, 151, 283
  - Belgian role, 1*n*, 4, 13-14, 30-32, 34, 41*n*, 43-44, 55, 81, 83-84, 87, 124, 127-129, 133-134, 141, 151, 155, 158-159, 167, 186, 190-192, 217, 220-221, 233, 242, 261, 271, 275-276, 279-280, 284, 329, 335-336, 350, 357, 412
  - Benelux role, 4, 238, 268, 291
  - British role, 1*n*, 4-5, 29-33, 39, 42, 44, 52, 77-80, 84, 87, 120, 122, 127, 130, 132-133, 141, 151, 153-154, 157-159, 162, 167, 170-173, 175, 185-187, 189, 191, 198, 202, 209-210, 215-218, 221-222, 233, 242, 256-257, 261-264, 271, 273-275, 278, 280, 284-285, 290-291, 315, 319, 322, 324-326, 328-330, 334-336, 345, 347, 357, 359-362, 537, 791
  - Brussels Pact countries, participation by the, 1, 29, 40-41, 81, 100, 145, 324, 358
  - Canadian role, 1, 4, 14, 30, 32-34, 77, 80-81, 84-87, 126-127, 133, 141, 145, 151, 153-155, 157-162, 167, 169-174, 186-187, 190, 192, 216-217, 220-224, 233, 257, 261, 266, 268, 271, 278, 284, 291, 302, 311-312, 315-317, 329, 335-336, 350
  - Communist opposition to, 669
  - Council, 256, 266, 268, 272-273, 283, 291, 317, 321, 324, 326, 330-332, 337, 351-352, 363-366
  - Danish participation, question of, 1-3, 5-7, 13, 15*n*, 17, 21-22, 25-27, 30-31, 34-36, 46-47, 51, 61, 63, 66, 71-72, 74-78, 80-84, 96-98, 100-101, 109, 122, 127-128, 134, 139-140, 144, 152-153, 157, 164, 173-174, 176-177, 186, 193-194, 198-201, 207-214, 223, 233*n*, 234, 271-273, 278-279, 285, 329, 335-336, 357, 363, 620, 624, 773-775
  - Defense Committee, 4, 12-13, 31, 49, 108, 120, 161-162, 199-200, 204-205, 223, 257, 263, 266, 268, 272-274, 291, 318*n*, 319, 322, 324, 329, 332-333, 336-338, 345, 351-352, 357, 362*n*, 365
  - Military Committee, 330, 333-334, 336, 352-353, 357-358, 362*n*, 363; Executive Committee, 315-316, 319, 323*n*; regional planning

- North Atlantic Treaty Organization (NATO)—Continued
- Defense Committee—Continued
    - Military Committee—Continued
      - groups, 319-346 *passim*, 353-354, 358; Standing Committee, 325-326, 328, 330, 333-336, 358; Steering Committee, 257, 315, 319, 322, 323*n*
    - Military Production and Supply Board, 352, 362*n*
    - Report on strategic concept for the defense of the North Atlantic area, 352-358, 362, 366
  - Defense Financial and Economic Committee (DFEC), 326, 352
  - Defense Ministers, meeting of, 356-358, 362-364
  - Draft treaty, Dec. 24, 1948, 4
  - Duration of treaty, 27, 33-34, 104, 180-181, 237-239, 242
  - Foreign Ministers, conference at Washington of, Apr. 2, 271-281
  - French role, 1*n*, 3-5, 14, 29, 31-34, 41*n*, 44, 52, 56, 76-77, 83-84, 86-87, 114, 120-145 *passim*, 151-152, 155-156, 159-161, 167, 169, 171-173, 185-188, 192, 214-215, 219-224, 233-234, 242, 247, 256-257, 261-264, 271, 273, 277-278, 280-281, 284-285, 288-289, 291, 306-307, 315, 318-322, 325-326, 328-330, 334-336, 345, 358, 546, 634, 667-668
  - Greece, question regarding inclusion of, 14, 29-30, 32, 43, 142, 144
  - Icelandic participation, question of, 1, 13, 15*n*, 22, 50, 68, 84, 97, 109, 122, 136, 144, 164, 173-174, 176-177, 186, 202-206, 214, 223, 225-229, 233*n*, 234, 236-237, 248, 271, 285, 313-315, 329, 336, 693, 695-696, 701
  - Iranian participation, question of, 29, 62
  - Irish participation, question of, 1, 13, 15, 90-91, 122, 136, 144, 154, 192, 292-293
  - Italian participation, question of, 2-44 *passim*, 53, 62, 87, 104, 122-126, 128-130, 132-137, 141-145, 151-156, 164, 166-167, 173-174, 176-177, 186, 188, 216, 222-223, 233-234, 253-254, 264, 271, 273, 277, 280, 285, 319-320, 322-326, 328-329, 336-338, 345-346, 357, 545-546, 548, 550, 562
  - Luxembourg role, 1*n*, 30, 34, 80-81, 118, 127, 141, 151, 155, 158-160, 186, 190, 217, 221, 233, 242, 261, 271, 284-285, 329, 335
  - Mediterranean area, question regarding inclusion of, 12, 14, 43
- North Atlantic Treaty Organization (NATO)—Continued
- Netherlands role, 1*n*, 28-30, 32-34, 75-76, 82-84, 87, 118, 126-127, 132, 134-135, 141, 151-153, 158, 160-163, 167, 169-170, 185, 188, 214-215, 220-222, 233, 242, 259, 261, 268, 271, 284-285, 322, 329, 335-336, 350, 357
  - Norwegian participation, question of, 1, 5-7, 13, 15*n*, 17, 21-22, 24-27, 30-31, 34-36, 46-47, 51, 53, 60-109 *passim*, 121-167 *passim*, 173-174, 186-191, 206-209, 220-222, 233, 271, 275-276, 280, 285, 329, 335-336, 357-358, 620, 773-775
  - Portuguese participation, question of, 1, 13, 15*n*, 19-20, 122, 126, 136, 144, 152, 164, 173-174, 176-177, 179-182, 186, 188, 201-202, 223, 233*n*, 234, 237-239, 242, 254-255, 264, 271, 274-277, 285, 329, 336, 715
  - Production and Supply Board, 322, 324
  - Scandinavian countries, question regarding participation of, 620
  - Soviet attitude, 51-53, 60-61, 63, 65-66, 69-70, 72, 74-75, 91-94, 98, 123, 145-146, 153, 164, 171, 217, 224, 235, 238, 261-265, 277-280, 281*n*, 734
  - Spanish participation, question of, 13, 19-20, 29, 181-182, 243, 255, 732, 734, 739, 748, 762
  - Swedish participation, question of, 2, 5-7, 13, 17, 21, 36, 61-62, 66, 69-71, 76-78, 80, 84, 100, 350, 775, 779
  - Swiss attitude, 350
  - Territorial scope, 11-12, 14, 25, 28-30, 75, 86-87
  - Treaty signed at Washington, Apr. 4, 281-285, 331, 338-340, 353-354, 364, 478, 482, 490-491, 808
  - Turkey, question regarding inclusion of, 14, 29-30, 32, 43, 117-120, 142, 144, 234-235
  - United Nations, relationship to the, 29, 33-34, 74, 83, 85, 92, 114-116, 119, 167-172, 185, 188-191, 193, 202, 214-221, 223, 230, 261-265, 279, 281-284, 353
  - U.S. military base rights, question of, 37-39, 49, 139, 194, 201, 204, 231, 295, 622, 670-671, 681-682
  - U.S. policy, 1-2, 8-15, 19, 27-28, 31-34, 40-42, 48, 50, 62, 70-71, 73-74, 77, 81-82, 84-88, 102-106, 113-116, 122-124, 128-136, 141-145, 151-152, 156-159, 161-164, 166-174, 185-192, 198-205, 211-214, 217-219, 221-222, 224, 233-235, 240-243, 248, 255-285 *passim*, 291, 302-346 *passim*, 362-364, 434, 469, 471,

- North Atlantic Treaty Organization (NATO)—Continued  
 U.S. policy—Continued  
 473, 478, 482-483, 494, 533, 666-668, 733, 738, 819
- Vandenberg Resolution (Senate Resolution 239, 80th Congress), *June 11, 1948*, 24-25, 27, 35, 46, 73, 81, 113, 147, 286, 297, 774
- Washington exploratory talks on security: Ambassadorial meetings, 3-4, 27-34, 73-88, 123, 125-135, 141, 151-163, 166-174, 185-192, 213-224; International Working Group (Party), 4*n*, 160-162, 191, 223-224; report on, 10-11; Washington paper, *Sept. 9, 1948*, 4*n*, 133; Working Group (Party), 320-321, 323*n*, 325, 327, 330-337, 350, 352
- Norway (*see also under* ERP, NATO, OEEC, Spain, and Western European Union):  
 Agreements with the United States respecting: Double taxation, *June 13, 1913*; relief supplies and packages for Norway, *Oct. 31, 1913*; U.S. Education Foundation in Norway, *May 25, 1913*  
 Foreign military bases in peacetime, question of, 83, 92-93, 105, 146  
 Italian colonies, disposition of former, 560, 606, 608  
 Northwest Atlantic fisheries convention, 614  
 Soviet pressure on, 123-124, 139, 145-146  
 Soviet proposal for nonaggression pact, 72-73, 91, 93-94, 122, 124, 128, 146, 187-190  
 Sweden: Arms for Norway, 3, 26, 79; defense of Norway, 25-26; policy toward Norway, 21  
 U.S. export control program, 350, 476*n*
- Nunan, Sean, 15, 90-91  
 Nuveen, John, 454-455, 464  
 Nygaard, Elgil, 186-189, 191, 271
- Ockrent, Roger, 455  
 Ohly, John H., 9-10
- Organization for European Economic Cooperation (OEEC) (*see also* ERP):  
 Anglo-American zones of occupation in Germany (Bizonia), participation of, 386, 397  
 Austrian role, 241, 386, 397  
 Belgian role, 241, 269, 369-370, 375, 384-387, 397-424 *passim*, 431-432, 438, 453, 455-456, 459, 462, 464-465, 796  
 Benelux role, 437  
 British role, 241, 340, 347, 369-453 *passim*, 460-466, 468*n*, 470-471, 473, 489-491, 494, 496, 652, 655, 659, 661, 717, 793, 799, 808
- Organization for European Economic Cooperation (OEEC)—Continued  
 Committee of Nine, 369-370, 373  
 Commodity import requirements, 429  
 Conditional aid, 403-407  
 Consultative Group, 346, 374-375, 380-381, 394, 401-403, 406, 427, 441, 449-450, 452, 455, 459, 464, 467-468  
 Convertibility of currencies, problems regarding, 383-384, 387, 395-398, 403-404, 406, 419*n*, 490-491, 798-799  
 Council of Ministers, 241, 346-347, 369-370, 373, 375, 380-381, 397, 400, 402-403, 405-407, 411, 427, 429-432, 438, 440-442, 445, 449-450, 456-457, 459, 461, 464, 467  
 Counterpart funds, utilization of, 427, 446, 461  
 Customs union, proposed, 778  
 Danish role, 241, 386, 622, 624  
 Director General, proposed appointment of, 412*n*, 415-416, 422-423, 425, 430-432, 434-436, 441-443, 447-450, 452-456, 459, 464-468  
 Dollar deficit problem, 421, 448, 454, 470, 798  
 Drawing rights, questions regarding transferability of, 383-384, 386-387, 395-397, 399, 403-407, 440, 447, 457-458, 461, 799  
 Dual price problem, 460-462, 490, 659, 717  
 ECA role, 184, 241, 257, 378-430 *passim*, 438-439, 443-451, 456-458, 461-462, 472-473, 490, 622, 645, 657-659, 777, 799  
 European exchange rates, 377-379, 382-383, 391-394, 397-400, 404, 413-414, 420-421, 423, 427, 439, 449  
 ERP program, 184, 449, 661  
 Executive Committee, 375, 377, 380-381, 401, 446, 457, 459  
 Foreign exchange liberalization pool (\$150 million), utilization of, 657-658  
 French role, 241, 370*n*, 371, 375, 379-380, 386, 397, 400-401, 404-405, 407, 410, 419, 421-422, 425, 437, 441, 443, 461, 463-467, 470, 652, 657, 659, 661, 664, 680, 686, 796  
 Greek role, 241, 386, 397  
 Icelandic role, 241  
 International cartels, questions regarding possible reestablishment, 443-446, 454  
 Intra-European trade and payments programs, 112, 149, 196-197, 249, 258, 287, 344, 347, 372-374, 377*n*, 382-387, 394-423 *passim*, 489-440, 445-448, 449, 457-458, 461, 470, 657-658, 662, 778, 782, 784, 796-798, 835  
 Irish role, 241, 292, 441

Organization for European Economic Cooperation (OEEC)—Continued

- Italian role, 241, 371, 380, 386, 410, 419, 437, 465, 467, 548, 842*n*
- Luxembourg role, 241, 397
- Military expenditures, nonuse of ECA funds for, 389
- Multilateral trade policies, proposals regarding, 376-377, 381, 383, 386-387, 392, 398, 400-402, 406, 419*n*, 449, 461
- Netherlands role, 241, 380, 386, 397, 405, 407, 410-411, 427, 441, 446
- Norwegian role, 241, 386, 397, 427, 465, 467
- Overseas territories, development of, 450-451
- Participating countries, 343, 381, 385, 387-391, 396-397, 400-405, 407*n*, 413-415, 419-420, 427-428, 436-467 *passim*, 492, 794, 797-798, 808, 814-815, 817-819, 826-827, 829
- Payments Committee, 385-387, 396-397, 401-403
- Portuguese role, 241, 386, 408, 411, 465, 467, 716
- Restrictive business and trade policies, question of, 375-376, 378, 381, 388, 391-394, 401, 404, 406, 413, 419-420, 423, 439-440, 443, 445-446, 448, 454-455, 457-458, 490-491, 657, 659, 662, 686, 798, 814-815, 818
- Scandinavian role, 371, 441, 462
- Secretariat, 408, 418, 465
- Secretary-General, 376, 407, 450, 465, 467
- Swedish role, 241, 377, 380, 386, 407, 777
- Swiss role, 241, 380, 386, 397, 410-411
- Turkish role, 241, 380, 386, 408
- U.S. economic assistance, allocation of, 408-411, 416-418, 449, 461-462, 490, 658, 661, 718
- U.S. policy, 206-208, 241, 338, 343, 373-374, 380-405 *passim*, 412-473 *passim*, 485, 489-491, 654-655, 659, 664, 666-667, 798-799, 808, 839
- West German participation, 241, 394, 427, 461, 488, 659

Pacciardi, Randolph, 337

Pakistan, 529, 560, 586, 607-608, 717

Palestine question (*see also* Israel), 44, 296, 392, 541, 549, 557, 569, 608

Palmer, Joseph, 558-561, 583

Palutan, Dr. Gioacchino, 502

Pan American Union, 45

Panama, 560

Panyushkin, A., 261

Paraguay, 560

Parodi, Alexandre, 721

Parri, Enrico, 708, 711

Parsons, Col. F. G. A., 502-504

Pasqualini, Giovanni, 708

Pastore, Giulio, 704, 708, 710-711

Pattén, David L., 714-715, 718

Peake, Sir Charles, 508-510, 519

Pearson, Lester B., 154, 159-160, 228, 271, 278, 284, 312, 832

Pella, Giuseppe, 464, 467

Pelt, Adrian, 608

Penney, José Campbell, 528

Pereira, Pedro Theotónio, 237*n*, 238, 242, 271, 285

Perkins, George W., 315-317, 324, 342-344, 356, 421-423, 433-434, 453, 469-496 *passim*, 522-525, 579, 604, 756-758, 805

Peru, 560, 742, 749

Petsche, Maurice, 147, 400-402, 407, 424, 642-645, 648*n*, 649-650, 654-660, 662, 665, 671*n*, 672, 678-680, 682-684, 686, 842

Peurifoy, John E., 48*n*, 725

Pfimlin, Pierre, 651, 653

Philippines, 208, 560-561, 570, 608, 613

Pieck, Wilhelm, 488, 690

Pierce, Sydney, 845

Pleven, René, 358

Point Four Program, 544, 573, 584, 819

Poland, 483, 560, 623, 733, 737*n*, 742-743, 778

Policy Planning Staff of the Department of State, 478, 822-830

Portugal (*see also* Azores and under ERP, NATO, OEEC, and Western European Union): Agreement with the United States respecting settlement of certain war claims against the United States, Oct. 3, 1947, Feb. 21, May 3 and 20, and Aug. 4, 1949, 720; ECA assistance, 238*n*, 714-715, 717; Northwest Atlantic fisheries convention, 614; overseas colonies, development of, 716-717, 719; Soviet Union, attitude toward, 716

Potsdam Conference (1945), 265

Prebensen, Per Preben, 61

President's committee for financing foreign trade, 836

Prieto, Indalecio, 767

Queuille, Henri, 147, 628-652 *passim*, 661-665, 668*n*, 669, 671*n*, 672

Radford, Vice Adm. Arthur W., 118, 234

Ramadier, Paul, 147, 643

Randall, Sir Alec Walter George, 6, 36

Randall, Harold M., 763

Rasmussen, Gustav, 5, 17, 21, 36, 46, 140, 157, 164, 193-194, 198-201, 206-214, 271-273, 278-280, 285

Rau, Sir Benegal, 597

Raynor, G. Hayden, 425, 721-724, 735*n*

Reams, Robert B., 508-509, 521, 524*n*

Reciprocal trade agreements act, 837

- Reconstruction Finance Corporation, 668
- Reed, Charles S., 258
- Reed, Horace G., 400-401, 641-645
- Reina, Antonio, 740
- Renaud, Pierre J. M., 681
- Rendel, Sir George William, 369*n*
- Reston, James B., 107, 145
- Reuchlin, O., 271
- Reynaud, Paul, 641-643, 646
- Robertson, Sir Brian Hubert, 487
- Robertson, Norman A., 789-790
- Robinson, Virginia Mae, 673
- Rocchi, Appio Claudio, 705, 710-711
- Rocheta, Manuel, 271
- Rogers, R. L., 271
- Romita, Giuseppe, 705, 709-710
- Ronald, Sir Nigel, 19-20, 179-180, 201-202, 237, 239
- Roosevelt, Franklin D., 716
- Roosevelt, Mrs. Franklin D., 737-738
- Roseman, Alvin J., 121
- Ross, John C., 602, 604-605
- Rostow, Gene, 847-849
- Routledge, R. J., 513-514
- Rowan, Sir Leslie, 845, 847*n*
- Ruhr, 488-489
- Rumbold, Sir Anthony, 508*n*, 509*n*
- Rusk, Dean, 113, 209, 324, 338, 359-360, 530, 532-534, 536-537, 539-542, 552-553, 568-569, 580, 604, 725, 730, 735*n*, 750*n*, 754, 820*n*, 847*n*
- Saadawi, Beshir, 535
- Saint Laurent, Louis Stephen, 789
- Salazar, Antonio de Oliveira, 239, 242-243, 714-719
- Sale, William B., 539, 546
- Saltzman, Charles E., 725
- Santa Cruz, Hernán, 738
- Saragat, Giuseppe, 7-8, 23, 704, 708-709
- Satterthwaite, Joseph C., 118, 175-176, 209*n*, 210*n*, 234*n*, 328, 528-532, 536-538, 725
- Satterthwaite, Livingston L., 90, 325, 371, 423*n*, 583, 758, 805-806, 849-850
- Saudi Arabia, 560
- Sayed Idriss, 535, 554-557, 562, 564, 567, 572, 579, 581, 598, 605-607, 609-610
- Scandinavia (*see also under* NATO, OEEC, Spain, and Western European Union): Customs union, proposed, 622-623, 778; economic cooperation committee, 778; Italian colonies, disposition of former, 587; meeting of prime, foreign, and defense ministers at Karlsbad, Sweden, *Jan.* 5-6, 6-7, 17, 20-22, 25-26, 35; neutrality, 25, 35-36, 61, 67, 78-80, 83, 88-89, 96, 98-101, 104, 620; Scandinavian (Nordic) defense pact, negotiations concerning, 6-7, 17, 20-22, 24, 27, 34-36, 46-47, 51-52, 61-105 *passim*, 124, Scandinavia—Continued
- 128, 139, 193, 620, 774-775; solidarity of, 21, 67, 71, 74-75, 88; Soviet attitude, 51-52, 69-70, 98; Soviet domination over, U.S. policy regarding possibility of, 98-99, 101
- Schuman, Robert: Customs union between France and Italy, 253; devaluation of British pound, 842; economic and political situation in France, 631, 652, 679; European Recovery Program, 370, 409, 422-425, 440-443, 464-467, 680; French Foreign Minister, 678*n*; German question, 447*n*, 659-660; Italian colonies, disposition of former, 526-528, 544-546, 548, 557; North Atlantic Treaty Organization, 123, 185, 214, 265-266, 271, 273, 277-278, 280-281, 285, 291, 306-307, 309, 318, 321, 338-339; Spanish question, 721, 730, 734; U.S. Military Assistance Program, 146-148, 165-166, 230, 232, 245, 247*n*, 266, 306, 634-635; U.S. policy toward France, 654-655, 660, 665-666; Western European Union, 45, 53, 59, 306
- Schweitzer, Pierre Paul, 672
- Senegal, 676
- Seyfert, Conrad, 271
- Sforza, Count Carlo, 7-8, 18, 233-234, 253-254, 271, 273-274, 277, 280, 285, 319, 323*n*, 324-326, 328-329, 337, 349, 442, 508, 510, 512*n*, 518-519, 521, 524, 526-527, 545-554, 559-560, 562, 564-568, 583-585, 588, 593-595
- Sheppard, William J., 356
- Shuckburgh, Charles A. E., 339-340, 841-842
- Shukry, Fuad, 535
- Siam, 560
- Silone, Ignazio, 709
- Silvercruys, Baron Robert, 13, 30-32, 34, 81, 83, 87, 124, 127-129, 133-134, 151, 155, 158-159, 186, 190-191, 217, 220-221, 271, 284, 423
- Simonini, Alberto, 704-705
- Singapore, 831
- Skylstad, Rasmus I. B., 51, 60, 121-122
- Smith, Kingsbury, 65*n*, 189
- Snow, William P., 311-313
- Snoy et d'Oppers, Jean-Charles, 411, 658
- Snyder, John W., 382, 394-395, 642, 654-657, 718, 790-793, 795-797, 799-802, 806*n*, 820, 826*n*, 832-833
- Somaliland, British, 575, 578, 584
- Somaliland, French, 584
- Somaliland, Italian. *See under* Italian colonies, etc.
- Souers, Sidney W., 10, 563, 571
- South Schleswig, 624-625
- Southard, Frank A., 382*n*, 783*n*
- Southeast Asia, 246, 290, 495-496, 605, 811

- Soviet Union (*see also Soviet subheadings under individual countries and subjects*): Atomic bomb, production of, 429, 473-475, 477, 480, 761; peace offensive, 635-636
- Spaak, Paul-Henri, 40, 43-44, 64, 124, 165-166, 230-232, 238, 245, 267-269, 271, 275-277, 279, 284, 291, 307, 317-318, 344, 369-371, 380, 395-447 *passim*, 456, 459, 462-464, 467-468, 490, 738, 842*n*
- Spain (*see also under ERP, NATO, and Western European Union*): Aircraft engines, proposed sale by the United States of, 725-726
- Anarchists, 769
- Argentine policy, 723-724, 729
- Army role, 729, 741, 752, 756, 760, 770-771
- Australian policy, 724
- Barcelona Traction Company, protests regarding bankruptcy of, 764
- Belgian policy, 722, 724, 738, 764*n*
- Bolivian policy, 742, 749
- Brazilian policy, 733, 742, 747, 749, 757
- British oil companies, activities of, 846
- British policy, 723-724, 730-731, 742-743, 745, 747, 752-753, 757-759, 761-762
- Byelorussian policy, 742
- Canadian policy, 724, 764*n*
- Catholic Church role, 729, 750*n*, 752, 755
- Chase National Bank loan, 729
- Chiefs of diplomatic missions, proposed return of, 721-750 *passim*, 756-759
- Chilean policy, 738
- Colombian policy, 742, 749
- Comité Interior de Coordinación (CIC), 759-760, 767, 769-771
- Confederación Nacional del Trabajo (CNT), 767
- Danish policy, 723
- Economic and financial situation, 729-730, 736, 741, 751-752, 755-756, 760, 764, 770
- Exile groups, activities of, 740-742, 756, 766-768
- Export-Import Bank loan, proposed, 730, 735-736, 744-746, 750, 762-766
- Falange party, 729, 755-756
- French policy, 721-722, 724, 730-731, 743, 745, 747, 752-753, 757, 761-762
- Government, 728-733, 736-737, 744, 747, 749, 754, 758, 762, 764-766
- Iceland, relations with, 697-698, 723
- International convention on economic statistics (1928), accession to, 723
- Latin American resolution, 742-743, 747, 749
- Spain—Continued
- Luxembourg policy, 723
- Monarchists, 740-741, 755, 760, 767, 769, 771
- Netherlands policy, 722-723
- New Zealand policy, 724
- Northwest Atlantic fisheries convention, 614
- Norwegian policy, 723
- Peruvian policy, 742, 749
- Polish resolution, 733, 737*n*, 742-743, 747
- Political situation, 727-730, 740-742, 751-757, 759-761
- Religious minorities, treatment of, 750
- Scandinavian policy, 723
- Socialists, 767, 769
- Soviet policy, 732-734, 742
- Strategic importance of, 725-726, 761
- Swedish policy, 723
- Treaty of friendship, commerce, and navigation with the United States, proposed, 736-737
- Union of South African policy, 724
- United Nations: General Assembly considerations, 721-759 *passim*; membership, question of, 728, 734; resolution on Spain (1946), 721, 728, 731-734, 737*n*, 738, 740-743, 749, 757-759, 761, 769; specialized agencies, question of Spanish admission to, 721-724, 728, 731-734, 737*n*, 739-741, 758
- United States: Economic assistance, question of, 728, 735-737, 741, 760, 762, 764-766; military assistance, question of, 734, 748-749; military bases, question of, 665; naval squadron, visit by, 760; policy toward Spain, 725-769 *passim*
- Yugoslav policy, 742
- Sparks, Edward J., 164*n*, 303-304, 624
- Spiegel, Harold, 781
- Spitzbergen: Defense and security of, 5, 69, 88, 103, 229; strategic importance of, 98-101
- Stafford, Frank E., 582-583, 604
- Stalin, Iosif Vissaroniovich, 65, 189, 229, 477, 479, 500, 635-637, 689-690
- Stefánsson, Stefán J., 68*n*
- Sterling area, 347, 373, 382, 392, 396, 404, 410, 413-415, 418*n*, 419-420, 484, 652, 785-788, 793-838 *passim*, 846-847
- Stewart, Michael N. F., 581-582
- Stikker, Dirk U., 163, 165-166, 178-179, 195, 230, 232, 245, 258-261, 269, 271, 285, 291, 307, 401, 441-442
- Stone, T. A., 271
- Strang, Sir William, 339-340, 842
- Strategic materials, U.S. program for stockpiling of, 361, 655-656, 788, 809, 818, 821, 835-836
- Struble, Rear Adm. Arthur D., 255

- Suances Fernández, Juan Antonio, 729n, 751n
- Suez Canal, 831
- Surrey, Walter S., 69, 206, 365n, 661
- Sweden (*see also* Scandinavia and under ERP, NATO, OEEC, Spain, and Western European Union):
- Agreement with the United States respecting quantitative import restrictions and deferment of payments extending the agreement of June 24, 1947, June 27, 779
  - Arms purchases from the United States, question of, 37, 726, 774-775
  - Denmark: Swedish arms for, 3, 26; Swedish defense of, 25-26; Swedish policy, 21, 212
  - Italian colonies, disposition of former, 560
  - Neutrality, 17, 25, 47, 62, 67, 96-97, 99, 620, 772-775
  - Norway: Swedish arms for, 3, 26, 79; Swedish defense of, 25-26; Swedish policy, 21
  - Soviet Union: Loan to (1946), 778-779; policy toward, 98, 773, 779
  - Strategic location, 773, 779
  - Trade with Eastern Europe, 778
  - United Nations, policy toward, 773, 775-776
  - U.S. export control program, negotiations concerning, 778
  - U.S. policy, 772-779
  - Switzerland (*see also* under NATO and OEEC): Agreement with the United States respecting settlement of certain war claims, Oct. 21, 780; dollar transfers from the United Kingdom to, 809; France, loan to, 678
- Syria, 529, 560
- Taft, Orray, 535-536, 567n
- Taft, Robert, 642, 761
- Taggart, Joseph H., 301-305
- Tan Malakka, 260
- Tarchiani, Alberto, 8, 18, 23-24, 28-29, 31, 39, 125-126, 253, 271, 285, 328, 524, 539-542, 546, 551, 566n, 568-569, 580, 583-584, 593-594
- Tariff Commission (U.S.), 832
- Taylor, Wayne C., 421, 446
- Taymans, Roger, 167, 271
- Tebbit, D. C., 532, 580n
- Thomas, Norman, 706-707
- Thompson, Llewellyn E., Jr., 315, 325, 356, 434n, 514n, 753-754, 758, 845, 849n
- Thorez, Maurice, 633, 636-637, 689-690
- Thorp, Willard L., 397n, 725-726, 735n, 781, 783-784, 793-796, 847n
- Thors, Olafur, 68
- Thors, Thor, 202-203, 225, 228, 236, 271, 285
- Tito, Marshal (Josip Broz), 473-480, 494-523 *passim*, 690n, 726
- Tizard, Sir Henry, 450
- Tobin, Irwin M., 706-707
- Togliatti, Palmiro, 523
- Togo, 676
- Tomlinson, William M., 642, 653-654
- Torp, Oscar, 66, 69, 102
- Transjordan, 545, 831
- Treasury, (U.S.) Department of the, 373n, 382-383, 391, 397n, 412, 444n, 638, 643, 645, 658, 783-784, 790, 795, 820, 822n, 830-831, 846-847, 852
- Treaties, conventions, agreements, etc. (*see also* under NATO and individual countries):
- Agreement between the United States and Iceland respecting U.S. utilization of Keflavik airport (1946), 204-205, 693-695, 701-702
  - Agreement between the United States and Sweden respecting quantitative import restrictions and deferment of payments (1947), 779
  - Agreement between the United States and Switzerland respecting air transport services (1945) and amendment, May 13, 1949, 780
  - Agreement between the United States and the United Kingdom respecting ferrous scrap (1948) and amendment, July 1, 1949, 853
  - Agreement between the United States and the United Kingdom respecting U.S. Educational Commission in the United Kingdom (1948) and amendment, Feb. 25 and Mar. 5, 1949, 853
  - Agreement between the United States and the United Kingdom respecting leased naval and air bases (1941) and amendment, Sept. 19, 1949, 853
  - Agreements between the United States and the United Kingdom respecting fusion of American and British zones of occupation in Germany (1946) and amendment, Mar. 31, 1949, 853
  - Air transport agreement between the United States and Iceland (1945), 700
  - Anglo-Argentine Trade agreement (1948), 784
  - Anglo-French-Turkish alliance (1939), 118, 359-360
  - Anglo-German naval treaty (1935), 848n
  - Bretton Woods agreements, 834
  - Brussels treaty (1948), 1, 33, 104, 139, 181, 267, 285-287, 340, 347, 349, 358, 372, 435, 666, 808
  - Defense agreement between the United States and Iceland (1941), 693-694, 696; agreement terminating (1946), 693



Treaties, conventions, etc.—Continued  
 Defense of Greenland agreement between the United States and Denmark (1941), 21–22, 200, 211, 618, 621  
 Economic cooperation agreements with: France (1948), 647, 679, 686; Iceland, 699; Sweden (1948), 778; United Kingdom (1948), 347  
 Financial agreement between Canada and the United Kingdom, 655  
 Financial agreement between the United States and the United Kingdom (1945), 401*n*, 421, 655, 783, 794  
 General Agreement on Tariffs and Trade (GATT) (1947), 387, 420, 460, 469, 483, 623, 666, 777, 844  
 Inter-American Treaty (Rio) (1947), 52, 76, 85, 109, 158, 172, 219–220, 314, 359  
 International convention on economic statistics (1928), 723  
 Italian peace treaty. *See under* Italy and Trieste.  
 Multilateral agreement on telecommunications between the United States and British Commonwealth governments (1945) and agreement replacing, Aug. 12, 1949, 854  
 North Atlantic weather stations, multilateral agreement regarding, 615  
 Northwest Atlantic fisheries convention, Feb. 8, 614  
 Organization for European Economic Cooperation convention (1948), 345, 347, 405, 434, 441, 448–450, 452, 456, 465–467, 470, 489  
 Potsdam agreements (1945), 52, 265  
 Reciprocal trade agreement between the United States and Sweden (1935), 777–778  
 Treaty between the Soviet Union and Finland (1948), 774  
 Treaty of alliance between France and the Soviet Union (1944), 265, 278  
 Treaty of alliance between France and the United Kingdom (1947), 139  
 Treaty of alliance between Portugal and the United Kingdom, 182, 202, 274–275  
 Treaty of alliance between the United Kingdom and the Soviet Union (1942), 265  
 Treaty of friendship and nonaggression between Spain and Portugal (1939), 181, 202, 239, 243, 254–255, 274–276; additional protocol (1940), 181, 254, 274, 276  
 Treaty of friendship, commerce, and navigation between the United States and Italy (1948), 737

Treaties, conventions, etc.—Continued  
 Treaty of Rapallo between Germany and the Soviet Union (1922), 307*n*  
 United Nations Charter (1945), 2, 17, 29, 34, 52, 74, 83, 92, 105, 114–116, 122, 145–146, 163, 167–172, 178, 187–190, 193–195, 202, 214–221, 223, 252, 263–265, 279, 281–282, 284, 286, 353, 552, 555, 774, 834  
 Yalta agreement (1945), 52, 265  
 Tremelloni, Roberto, 709  
 Trieste (*see also under* United Nations: Security Council):  
 Allied Military Government, 501–503, 505, 507, 514–515, 522–523  
 Anglo-American military forces in, 162, 223, 499–500, 506, 509–510, 524*n*  
 Anglo-American zone of occupation (Zone A), 498, 508, 510, 512–515, 522  
 Border incidents, 513–514  
 British position, 497, 509*n*, 510, 514, 519–520, 521*n*  
 Communist party, 500, 505  
 ECA assistance, 505  
 Elections, 500–503, 505–506  
 French position, 497, 510, 512, 520  
 Governor, proposed appointment of a, 497–499, 505, 518*n*  
 Italian peace treaty clauses pertaining to, 41, 43, 497–498, 505, 507, 510, 512*n*, 514–516, 520, 523  
 Italian position, 497–524 *passim*  
 Permanent statute, 502  
 Problem of, 154, 254  
 Return to Italy, proposed, 497–498, 499*n*, 502*n*, 506, 508–510, 512, 520, 523, 524*n*  
 Soviet position, 497–499, 505–506, 509–510, 518, 520, 523  
 U.S. policy, 497–525  
 Yugoslav military forces in, 500, 510  
 Yugoslav policy, 499*n*, 506–512, 514–516, 519–520, 522–524  
 Yugoslav zone of occupation (Zone B), 497–498, 506–509, 511–512, 514–521  
 Trieste Boundary Commission, 587  
 Trinidad, 853  
 Tripolitania. *See under* Italian colonies, etc.  
 Truman, Harry S.: Address to Congress, Mar. 17, 1948, 139, 240, 286; atomic bombs, control over use of, 364; British financial crisis, 790, 795; budget message, Jan. 11, 24; double taxation convention with Norway, 713; European Recovery Program, 395, 439, 826; Iceland, U.S. and North Atlantic security interests in, 314*n*; inaugural address, Jan. 20, 292, 727; Ireland, double taxation convention with, 703; Italian colo-

## Truman, Harry S.—Continued

nies, disposition of former, 552-554, 571; Italy, U.S. policy toward, 143; meeting of U.S. ambassadors in Europe at Paris, 496; message to Congress regarding economic and military assistance to Greece and Turkey, *Mar. 12, 1947*, 117-118; message of *Oct. 29, 1948*, 234; North Atlantic Treaty Organization, 114-115, 117, 125, 128, 140-142, 151-152, 159, 172*n*, 174, 177-178, 270-271, 284*n*, 285-289, 313; Northwest Atlantic fisheries convention, proclamation of, 614; Point Four Program, 819; Soviet atomic bomb explosion, 473*n*; Soviet Union, U.S. policy toward, 716; Spain, U.S. policy toward, 731, 735*n*, 740, 750, 753-754; U.S. military assistance program, 16, 61*n*, 110, 112, 296-299, 303*n*, 309, 313, 341, 365*n*, 366, 635, 641-642; Western European Union, 286

Truman Doctrine. *See* U.S. economic and military assistance to Greece and Turkey.

Tunisia, 526, 541

Turkey (*see also under* NATO, OEEC, and Western European Union): Italian colonies, disposition of former, 560, 563, 574, 606; security of, U.S. declaration regarding, 13, 24, 27, 46, 103, 118-120, 175-178, 209-210, 233, 235-236, 244, 270-271, 359-360, 529; Soviet pressure, 234, 270, 359; U.S. economic and military assistance, 117*n*, 207, 234, 297-299, 831; U.S. policy, 218, 359-360, 726

Turner, Robert K., 421

Ukrainian Soviet Socialist Republic, 499, 560

Undén, Bo Östen, 37

Unger, Leonard, 328, 504, 506, 583, 758

Union of South Africa, 560, 608, 724, 809, 814

Union of Soviet Socialist Republics. *See* Soviet Union.

United Kingdom (*see also British sub-headings under individual subjects and countries*):

Agreement with United States respecting passport visa fees as applied to Malta, *Oct. 31 and Dec. 12, 1953*, 854

Anglo-American-Canadian financial

talks at London, *July 8-10, 1948*, 410, 789-797, 799-803, 834

Anglo-American-Canadian financial

talks at Washington, *Sept. 7-12, 1948*, 340, 348-349, 408, 410, 416, 422, 425, 654-656, 662, 664-666, 800-832 *passim*; joint communiqué, *Sept. 12, 1948*, 833-839

Anglo-Argentine trade agreement

(1948), 784

## United Kingdom—Continued

Canadian loan, 485, 784, 794, 837

Continuing consultations regarding financial situation, 838, 845-847

Convertibility question, 781-782, 799

Devaluation of the British pound, 438, 484-485, 781, 785, 794, 800-802, 808-810, 812-814, 822-823, 825, 839-841, 843-844, 850; Belgian reaction, 842*n*; French reaction, 475, 646, 652, 662, 668-669, 841-843, 848-849; Italian reaction, 476, 489, 842*n*; U.S. position, 783, 786, 788, 791-792, 795-796, 799, 823-825, 827-828, 847-848

Dollar drain, 782, 784, 790-824 *passim*, 834, 836-838, 846, 847*n*

Exchange rate question, 781-782, 784, 810-811, 813

Financial agreement with the United States (1945), questions regarding implementation of, 783, 794-795, 798-799, 828, 837

Financial crisis, 483-485, 491-492; U.S. concern regarding, 781-852

General Agreement on Tariffs and Trade (GATT), member of, 420

Imperial preferences, 815

Import restrictions for dollar area, 794-795, 797-799, 801-802, 810-811, 813, 815, 820, 828, 834, 837

Military commitments, possible curtailment of, 806, 830-832, 849-850

Nondiscrimination question, 781-782

Northwest Atlantic fisheries convention, 614

Trade with the United States, 417-418

U.S. export control program, 350, 476, 480*n*, 482

U.S. military bases in the, 665

## United Nations:

Atomic energy question, 776

British policy, 246

Danish policy, 620

Disarmament question, 776

Dispute between Costa Rica and Nicaragua, 219

General Assembly: Agenda, 806; interim committee, 608, 613; meetings, 223-224, 331, 537-539, 620, 665*n*, 806, 841*n*; Spanish question (*see under* Spain: United Nations); Yugoslav candidacy for Security Council seat, 748*n*

Iceland, security of, 314

Italian membership, question of, 254

NATO relationship. *See under* NATO.

Norwegian policy toward, 92

Portuguese attitude toward, 181

Security Council: Authority of, 29;

Indian membership on, question of, 806; Indonesian question, 163, 166, 178-179, 194-195, 246, 251-252, 267; Italian colonies, question regarding disposition of for-

## United Nations—Continued

## Security Council—Continued

mer, 591; Italian membership in the United Nations, question of, 254; NATO relationship, 85, 115–116, 168–172, 185, 191, 193, 214–220, 264, 282–283; Trieste question, 254, 497–501, 505–507, 510–511, 515, 518–519; veto question, 170–171, 216; Yugoslav membership on, question of, 477–478

Soviet policy, 52, 773

Special Committee on the Balkans, (UNSCOB), 477

Swedish attitude, 773

Trusteeship Council, 533–534, 542, 551–552, 579, 591–592, 606, 608, 611–612

U.S. policy, 666, 727, 749

U.S.-Canadian Joint Defense Board, 316–317

U.S. economic and military assistance to Greece and Turkey (Truman Doctrine), 117–118, 207, 234, 297–299, 478, 831

U.S. export controls for trade with Eastern Europe and the Soviet Union, 350–351, 473, 476–477, 480–483, 494, 623, 778

Upper Volta, 676

Uranium, U.S. procurement from Belgian Congo of, 617

Uruguay, 553–554, 560, 846

Vaes, Robert, 271

Valentine, Alan, 258

Van Kleffens, E. N., 28–34, 75–76, 82–84, 87, 126–127, 132–135, 151–153, 158, 160–163, 167, 169–170, 185, 188, 190, 192, 214–215, 220–222, 258, 260, 271, 285

Van Royen, J. Herman, 260, 268–269

Van Zeeland, Paul, 423–425, 431–432, 436, 440, 442, 452–456, 459, 462, 464–465, 467–468

Vandenberg, Arthur H., 64, 73–74, 84–86, 108–110, 114, 128n, 141, 298, 530, 746

Vandenberg Resolution. *See under* NATO.

Vanoni, Ezio, 401n

Venezia Giulia, 518

Venezuela, 560

Vernon, Raymond, 803

Viet-Nam, 495

Viglianesi, Italo, 708

Vilfan, Joza, 511n

Vreede, C., 271

Vyshinsky, Andrey Yanuaryevich, 477–478

Wadsworth, George, 118n

Wainhouse, David W., 589–591

Wallner, Woodruff, 473

Wapler, Arnauld, 338, 663–664

War: Danger of, 36, 53, 71, 228, 238, 252, 292, 302, 635–636, 669, 773, 775; declaration of, 2, 17, 69, 103; state of, 12, 21, 25, 70, 80, 82, 96, 98–100, 104, 198, 253, 357

Washington, S. Walter, 727–729, 756, 766–767

Webb, James E.: British financial crisis, 784, 806n, 820–821, 841, 845, 847; European Recovery Program, 397–399, 434, 439; France, economic and political situation in, 661; France, U.S. policy toward, 663, 665–666; Italian colonies, disposition of former, 556–557, 562–564, 593n, 596–602, 606, 609–610; Italian labor movement, U.S. interest in formation of non-Communist, 706; meeting of U.S. ambassadors in Europe at Paris, 474n, 496; North Atlantic Treaty Organization, 48n, 113–115, 301, 324, 337–338; Spanish question, 725–726, 735n, 745, 749–750; U.S. military assistance program, 301, 303n, 304, 351, 639–640, 667–668; Western European Union, 342

Wedemeyer, Lt. Gen. Albert C., 294–295

West, George L., 306–307

West Germany. *See* Federal Republic of Germany and *West German sub-headings under* Council of Europe, OEEC, and Western European Union.

Western European Union (*see also* military assistance program, etc.): Algeria, question regarding inclusion of, 33

Belgian position, 40–41, 43, 58, 60, 64, 102, 197, 285, 307, 343–344, 412, 433

British position, 41, 44–46, 48, 58–60, 102, 197, 285, 289–291, 306–307, 339–340, 343, 345–350, 361, 371–372, 414–415, 433, 435, 470, 473, 483–485, 487–489, 491–493, 791

Brussels Pact, 101–102

Chiefs of Staff Committee, U.S. representation on, 9, 107n, 111–113, 247

Communist threat, 473, 475

Consultative Council of Foreign Ministers, 183, 195, 224–225, 229–233, 245–248, 306–307, 310–311, 346–347, 424, 635n

Danish role, 102

Defense Ministers, 111, 150, 230

Equality of sacrifice problem, 196–197

European assembly, proposed, 41, 45–46, 48, 53

European conference, proposed, 41, 45

Financial and Economic Committee (WUFEC), 54, 58–59, 183–184, 667; U.S. representation, 106–107, 112

Finance Ministers, 667

## Western European Union—Continued

- Five-power study group on European federation, 40, 42
- French position, 41-43, 45-46, 48, 53, 58-59, 102, 197, 285, 306-307, 343-345, 433, 483, 492, 526, 664, 667-668
- Greek participation, question of, 53, 433
- Irish participation, question of, 102
- Italian participation, question of, 5, 7-9, 13, 18, 23, 28, 40, 42, 45, 48, 60, 102, 343-344, 349-350, 433, 488-489, 545
- Luxembourg position, 102, 285, 433
- Military Committee, 4, 45, 53-54, 64, 87, 120, 147, 230, 263, 322; U.S. representation, 9, 107*n*, 110
- Military Committee on Equipment and Armaments, 9
- Military Supply Board (WUMSB), 15-17, 53-54, 305, 322; U.S. representation, 110-113
- Netherlands position, 58, 102, 285, 344, 433
- Norwegian position, 102
- Participating countries, 41, 45, 112, 230
- Permanent Commission of the Consultative Council, 9, 41-42, 44-45, 48, 53, 60, 64, 101-102, 132, 139, 152, 154, 156-158, 161-162, 183, 245-246; U.S. representation on, 310-311
- Portuguese participation, question of, 433
- Rearmament program, 14-17, 55-58, 106, 111-112, 138, 224, 368-369, 490
- Scandinavian participation, question of, 42, 45, 48, 60, 433
- Soviet attitude, 51-52
- Spanish participation, question of, 350, 433, 748
- Status of military personnel of participating countries, 681-682
- Subversive Activities Committee, 53
- Swedish participation, question of, 60, 102
- Turkish participation, question of, 53
- U.S. policy, 9, 20, 48, 250-253, 304, 307, 310-311, 339-340, 343-345, 348-349, 414-415, 429, 434, 469, 473, 478, 496, 664

## Western European Union—Continued

- West German participation, question of, 41, 102, 290, 307, 343, 345, 350, 433, 470-471, 473, 483, 486-488, 491-493
- Westphalinger, Col. Henry R., 57-58
- Wiley, John C., 210, 233
- Willoughby, Woodbury, 391*n*
- Wilson-Smith, Sir Henry, 781-783
- Winspeare, G. V., 509*n*
- Wood, C. Tyler, 439, 673*n*, 688*n*
- Wooldridge, Adm., 225-226, 228
- World Federation of Trade Unions, 669
- Wright, A. L. 271
- Wright, Michael, 554-556, 569*n*
- Wrong, H. Hume, 30, 32-34, 80, 84-87, 126-127, 133-134, 151, 153-155, 157-162, 167, 169-174, 186-187, 190, 192, 216-217, 220-223, 271, 284, 311-313, 315-317, 832
- Xanthaky, Theodore A., 714-719, 754-756
- Yalta Conference (1945), 265
- Yemen, 560
- Yugoslavia (*see also* under Trieste):
  - Carinthia, Yugoslav claim to, 508, 512*n*
  - Gorizia, Yugoslav claim to, 508, 522-523
  - Greece, policy toward, 512*n*
  - Italian colonies, disposition of former, 560
  - Italy: Commercial agreement with, 476, 504, 516-518; fisheries convention with, *Apr. 13*, 503-504, 517; naval agreement with, 504; relations with, 504
  - Soviet Union, break with, 473, 477-479, 494, 499-500, 512*n*, 522; British attitude, 474; French reaction, 475, 480, 690*n*; Italian attitude, 475-476; U.S. policy, 478-479
  - Spain, policy toward, 742
  - United Nations Security Council, candidacy for seat on, 477-478
  - U.S. policy, 498, 509



# DUE DATE

APR 27 1992

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SEP 30 1993

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