BILDERBERG GROUP

# BUXTON CONFERENCE

13–15 *September* 1958

# LIST OF PARTICIPANTS

CHAIRMAN:
H.R.H. The Prince of the Netherlands

HONORARY SECRETARY:
J. H. Retinger

UNITED STATES HONORARY SECRETARY:
Joseph E. Johnson

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| Abs, Hermann J. | Germany |
| Acheson, Dean | United States |
| Agnelli, Giovanni | Italy |
| Ball, George W. | United States |
| Barbour, Walworth | United States |
| Baumgartner, Wilfred | France |
| Beddington-Behrens, Sir Edward | United Kingdom |
| Beitz, Berthold | Germany |
| Berg, Fritz | Germany |
| Birgi, Muharrem Nuri | Turkey |
| Blaisse, P. A. | Netherlands |
| Boden, Hans C. | Germany |
| Boheman, Erik | Sweden |
| Brauer, Max | Germany |
| Burgess, Randolph W. | United States |
| Camu, Louis | Belgium |
| Carli, Guido | Italy |
| Case, Clifford P. | United States |
| Cavendish-Bentinck, Victor | United Kingdom |
| Cochrane, Sir Ralph | United Kingdom |
| Dethleffsen, Erich | Germany |
| Erler, Fritz | Germany |

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| Ferguson, John H. | United States |
| Gaitskell, H. T. N. | United Kingdom |
| Gordon, Walter L. | Canada |
| Grimond, Joseph | United Kingdom |
| Gubbins, Sir Colin | United Kingdom |
| Hallstein, Walther | European Economic Community |
| Harsch, Joseph C. | United States |
| Hauge, Gabriel | United States |
| Healey, Denis | United Kingdom |
| Heilperin, Michael A. | United States |
| Heinz, H. J., II | United States |
| Høegh, Leif | Norway |
| Jackson, C. D. | United States |
| Kilmuir, Viscount | United Kingdom |
| van Kleffens, E. N. | European Coal and Steel Community |
| Knollys, Viscount | United Kingdom |
| Kraft, Ole Bjørn | Denmark |
| Kristensen, Thorkil | Denmark |
| Malagodi, Giovanni F. | Italy |
| McCloy, John J. | United States |
| McGhee, George C. | United States |
| Mosely, Philip E. | United States |
| Motz, Roger | Belgium |
| Mueller, Rudolf | Germany |
| Neal, Alfred C. | United States |
| Nebolsine, George | United States |
| Nitze, Paul H. | United States |
| Ormsby-Gore, David | United Kingdom |
| Otten, P. F. S. | Netherlands |
| Pinay, Antoine | France |
| Pipinelis, P. N. | Greece |
| Pirelli, Alberto | Italy |
| Quaroni, Pietro | Italy |
| Roberts, Sir Alfred | United Kingdom |
| Rockefeller, David | United States |
| Ross, Michael | United States |
| Rueff, Jacques | European Economic Community |



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| Rykens, Paul | Netherlands |
| Schmid, Carlo | Germany |
| Schuyler, C. V. R. | S.H.A.P.E. |
| Steel, J. L. S. | United Kingdom |
| Stone, Thomas | Canada |
| Terkelsen, Terkel M. | Denmark |
| Tiarks, Henry | United Kingdom |
| Tuomioja, Sakari | U.N. Economic Commission for Europe |
| Vermeer, Evert A. | Netherlands |
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IN ATTENDANCE:

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| Gordon, Sir Archibald | United Kingdom |
| De Graaff, F. A. | Netherlands |
| Harder, Hans | Germany |
| Legere, Lt. Col. L. J. | United States |
| Pomian, John | United Kingdom |

# INTRODUCTION

The Buxton Conference was the seventh of its kind, the previous ones having been held in various European countries and in the United States.

It is not the purpose of these conferences to attempt to make policy or to recommend action by governments. Their sole object is, by bringing together men of outstanding qualities and influence, in circumstances where discussions can be frank and where arguments not always used in public debate can be put forward, to reach a better understanding of prevailing differences between the Western countries and to study those fields in which argument may be sought.

The discussions are so organized as to permit a broad and frank exchange of views to take place. They are held in conditions of strict privacy and neither the press nor observers are admitted. No resolutions are passed and no statements have to be approved by the participants, who are free to draw their own conclusions.

Those invited to attend the Bilderberg Conferences are chosen from different nations and from all fields of public activity and include statesmen, diplomatists, business and professional men, intellectuals, and leaders of public opinion. All participants attend the meetings in a purely personal capacity and the views they express do not necessarily represent those of the organizations or Parties to which they belong. The various topics on the agenda are introduced by rapporteurs who have prepared papers on these subjects. These documents are as far as possible circulated in advance of the meetings.

In the following text the views expressed during the debates are briefly summarized under headings which correspond to the different points of the agenda.

# I. SURVEY OF EVENTS SINCE THE LAST BILDERBERG CONFERENCE IN FIUGGI

The Seventh Bilderberg Conference, presided over by H.R.H. the Prince of the Netherlands, opened with a survey of developments since the previous conference held nearly a year ago in Italy. The discussions ranged over events of major significance to the Western Alliance and were introduced in turn by a European and an American speaker, each giving an assessment of the world scene as it was seen on his side of the Atlantic.

At the Chairman's request, the discussion concentrated on those issues which did not arise for debate under later items in the Conference Agenda.

There were few reasons for satisfaction. In the previous twelve months Russia had demonstrated her technical progress in the field of missiles by being the first to launch an earth satellite, the United States had experienced a recession, which had hit the primary producer countries hard although it now seemed to be ending. In Europe, France went through internal upheavals, and although she looks like solving the problem of her overseas territories, the future of Algeria remains as uncertain as ever. The solution of the Cyprus question is no nearer. The negotiations and manœuvring over a summit conference did not bring any result one way or another, and in the Middle East the West had experienced setbacks. Now the West was likely to suffer further reverses in the Far East.

There were, however, some areas of progress, as in the field of European economic co-operation, where the Common Market had been set up and the Free Trade Area negotiations were more likely to succeed.

Discussion concentrated on the two most topical problems: the Far East and the Middle East, both of which had an immediate impact on relations between Europe and America.

A European participant remarked on the different historical circumstances which conditioned the attitudes of Europeans and Americans towards China. Whereas for Europeans, China was the most remote country in the world, for Americans it was a neighbour across the ocean. Europeans looked upon Far Eastern problems in practical terms of political or economic interest, with little or no bias of sentiment or tradition. America's thinking on China was tinted with strong moral feeling. Unlike Europe or Africa, China carried for Americans few unpleasant connotations and attracted, therefore, much of their sympathy and

attention. This had been expressed in the very powerful missionary effort through which large parts of America were made aware of Chinese problems. Many Americans regarded the Chinese as their spiritual children. During the Civil War the bad Chinese had defeated the good ones, who retreated to Formosa. It was now hard to leave these friends in the lurch. Another powerful factor was the Korean War, which, in terms of casualties, was the second largest America had ever experienced, and left a residue of hostility towards the Peking Government. Again, Formosa was the base from which the Japanese attacked Pearl Harbour and it therefore had to remain in friendly hands. For all these reasons a strong emotional streak was injected into American thinking on the subject. One of the American speakers remarked that all nations develop on some point or another an emotional attitude, a "sticking point" on which they find it difficult to yield; China had become such a point for the American opinion.

All this influenced America's attitude concerning the admission of China to the United Nations. Most American participants felt that China should not be admitted because it had failed to prove its willingness to abide by the United Nations Charter. On the other hand, while some Europeans shared their view, the majority did not attach much importance to this argument, considering that the United Nations already included governments with equally bad records. Most of the European participants were prepared to consider the case on its political merits. Among the arguments put forward was the position of China as a major power, and also the necessity of creating conditions in which peaceful changes and adjustments could take place. Some European speakers considered that the crisis over Quemoy and Matsu was typical of many situations in which Chinese membership of the United Nations could prove helpful. Above all, however, there was the problem of China's relations with Russia. It should be our principal aim to break this alliance and China's entry into the United Nations might ease our task in this respect.

The exact relationship between these two powers was an enigma. It was noted, however, that differences existed between their respective attitudes, as was shown at the time of the Hungarian Revolution and, later on, over the second break with Tito. We should not, however, put too much hope in major divergencies arising between Russia and China in the near future. For a long time these two countries would stand together.

Quemoy and Matsu naturally occupied a prominent place in the discussion. It was generally felt that the question of the off-shore islands was creating serious differences between Europe and America and that therefore it was particularly appropriate that it should be fully examined at the Bilderberg Conference. European speakers pointed out that it appeared as if the United States was trying to apply a right principle, that of opposing the use of force, to a wrong case. The



majority felt that the islands should be treated as part of the mainland, and that the conflict over them was in reality a further episode in the Chinese Civil War. For this reason, the argument against the use of force and aggression across frontiers did not sound convincing. Moreover, the islands were important to the Nationalists, not as a bastion for the defence of Formosa, but as a forward base for possible invasion of the mainland. Though such an invasion was today both unpractical and improbable, as one of the participants pointed out, it served to support a myth which the Chiang Kai-Chek regime needed to maintain its hold on its supporters. Public opinion in Europe, and also in Canada, was therefore unwilling to support a defence of the islands, and this attitude was further strengthened by a lack of sympathy with the Nationalist regime. A rapid and incomplete poll taken during the Conference evidently reflected this public opinion. The survival of the Nationalist regime was generally considered as of little importance, and only few Europeans thought it could be of serious significance for the Chinese colonies in South East Asia. Accordingly, the transformation of the Nationalist regime into an independent state of Formosa, following some kind of popular consultation or plebiscite, was suggested. In expressing their views on Matsu, Quemoy, and Formosa the European participants distinguished clearly between the last and the off-shore islands, and no European dissent was heard from the view expressed by Americans that whatever the fate of the off-shore islands, Formosa should not be allowed to fall to the Communists.

The main argument for present American policy was that we were faced with another manifestation of the general policy of the Soviet Bloc to provoke the West at distant points of the globe, to test its determination and will to resist. A line should be drawn somewhere, and considering that the West was in a weak position in many places around the world—for instance in Berlin—it was better to take a firm stand from the start. One of the American speakers said, however, that United States opinion was aware of the drawbacks of taking a stand in Quemoy and Matsu, but it was believed that firmness was the best way of securing a respite which would permit the U.S.A. to extricate itself from this unpleasant situation.

The difficulty of the present position was generally appreciated on all sides. The arguments, therefore, were mainly directed at the policy which had led the West into an untenable position. It was pointed out that the United States had lost a good opportunity during the period of peace which followed the previous attack on Quemoy, to come to a reasonable assessment of the situation and avoid getting into the present difficulties. For this reason, as one of the American participants pointed out at the end of this debate, it would help to rally public opinion, in any case in Europe, if it was understood that the United States in its present predicament aimed, not at maintaining the status quo, but at extricating itself from an unfortunate position.

During the last eleven months, the West had experienced severe set-backs in the Middle East. Some of the speakers felt, however, that Western action had succeeded in averting still greater dangers, and that by stepping in in time we had prevented a revolution spreading throughout the area. Whether we succeeded or not was open to question, for the presence of American and British troops in the Lebanon and Jordan was only a temporary measure, and their withdrawal might well restart the chain of events which was interrupted by their landings. As it was, the situation was not wholly bad. The Baghdad Pact, though it could no longer hope to become a rallying point for the Middle East as a whole, remained as a shield in the north. Although with the fall of the Nuri Said regime in Iraq, Cairo remained the sole pole of attraction for the Arabs, some participants thought that in time the emergence of other nationalist regimes, such as that in Baghdad, might prove to be beneficial. Arab nationalism was dangerous in so far as it fell under Soviet influence or Nasser's domination, but because it stood for independence and produced apparently popular regimes, it might yet be valuable and useful. Its three characteristics, one of the speakers observed, were jacobinism, xenophobia, and anti-Israelism. Apart from these nebulous and mainly negative attitudes it had yet to define itself and find its expression in a more positive programme. Nationalism could well yield positive results, as was the case in Turkey under Ataturk. It was objectionable, however, when it reached beyond its own borders hurting the interests of others. In such cases we had the right to protect ourselves, and should be firm about it.

As it was, some participants felt that, in a sense, we had acted in the Middle East to stop the Arab revolution. It was a natural process that had to run its cycle, and our best policy was to try instead to come to terms with it. Otherwise whoever in the Arab world carries it through, and emerges as its leader, will do so as our enemy. This was, moreover, an inevitable process which will continue, if for no other reason than, to get rid of Western influence in the area. That and its anti-Israeli character were the two negative sources of its strength. It need not be necessarily true, however, that a victorious Arab nationalism would be a greater danger to Israel. So far, unstable governments, for reasons of demagogy, vied with each other in asserting their hostility to the Jewish state. The temptation to do that would be lessened for a unified Arab state or for popular governments.

In the Middle East we were witnessing not only a nationalist revolution, but also a social revolution. The Arabs were moving from a medieval world into a modern one, and this rapid change was not, and indeed could not be, accomplished by way of peaceful political evolution. They were following a revolutionary path led by small elites recruited from the newly emerging classes. As always in history, the armed forces led by the younger officers were playing a prominent part, and their outlook was in line with the Cartesian formula of the dismantling



of the past and attempting a logical reconstitution of the present. What happened in the Middle East indicated a social transformation, a transition towards industrial society and national emancipation, but it should not be confused with Communism. It was accompanied by coercion and violence, but often no other way was possible.

Internal violence was promoted and supported, however, by indirect external aggression, the use of pressure, threats, infiltration, and subversion. This could hardly be tolerated in view of our commitments and interests, and we had to act to prevent force from succeeding. There was a difference between one successful *coup d'état* and an epidemic of revolutions and violence sponsored from the outside.

If the use of force was to become a common occurrence, the transition would prove a hazardous process which could lead to unpredictable results. It promoted an imperialistic state of mind which could occur in small nations as well as large, leading to equally dangerous and unwelcome results. These circumstances, some participants felt, considerably detracted from whatever sympathy one might feel with the cause of Arab emancipation.

This concept of resisting external, indirect aggression should not be carried too far, however, for it might involve us in resisting national evolution. In spite of the United Nations' resolution, some speakers felt that the West stood on weak ground in defending present frontiers, as the frontiers of the Middle East were imposed by the West and had little significance for the Arabs. Externally sponsored indirect aggression only succeeded when the internal ground for it was favourable. Again it was in the Western liberal tradition to support forces opposing unpopular regimes. Bad as our dilemma was, it was further aggravated by Communist action and influence. They had the techniques, the means, and above all the determination to exploit such situations, whereas the West was practically unprepared to deal with them. This was a problem to which attention was drawn on several occasions. It was a particularly urgent problem, as similar situations were likely to arise in other parts of the world, and maybe even in South America.

At present, as a European speaker emphasized, the Middle East with its uneven mixture of bad and hopeful points, confronted the West with a problem which was largely one of tactics. As was often pointed out, we found ourselves associated with regimes on their way out. To try, however, to identify, let alone support, the right forces of the future was a dangerous game and the likelihood of error was great. There was no simple and magical formula. A realistic approach was recommended. Too often we seemed to fall in for generalization and slogans. Nasser, for instance, was sometimes made to appear as an ogre, sometimes as a martyr. Again, the principles underlying our policy should be adapted to the facts of the situation and the mentality of the people concerned. If we need to be

firm, if in extremis we have to intervene, let us at least do it openly. The more explicit the threat the less the chance of needing to carry it out.

Economic means could be used. Whoever came to power in the Middle East, as one of the American participants said, would have to bear in mind his country's need for oil revenues, and he did not doubt the ability of the oil companies to strike a bargain. Besides, the West could do more than anybody to promote the economic development of this region, and the most promising course was to encourage the Arabs to pursue the same lines of economic co-operation as were developing in Western Europe. Our search for new institutional formulae was of great significance to the new nations trying to find their proper place in the world. Larger economic entities could weld irresistible political aspirations with the necessities of modern civilization based on the free market economy. The movement towards economic unification in Europe was an attempt to reconcile national sovereignty with economic necessity and social progress. It embodied three principles—the large market, the price mechanism corrected and controlled to eliminate excesses, and common institutions evolved to meet administrative needs. The new nations might well benefit from our example and try to follow this path.



## II. THE FUTURE OF N.A.T.O. DEFENCE

In the course of a special sitting devoted to this subject, one of the participants outlined the strategy of N.A.T.O. and some of the problems it had to face.

The task of the military planners, that of defining a minimum strategy to achieve maximum security, largely turned on an assessment of strategy over the next five years; so did the programming of military procurements. In view of the rapid technological advance in weapons, what was appropriate five years ago was unlikely to be suitable five years hence. However, the military planners were satisfied that their policy was as sound today as it proved to be in the past. N.A.T.O. strategy was based on the dual concept of the shield and the sword. The task of the shield is to hold an initial attack, and it must be of sufficient strength to meet and hold an aggressor, so that the onus of deciding to extend the conflict would rest with the enemy. This situation was naturally a delicate one to plan for, and, for instance, it was considered doubtful whether an attack could remain limited if the Soviet forces were directly involved. The shield force had thus three functions:

1. To complete the deterrent.
2. To give military and political flexibility to our reactions.
3. To defend the European members of N.A.T.O. if attacked.

Its strength had to be planned in accordance with the estimated power of the enemy's limited or general attack. It was believed that the integration of our forces and the maximum use of science and technology would compensate for our manpower inferiority and would enable us to hold the balance. However, our actual strength was constantly below requirements. In spite of the steady reduction in the manpower demands of S.H.A.P.E. the gap persisted. It was particularly severe as regards ground forces, but much less so as regards the air force. Moreover, a rapid increase in the use of missiles would necessitate an increased financial effort, of the order of 15 per cent on procurements, on the part of governments. Money and men continued to be the main headache of N.A.T.O. planners.

The inadequacy of the available resources and the resulting problems attracted much attention during the ensuing discussion. As one of the British participants remarked, politicians found it sometimes difficult to explain the apparent contradiction that whereas the resources put at the disposal of the military leaders

were chronically short of their demands, the political objective of preventing war has been fully achieved in the past. Our reliance on the deterrent proved sufficient and there might be, therefore, some hope of reducing the shield, particularly if, for instance, some agreement on the controlled reduction of forces in Europe were to prove possible. The answer was that whereas N.A.T.O. was considering the possibility of working out some scheme of inspection and limitation of armaments in Europe, and there was no objection in theory to such proposals, we must be certain that the balance of security will not be impaired as a result. As it was, N.A.T.O. had to plan not only for present conditions, but also for any foreseeable contingency. Since the Soviet atomic capability was growing, and the gap between the battle worthiness of Soviet and Western divisions was rapidly closing as a result of Russia's modernization effort, the danger of Moscow risking a limited engagement was increasing. Whereas we had about ten divisions near a border over four hundred miles long, the Soviet were able to concentrate rapidly about twenty divisions at a single point, and it was difficult to estimate precisely how many we needed to make the shield force effective. There was no significant reduction in the Soviet military strength, and some concern was felt lest the efficacy of our present strength would not diminish as a result of the progress they might accomplish within the next three to four years.

It might be that some relief to the increasing burden of defence could be obtained by lowering the production costs through the standardization of weapons and specialization of production, but the progress achieved so far was considered disappointingly small. There was little hope of progress as regards the simpler equipment which any industrial country could produce, but some positive results could be expected with new weapons.

Again, there was considerable internal pressure in the member countries for the reduction of the period of conscription. While it was difficult to generalize on this point, as it was primarily a question of training and of the efficiency achieved in different countries by units comprised of national service men, the position had, therefore, to be examined case by case. The snowballing effect on others of the reductions in any one country was the greatest danger. Regular armies, if these could be provided in sufficient strength, would help in this respect.

Some concern was expressed at the reliance of the shield force on atomic weapons as it blurred the line dividing it from the retaliatory force. This was said to be largely unavoidable as certain installations, for instance, airfields, served a dual purpose in defence and deterrence, and also because we had to take into account the possibility that the Soviet armies might use atomic weapons. This was one aspect of the more general and complicated problem of 'how does a modern war start?' How can correct decisions be arrived at and orders given and executed in the conditions of present atomic and missile warfare? The military



leaders hoped for a period of warning, which would be provided by the mounting international tension likely to precede the attack, so that during this period an interplay of political and military consultation would take place and the crucial decisions would be reached before the attack was launched. In any event the military commanders were confident that technical delays would be reduced to an acceptable minimum. The atomic warheads provided by America to N.A.T.O. countries, which under the United States laws, had to be in the possession of American forces until the last moment, would be handed over without any delay.

Once hostilities started involving the use of atomic weapons, it was practically impossible to estimate future developments. The initial devastation, which might well be increased over the level expected today, could reach such proportions that there was no reason to be concerned with the relative superiority in military manpower left to either side.

## III. WESTERN ECONOMIC CO-OPERATION

### with special reference to the political consequences of the existence of separate currency areas within the Western world and to the Soviet economic challenge in the under-developed countries

The debate on this point of the agenda can be roughly divided into three main headings: monetary policy, economic unification (i.e. problems relating to the Common Market and the Free Trade Area), and the development of the poorer countries.

#### MONETARY POLICY

Numerous speakers stressed the need for co-ordinating monetary policies among the Western countries, and protested against the seemingly sacred right of individual countries to inflate independently of all others. The resulting strain on the balance of payments jeopardized all efforts at economic co-operation and was putting a brake on the harmonious development of international trade. Several speakers considered the problem of inflation as crucial to the progress of economic unification. In this connection one of the participants made a plea for greater consideration to be given to monetary policies. Budgetary control proved insufficient to stem inflation in rapidly expanding economies. The old techniques of regulating the supply of money through the manipulation of rates of interest and the control of the volume of credit, which recently were coming into favour again, proved much more effective.

The progress made on the road to convertibility was noted. All participants who referred to the subject stressed the crucial importance of making sterling fully convertible, and many felt the conditions for doing so were considerably improved. This was of as great importance for Great Britain and the member countries of the Sterling Area as it was for the other countries of the West. As one of the Italian speakers pointed out, the Sterling Area provided a compensatory mechanism for the operation of multilateral trading. It provided the liquid reserves on which countries could draw in times of need in addition to capital markets for long and medium term loans. It permitted member countries to keep their imports at a much higher level than would otherwise be possible, which in turn benefited third countries. Ultimately some such compensatory system



should be devised to encompass as large an area of the Western world as would prove possible. Commonwealth preference was part of the system and contributed to the equilibrium in which we were all interested. In the dollar-earning countries of the Sterling Area it created, however, the impression of converting a world wide currency into a limited one and gave rise to the suspicion that it forced on them non-competitive sterling commodities.

Whatever measures were needed to bring full convertibility nearer, the ultimate step, involving the abolition of exchange controls, would be a radical departure which would necessitate new techniques. As several speakers observed, it required strengthening the reserves of the E.P.U. countries and of the Sterling Area. Though all recognized that, with some exceptions, their present level was too low, and that consequently a jump into convertibility might carry too great a risk, there was some divergence of views as to the extent of the increase needed. The E.P.U. was a useful compensatory mechanism through which countries experiencing particular difficulties could receive help. The I.M.F. could also be called to the rescue in more extreme cases. But this, as one of the British speakers observed, was not enough, and the small safety margin available to most countries forced them, at the first signs of danger, to adopt deflationary policies which slowed down their economic progress. On the other hand, a major increase in the reserves might well prove too great a temptation. This reasoning was epitomized in the story which one of the French participants recalled when, during an international conference dealing with this problem at which a proposal to set up an international fund was discussed, it was pertinently observed that the chief purpose of such a fund was to be emptied.

One of the proposals put forward in a report involved a 100 per cent increase in the price of gold as a means of increasing reserves and creating a dollar fund to support convertibility of sterling and the E.P.U. currencies. This proposal was generally rejected on a variety of grounds, both political and technical. However, the necessity of international support for the reserves of the Sterling Area as well as of the E.P.U. countries was generally recognized. President Eisenhower's proposal to increase the reserves of the I.M.F. was therefore welcomed, though some speakers doubted whether this measure would prove sufficient, so that, with the continued upward movement of world prices and the constant growth of international trade, in a few years' time we might find ourselves in the same position as we are in today.

#### ECONOMIC UNIFICATION

Referring to the Common Market, several speakers from the countries concerned emphasized its dynamic and outward-looking character. It was conceived in a spirit of liberalization, it excluded autarky, the philosophy of the Treaty was

largely liberal, and above all it was not to be considered as a final construction but rather as a stage forward on the road to a larger and more complete integration of the Western economies. That is why an extension of the Common Market through the setting up of a Free Trade Area or through treaties of association was wanted by those of the participants who were most closely associated with it. On the other hand, participants from non-member countries also stressed the importance they attached to the setting up of the Free Trade Area, which could eventually embrace the overseas countries of the Commonwealth. Some suggestions were made for its ultimate extension to include the United States.

Concern was expressed, however, lest the present Free Trade Area negotiations drag on for too long, or fail altogether. The Common Market was due to come into operation on 1 January 1959, and it was feared that, if no solution were in sight by then, the first appearance of discrimination would produce a schism between the Six and the rest of Europe. The future progress of negotiations might be seriously impeded as a result. On the other hand, one of the participants pointed to some serious technical difficulties. The Commission of the European Economic Community, which was formed earlier in the year and gradually took over negotiations on behalf of the Six countries, had yet to work out a common position. The Commission had not, so far, had the opportunity of working out some aspects of policy, for instance on agriculture, which were left open in the Treaty. Complicated technical studies on tariffs also took a long time. Moreover, there were much greater differences between the economic situations of the countries involved in the Free Trade Area project than among the original Six. The proposal to extend the 10 per cent tariff reduction to all countries concerned in advance of general development was not yet accepted by the Six, still less by the others. Further the speaker suggested that the Free Trade Area proposals were not the only alternative to the European Economic Community. The notion of association had a technical meaning, and various degrees of rights and obligations were conceivable and could be worked out between the European Economic Community and individual countries on a bilateral basis.

At that point a speaker referred to the difficult situation confronting British industrialists at the time of the publication of the Spaak's Committee's Report. The United Kingdom could not join the E.E.C., as it wished to keep the imperial preference system, which had preserved freedom of trade over a large area in the critical period of the thirties; to dismantle it now would be a step backward. The Free Trade Area offered the first ray of hope and turned out to be the best solution for other countries, the so-called "other Six", which shared much the same approach. A breakdown in negotiations might provoke the adoption of protectionist measures and eventually result in a breakdown of the E.P.U. He believed some of the difficulties and fears, particularly of French industry, were exaggerated. A detailed examination of the different industries, section by section, would be the best approach. Also a general reduction of tariffs on raw materials would go a long way to reduce the tariff problem. Provided the O.E.E.C. was used as a basis he thought that the institutional problem would cause no insuperable difficulties and was therefore hopeful about the outcome. One of the participants said that, although France would strive to see the Free Trade Area established, the Common Market Treaty took into consideration the special position of some sections of the French economy, and provided the necessary escape clauses. To press the negotiations to the point of redrafting the Treaty could lead to a collapse of everything that has been achieved. We had to preserve the existing structure, as a renegotiation of everything from scratch would hardly be possible.



Another major problem facing the European Economic Community was the co-ordination of monetary policies. As one of the participants pointed out, the economic integration of the Six required the co-ordination of all fields of economic policy. The Treaty was comprehensive but it recognized the evolutionary and expanding nature of the association and certain aspects of integration were left for later definition. This was the case with the financial policies of the member countries and although something has been done in this field it was not sufficient to exclude the possibility of conflicts arising which would result in balance of payment difficulties. To be sure there was the possibility of mutual help being provided and there were also escape clauses. Here was, however, the greatest weakness of the Treaty. Monetary policy was closely linked with national budgets and budgetary discipline was notoriously hard to achieve. Finance Ministers were usually more understanding and might occasionally welcome external pressure but it was more difficult to convince the national parliaments. The speaker doubted whether in the long run the problem could be successfully solved without an appropriate institutional mechanism.

This point was taken further by a participant who looked to a common currency as the ultimate solution. Inflation was held to be the main danger, and doubts were expressed whether the Common Market could develop unless some means were found of dealing with this. However, pointing to the successful operation of the Benelux Union another speaker felt that gradually most difficulties would be overcome and that the co-ordination of parallel policies could be achieved.

It was also suggested that some useful progress might be achieved in the co-ordination of fiscal policies. This field deserved close study which could also include the possibility of replacing the taxation of incomes by some system of taxing based on expenditure.

On the wider aspects of the European integration one of the participants felt

American support for the Free Trade Area would be helpful, while others considered that a greater effort should be made in the United States, and Canada, to inform the public and rally opinion in favour of European economic unification. This had a bearing on the danger that protectionist tendencies in the United States might take advantage of public ignorance about the tariff adjustments that were due to take place in Europe. The perennial problem of the American tariff wall was also broached, some of the European participants pointing to the dampening effect on European exports of escape clauses in American tariff legislation. It was noted, however, that although the protectionist strength in the United States was likely to remain a headache for many years to come there was a steady improvement. It was significant that in 1958 in the midst of a recession, considerable progress was achieved. There was a growing realization that trade was a two-way traffic and that, as one of the participants put it, the eagle on the American dollar was really a homing pigeon.

### THE DEVELOPMENT OF THE POORER COUNTRIES

The roles of private and public foreign capital in the under-developed countries were discussed. They were felt to be complementary to one another, although different considerations should apply to the provision of each. It was pointed out that public capital should be directed primarily to the development of the economic infra-structure. There was sometimes a tendency to direct it towards very large schemes and although these might be politically attractive, particularly at the project stage, Iraq was there to remind us that their impact on the economic well-being and political stability of a country was likely to be slow. Public funds were used for a variety of purposes ranging from outward budgetary aid to the provision of investment funds at market conditions, and it sometimes happened that, as a result, in the minds of the recipient countries the distinction between business and aid became blurred. One of the European participants pleaded that we should be more careful to draw a line between the two. As to private capital, it was generally agreed that to depart from sound business principles was, in the long run, harmful for everybody concerned.

In this connection one of the American participants feared that the multiplication of international lending agencies, which could compete against one another, might encourage a departure from sound business principles. The same might be said in respect of some aspects of governmental guarantees offered on medium term loans, though it was pointed out that this was an essential condition for capital exports. If sufficient guarantees were provided and the business was sound, interest rates were of a secondary importance, as in the case of most under-developed countries, the interest rates were in any case considerably higher than in the industrial countries of the West. It was further observed that there was a strong



case for encouraging Western capital to flow not only to the least developed, but also to the more advanced regions which had a better supply of managerial and industrial skill.

Though the conditions might be otherwise favourable, private capital might still prove reluctant to move in. There was, in some cases, a certain element of inertia, and it was suggested that a greater effort could be made on the part of our governments to make use of private enterprise to establish productive units with the help of public funds or in partnership with governments. More publicity should be given to such arrangements as have been made, as there was a noticeable reluctance on the part of private enterprise in this field. In any case, the association of foreign with local capital was regarded as beneficial and helpful.

The extent of the gap between the capital required and available for the development of the poorer countries led one of the participants to suggest that perhaps fiscal policies could be used with advantage, and that, for instance, the necessary savings might be generated if the taxation of incomes was replaced by the taxation of expenditure. Money, however, was not enough and the growth of a class of managers, technicians, and skilled workers was equally important for the development of more primitive economies. A further problem was to provide stable markets for primary products, on the exports of which the development of such countries depended. Their modernization programmes largely rested on the size and regularity of their foreign exchange earnings, and some solution to this question was urgently needed.

It was further a question of creating conditions of security for foreign investments. There was a case for creating an international charter for foreign investments which would be binding on all parties, although some doubted the possibility of implementing it in the near future, and efforts in that direction were held to be worth while. Investments should not be made to run legal risks in addition to economic and political ones, and a multilateral agreement was necessary. It was also felt that lending countries should stand together to protect themselves and the rules of good conduct in these matters. Those who infringe them should not be able to receive help elsewhere.

Finally, it was pointed out that the problem of foreign investment was obscured by the growth of tenacious prejudices and the lack of adequate information. Hence, it was suggested that the example of the Export Import Bank, which published details of its loans, could be usefully followed.

# IV. THE WESTERN APPROACH TO SOVIET RUSSIA AND COMMUNISM

There was considerable unanimity on the assessment of developments within the Soviet Union. Political considerations continue to dominate the evolution of every sector of Soviet life, whether economic, military or other. Whatever changes are occurring do not concern the essence of the regime, but the tactics it follows.

There was an improvement in the standard of living and there were certain perceptible changes in the Soviet way of life. There was the formation of a class differentiation with the attendant social, economic, and cultural aspirations. There was also timid beginnings of the formation of a public opinion, of a greater academic freedom, and signs of a religious revival. We should follow this evolution carefully, and whenever possible help it along. The value of contacts, particularly in the cultural field, was stressed.

Some of these developments were further helped by recent economic measures. While control at the top was strengthened, decision-making was handed downward with the result that local officials had been given greater power and assumed greater importance. These people, in the future, might come to express much more effectively than was possible at present the growing desire for consumer goods and a higher standard of living, which might well develop on similar lines as it did in the West. The class of more highly paid people was growing and the new generation of planners, who did not know the harder times, might well give greater consideration to pressure for more consumer goods and improved living conditions.

Already, in numerous sectors, a considerable revision of outlook was apparent. The former dogmatism was giving ground to pragmatism, and institutional arrangements were subject to revision. Agriculture was a case in point, which could be of considerable portent for the future. As one of the speakers observed, even the recognition of the price system and of some forms of the market mechanism were no longer beyond the realm of possibilities. The use of incentives which have lately been given added emphasis could well be extended further.

As it was, the growth of the economy and the improving standard of living helped the government and increased its political strength. The Russian leaders could somewhat relax and promote economic growth. The stick was less necessary and the emphasis was shifting to the carrot. In these conditions, it was generally believed that if the system was to change, and this could only happen as a result of internal pressures, it would take a long period of time. It was more reasonable to expect a continuous growth in the political, economic, and military strength of Soviet Russia.



It was sometimes felt that a general relaxation of tension in the world could help that trend of evolution which we hoped for within the Soviet Union. At the same time, however, one of the European participants believed that were we to give the Russians cause to believe that they might make headway abroad by the use of force, it would reflect on internal policies and make it more difficult for those evolutionary forces to operate.

The growing Soviet strength would naturally have its impact on Soviet foreign policy. It was thought unlikely, however, that the Russians would engage in direct military aggression. As one of the participants observed, it seemed as if the Soviet leaders had no great confidence in their ability of keeping wars limited. When confronted with a situation such as might lead to an armed clash, they either used threats of massive retaliation or suggested negotiations. However, speakers noted with concern the way in which the possibilities and merits of preventive attack were being discussed lately in the Russian press. Also in view of their growing strength, they might feel more inclined towards an adventurous policy.

True to their philosophy, the Russians saw victory through third areas. They paid to them increasing attention, they appraised their position much more realistically and adapted their policies in consequence. They recognized that the new nations were independent, and, in spite of their capitalist system, were not necessarily in league with the West. They also recognized and exploited nationalism abroad, although they opposed it within the Communist bloc, in the satellite countries, or among the minorities within the Soviet Union.

At the same time it was noted that there was a greater tightening up among the satellites in both the political and doctrinal fields. It was particularly noticeable in the case of East Germany and some participants expressed concern at the future course of developments. The possibility of another blockade of Berlin or of an explosion similar to that of June 1953 was mentioned.

As it was, developments within the Soviet bloc confronted us with what were in one sense more subtle dangers. In some respects Stalin had been an easier opponent to deal with than Khrushchev. In the long run it might prove more difficult for us to mobilize our public opinion and find a common line of policy. This difficulty might arise both on the national and the international planes. To be sure, there were some opportunities and some hopeful signs. General disarmament was hardly to be hoped for but some possibilities of limited agreements existed. The possibility of the Russians accepting, at some point in the near

future, some form of controlled disengagement in Europe was mentioned by an American participant. Also the seeming Russian interest in preventing the spread of atomic weapons could lead them to conclude some limited agreements.

There were numerous opportunities for us to take the initiative, and it was unfortunate that so many were missed. The Satellites, referred to by some speakers as the Achilles heel of the Soviet bloc, provided many such "targets of opportunity". Some of them were mentioned. We failed to expel the Kadar regime from the United Nations, although this proved possible in the I.L.O. The way America gave aid to Poland practically neutralized its effects. In spite of the recent escape of the Rector of the Jena University, Western universities sent delegations and messages of goodwill on the occasion of its fourth centenary celebrations. At the Economic Council for Europe meeting in Geneva, we had practically no positive proposals to make, leaving all the initiative to the Russians. Again, we should make a much greater effort to co-ordinate our propaganda, directed at the Soviet orbit and also to third countries. We could usefully speak to them of Russian colonialism, of Soviet efforts at disrupting commodity markets, and about the essentially political character of Communist economic ventures in the under-developed regions of the world.

Several participants pointed to the continuing lack of a global strategy and of joint planning among the Western countries. A high degree of co-ordination has been achieved within such organizations as N.A.T.O. or O.E.E.C. and there was no valid reason why it should not be attempted on the world scale. Some suggestions were made such as the setting up of a centre of study of Russian policies and tactics. Again it might be that within the Atlantic framework we could tackle the problem of expanding technical and economic education, which was fundamental to our economic progress and to our hopes for the development of poorer regions. The Russians were making much greater progress in this field than we were. As one of the speakers observed, it was a question of broadly disseminating modern production techniques in all their aspects, and somehow our universities lacked the necessary co-ordination and seemed unable to deal with the problem on a large enough scale. Maybe if a joint policy decision was taken on this matter through N.A.T.O. or some other body, the necessary progress could be made. But above all, as one of the participants pleaded, we should and we must agree on a general grand strategy, in the same way as was done between the Allies during the last war. We are not living in peace now. There was too much discussion of what were, after all, tactics, while the priorities of our aims were not clearly defined. He suggested, in particular, that the separation of Russia and China should be our principal target, as the combination of these two powers constituted for us the greatest danger.

The problem of a common strategy and of a common attitude attracted the



attention of many participants. One of the speakers who discussed this subject more fully believed that the importance attached to foreign policies in the national politics of our respective countries seems to be getting less. This would seem to be noticeable both in the United States and in Europe. We all spoke about the importance of the West speaking with one voice, but this was more and more a case of paying lip service, and the time had come to improve our attitude. Co-ordination of our respective policies, and particularly of our aims, should have top priority. These were listed as:

1. The rapid increase of our economic potential which was at present insufficient to meet all our requirements.
2. The stability and development of the uncommitted countries irrespective of whether they join our side or not.
3. Progress in missiles and atomic weapons and a much greater effort to diminish the risk of suicide inherent in our present defence strategy.
4. Concerting policies.

While it was realized on both sides of the Atlantic that the Western alliance was the core of our policies, the implications of this were too often forgotten. We should pay more consideration, for instance, to the liquidation of unprofitable and hopeless ventures which were straining the alliance. We need not treat unanimity as sacrosanct, however. In the discussion on this problem it was pointed out that often disagreements reflected a genuine clash of interests or a genuine difference of opinion. While in general a unanimity on fundamental priorities was essential, more thought should, therefore, be given within the alliance to the problems of grand strategy. Occasional differences on tactics or on problems of lesser importance and the resulting jerks were unavoidable, and all we could do was to strive at a better climate which would facilitate their solution. But, as one speaker observed, diversity of views and interests was a defect which occasionally could even prove useful.

The Soviet bloc was now entering the field of trade with the under-developed countries on a big scale. Soviet interest in those areas was primarily political and the Communists looked upon their trade relations as yet another means of achieving their political aims. This was, therefore, a matter of deep concern to the West. On the other hand, however, some speakers pointed out that inasmuch as we could not possibly do everything ourselves, there was no great harm in the Communist countries contributing to the economic development of poorer regions.

The Communists benefited from certain advantages, but they also suffered from certain drawbacks, though these might not always be immediately apparent. For many people in the under-developed areas Communist Russia has been able to achieve in one generation what the West has done in three. It offered them in many cases an alternative to commercial relations with the West and enabled

them to secure better conditions for themselves. In particular, the Soviet Union was a buyer of raw materials and was better able to satisfy the need of these countries for long term stable markets. To be sure the trade of the Soviet bloc was comparatively small but through bulk buying and the conclusion of bilateral agreements, the Communists received considerable publicity for their deals. Their buying methods seemingly provided an answer to the basic problem of the development planning of these countries, which was to estimate correctly future foreign exchange earnings with which to pay their imports of capital goods. Some participants felt the provision of stable markets for primary products the crucial problem for us to solve. The idea of buffer stocks, originally considered as part and parcel of the Bretton Woods proposals, has been abandoned and the commodity agreements concluded since the war have generally failed. However, some speakers believed we should not abandon the search for a solution along these lines and that maybe some technical improvement in the working of commodity agreements might provide the answer.

The advantages which the Communist bloc had to offer in this respect proved, however, often more apparent than real. The commodities they purchased were occasionally resold, affecting world markets in a way prejudicial to the producer countries. Moreover, the Soviet Union was itself an exporter of some primary products, such as tin and oil, and their sales, in competition with the exports of the under-developed countries, often took the appearance of dumping. In return for their purchases, the Communist bloc, apart from armaments, supplied almost nothing but capital goods. There were no fears of their competition in the field of consumer goods, though it was observed that this was likely to arise within the next decade. Even as regards the supply of industrial installations it was suggested by one of the participants that, since the Soviet Union itself contracted for complete factories from Western countries, their own export possibilities must be limited.

As it was, there was general agreement on the need of stepping up the development of poorer countries, though one of the participants remarked that in adopting this approach not enough attention was given to maintaining stability. Though in some cases private Western investments were flowing in at an adequate rate, and economic progress was satisfactory, this was generally not the case in what were, politically, the more critical areas. It was noted that in many instances, even if conditions were otherwise satisfactory, one could not rely on the free play of economic forces to attract capital in the time and for the amount required. Moreover, Western industries often lacked capital for investing abroad, and it was suggested that government funds could be usefully channelled through private industries. More extensive governmental guarantees on the part of the lending countries would also prove helpful.



It was also believed that we could make considerable headway in our partnership for the industrial development of the poorer countries by adopting a suitable approach which would take into account the susceptibilities of the newly independent countries. A right political attitude, recognizing their insistence on equality, was of particular importance. In this connection it was pointed out that because M.I.D.E.C., S.A. expressed these very considerations it was extremely well received throughout the Middle East.

In a general way, many participants expressed their belief that the setting up of the European Economic Community and eventually of the Free Trade Area would considerably improve our position in our dealings with the under-developed countries. Our economic strength would increase as a result, our competitive position as regards the Soviet bloc would improve and the underlying principles of European integration were likely to prove attractive to the uncommitted nations, and might be taken as a good example.

# PRESS STATEMENT

The seventh conference of the "Bilderberg Group", presided over by H.R.H. Prince Bernhard of the Netherlands, was held from 13 to 15 September 1958 at Buxton, England.

The conference, like the previous ones, was private and unofficial. It was attended by some eighty participants coming from eleven European countries, the United States, and Canada, chosen from a wide range of interests including politics, industry, commerce, finance, labour, and education. Those attending did so in a personal and unofficial capacity and the opinions offered were the personal views of the speakers and were not expressed on behalf of any governments or institutions to which they might be attached.

The discussions did not attempt to formulate conclusions. The emphasis was placed on the continuing need to foster the closest understanding and the most effective co-ordination among the Western nations in relation to common problems.

The conference began with a review of the main political and economic events since the previous meeting, in the course of which an exchange of views on events in the Far East and Middle East took place.

This was followed by consideration of the progress of Western economic co-operation, particular attention being given to the political consequences of the existence of separate currency areas within the Western world, the co-operation of the free world with the countries in need of increased development, and to the Soviet economic activities in these countries. Special attention was given to the subject of the Common Market and the Free Trade Area. The progress and future of N.A.T.O. and the Western approach to Soviet Russia and Communism were discussed.

This was the first Bilderberg Conference to be held in Britain. Previous conferences took place at the Bilderberg Hotel in Oosterbeek, Netherlands (May 1954); in Barbizon, near Paris (March 1955); in Garmisch-Partenkirchen, Germany (September 1955); in Fredensborg, near Copenhagen (May 1956); at St Simons Island, Georgia, U.S.A. (February 1957), and in Fiuggi, Italy (October 1957).

*15 September 1958*





# A COMMON POLICY FOR THE WEST

*By an American Participant*

May I also start my remarks by referring to the importance of the West speaking with one voice. This is a thing which a lot of us say all the time. It means of course the importance of concerting policy, but I think that we are likely to regard this as something which is useful to say and then pay very little attention to it afterward. The real question is how important in national policy is the concerting of international policy, that is within the Western Alliance. There have been times when it was highly important within national policy. It seems to me that it is getting less important as I observe what is going on. It's hard to illustrate this without being offensive one way or the other. If I illustrate it with my own Government it seems partisan; if I illustrate it with other governments, it seems as though I were pointing to others. So I shall take the worst of both worlds by illustrating it from both.

It seems to me, and this may undoubtedly have a large element of partisanship in it, but it seems to me, that there is less concern in the government of the United States today about concerting its action and its policies with those of its allies than there was, say, during the period when I was associated with the government; I don't mean because of that fact, but merely to compare these two periods. For instance, the concern of the government of the United States on limiting the war in Korea to South Korea was very largely, but not entirely, out of respect to the views of its allies. It would have been easier within the United States to have extended it. I think this would have been unwise; but the pressures were for that. Our allies were unanimous that this was unwise and it seemed to us at the time that our allies were entitled to have their views respected in this matter; and we respected them. Today I do not think the same respect is given to the view of our allies in regard to the present crisis in China.

Now if we turn to some other countries. To what extent do we suppose that concern about her allies is reflected in any way in French policy toward North Africa? I should think the element of concern about the position of the whole of the West was very small. I may be wrong about that. I do not mean that France is not entitled to sympathy and support. I am all for giving France sympathy and

support. But I am now talking about to what extent in French national policy on this particular question, are the views of her allies important. I should think not at all. One of the classic examples of the complete disregard of this factor by everybody was Suez, by the United States, by the British Government, by the French Government, by the Israeli Government, by everybody.

Now we are always told that this is because of local political pressures, and this is true. There are local political pressures in the United States and in our allied countries. But I think the recent experience of France shows us that times come when a continued yielding to political pressures, means that the whole system which gave rise to those pressures has to be remodelled; and I think that will occur to us, and to all of us, if we continue in this way. So that the concerting of policy does not seem to me merely a moral desirability. It seems to me a practical necessity. I do not think time is on our side. I think time is against us. I think vastly more efforts have to be made than have been made; and if each one of us is unable to make this effort or to concert the effort with another ally because there are political difficulties at home, then it will not be made. And the system which so endangers the whole world must give way to one which will undoubtedly be worse; but I think may be more effective.

Now when we go a little further into this we get into realms which we have been discussing here today, realms of propaganda forming public opinion abroad and in our own countries and somewhere else. May I suggest that I have great respect for this endeavour. It is one of which I know very little, but it has always seemed to me that to consider this as an action apart from other action was exactly wrong. The best propaganda in the world is right action. The Marshall Plan was the best propaganda the United States ever engaged in. Surely it is important to be articulate about it and to explain it; sometimes it really hurts to do that, but, generally speaking, it is good to explain what you are doing. But to explain that you are doing something that you are not doing is the very worst thing in the world. Therefore, while propaganda can be used as a sword to attack other people who cause confusion, and this is all to the good and I am for it, it is of secondary importance. The vital and primary thing is what we do. And let me talk for a few moments about that.

We have been talking this morning about changes which have occurred in the Soviet Union or may not have occurred and personally I agree with the view expressed by the preceding speaker. I don't undertake to deny that there is not some merit in the views which have been expressed that there are changes. But I submit to you that these changes are not relevant within any period of time for which any of us will be forming policies. These may have an effect in twenty years, thirty years, fifty years, but they will not have an effect in ten years, and we must make policies for the present. Whatever changes may be occurring in the Soviet Union



will not, it seems to me, affect international relations with any degree of significance within the next decade.

Now let's look at the sort of thing I mean by concerting policies. I do not mean that there is a possibility, or much sense, of trying to get a lot of N.A.T.O. representatives together on every matter of action and trying to produce unanimity. This will never be produced. A lot of talk will occur, the representatives have no authority anyway, some governments are incapable of giving them any. So this generally is useful but not terribly important. But what is important is to have agreed on policies which go to the heart of the situation, to follow those out in all our countries, and then have a certain amount of trust in each one of the nations to do whatever it is doing in accordance with those policies. Now these must be of a very broad, but I think vitally important, nature.

Let me just mention two or three that seem to be at the heart of this.

The first point of agreed policy should be one which we have been discussing here. It is the necessity for a very considerable increase in production and productive power in the Western world. It is not now strong enough to meet all the requirements we should be putting on it. We all need greater production capacity. To do this will require more management of our economy than some people, at least, believe wise. But the price of a rapid increase in production and productive capacity is increased government management of our economic life.

Then should come agreement on the problem of the under-developed areas. A much greater effort by developed countries is necessary to promote their economic growth. It should be made plain to them that the West is interested in their economic growth and stability and not in attempting to force them into any political alignment. To be effective here depends on the growth of our economic potential referred to above.

In the field of military policy we are falling behind. We must make the greatest efforts to get our nuclear missile armoury completed. This is an absolute necessity. Elsewhere the trend in defence policy, especially in Europe, seems to me wrong. Defence policy should aim at producing results not merely on a battlefield. Military power and strategy project themselves ahead of the battlefield. If there is no power or the strategy is wrong, then consequences occur long before any battle. Our alliance may lose its battle without ever fighting it. Therefore, I would go much more strongly for a new inventiveness in non-nuclear weapons and in the strategies which will appeal to those whose countries are being defended. What is the use of saying to people, we will defend you by blowing you to pieces? That I think is not an appealing strategy, and one which in the long run will not work.

Now a final word on what I mean by concerting political policies. These again can only be of the broadest nature but, if they are really understood, they will be

of the greatest help in solving specific problems. I have been preaching in my own country that the fundamental doctrine of American foreign policy ought to be that the Western Alliance is the heart of it: that this comes first. Now everybody says this in a speech, but nobody really acts on it. They are concerned whether the uncommitted peoples will approve our policies of solidarity with Europe, whether, for instance, our association with France will hurt us with India or somebody else. Well, any policy of association is going to be unpopular somewhere. We either have a Western Alliance which lies at the heart of our policy or we have not. If we have, it should take first priority with us and with others. If our allies want the United States to feel that the Western Alliance is the heart of policy, they must feel the same way. And they must adjust their actions in the interests of a larger entity than themselves.

Now I further think that putting the coalition first ought to include liquidating hopeless individual ventures. We cannot say that we will continue for ever an individual national effort which has no chance of success whatever, and merely involves everyone in ill-will and a losing struggle. You can think of examples of those as well as I can. We have some, and you have some, and they ought to be liquidated. We ought to be turning to more productive fields.

Finally, please do not let our policies all become sweetness and light. I am eager to help everybody that we can help, but there are occasions when we must hurt as well as help. Do not let us be carried away by a moralism which makes us say tut-tut every time a suggestion is made that someone who is vitally injuring the interests of the Western Alliance must be brought up with a sharp jerk. This can happen, and though military measures don't shock me at all, economic pressures might be a little better. There are plenty of them which can be applied. It ought to be understood that we are to be respected, our Western Alliance is to be respected as well as to be regarded as benevolent. It will not be respected if everybody who wishes to can exploit us with impunity.





## TACTICS IN THE COLD WAR

*By an American Participant*

There were some very interesting and important and true things said this morning.

The problem I think we face is the fact that we used to have such a useful ally in the simple, byzantine brutality of Stalin. You knew where you were, and you also knew that if you bumbled your way into trouble you would be rescued by Stalin.

That is no longer true today with Mr Khrushchev, who is an infinitely more subtle character—not only because he himself is more subtle than Stalin, but because he has to be more subtle in view of the things that are going on behind his back. Therefore, we are living today in an extraordinary paradox—the paradox of greater danger, and at the same time of greater opportunity. How to operate between the two is a complicated and tricky problem.

I think that some of the speakers were quite correct when they implicitly or explicitly said that we are in greater danger today than we have ever been. But also more hopeful signs were pointed out—on the economic side and elsewhere. One of the participants talked about China. Sure, we now have two Big Brothers instead of one Big Brother. But maybe one of the Big Brothers is bigger than the other. It is an interesting situation and undoubtedly gives Mr Khrushchev pause.

There is the problem of education in the Soviet Union. One point that was not brought out this morning is that you cannot take tens of thousands of young Soviet citizens and educate them for science without developing curiosity—and you cannot limit their curiosity to scientific matters. Their curiosity is bound to go all over the place—and that is a source of danger to the Soviet Union.

We have talked also about nationalism. And too, there is my pet hobbyhorse—namely, the Eastern European satellite countries. I still claim this is the Achilles' heel of the Soviet empire, about which we are not doing what we should. And I'm not talking now about "liberation policies".

So we have this paradox and this opportunity.

* * *

Now I am going to say some things against what the Americans have been doing, and about what they have been failing to do. (Lest anyone think this is

your attention to the fact that I spent full time on this work of political warfare in international affairs for a year under the Truman administration and a year and a half under the Eisenhower administration, so except for a six months edge the scales are even.)

There are two things that can and should be done. One of them is to take advantage of the targets of opportunity which present themselves all the time. The other is to have the kind of set-up which would permit forward thinking and planning. We have done far too little on both scores.

To illustrate what I mean by a target of opportunity, let us take Hungary. I am not talking about the Hungary of 1956; I am talking about the liquidation of Imre Nagy and Pal Maleter in 1958.

In a very interesting way, there was a greater world revulsion against the murder of these two Hungarian leaders than there was at the time of the Russian suppression of the Budapest insurrection. Yet in the United Nations none of us, neither the United States nor anyone else, did what could easily have been done at virtually no cost—that is, get the representatives of the Kadar regime disaccredited in the U.N.

This is all the more serious and shameful because it was not a question of unseating an accredited representative. These people had never been accredited. They had applied for it, but they had not gotten it; but also they didn't get *dis*-accredited. All of us together—all of us brave Western nations seriously concerned with political warfare, seriously concerned with the Communist threat, seriously concerned with a thousand and one things—just kicked that accreditation item under the rug, three times.

Beginning this week there is going to be another opportunity to do something about it, and I am not sure we won't kick it under the rug again.

I know that the State Department people and the Foreign Office people of various countries will say, "Oh, there are grave dangers; there is the danger that the Kadar regime will close down the U.S. Embassy in Budapest and we won't have that window there any more." Well, I think that in this great Game, our private window on such-and-such a street in Budapest just doesn't stack up against what would happen in the hearts of Hungarians if we could muster the manliness to disaccredit the representatives of the Kadar regime. In passing, I would draw your attention to the fact that the I.L.O., which is not in the habit of roaring like a lion, managed to do just that on this subject. If the I.L.O. can do it, I don't see why the U.N. can't.

So that is the kind of target of opportunity that comes up every now and then—quite frequently, actually—on which unfortunately we do not act.

* * *



The forward thinking and planning which we do not do are best illustrated in the American case, I think, by Poland—Gomulka's Poland.

We agreed along with a lot of other people that the Gomulka development—you might even call it the Gomulka-Wyszynski development—in Poland was a very important, significant, and delicate one which should be handled with great intelligence. I think it was particularly significant that practically all Poles outside of Poland—no matter what their political complexion, no matter what their background, no matter how long they had been out of Poland—agreed that we must not rock this boat.

What happened next? The Poles came to us and said, "We need three hundred million dollars, Mr U.S." And what did we do? We went into a surly brown study and finally decided to give them 90 million dollars. Conceivably this was all they needed or deserved, but the way in which the study was made, and the way we made news working out whether it was 90 million, 100 million, 150 million, or 300 million, was all negative, chip-on-the-shouldery news.

Finally, we did not take advantage of an incredible opportunity for crowding the Polish switchboard with Western sounds in general, and American sounds in particular. If we had immediately given them 90 million dollars, and let them call it a token instead of hasseling over it, and *then* asked them to invite an American study group of agriculture, economics, health, medicine, and industry to work out with them their problems, we would have indeed crowded their switchboard with our sounds and made it difficult for Moscow to get on the line.

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We have all been taking a most incredible beating over the months and years on the word "Colonialism". We have never pulled up our socks in forward thinking to the extent of even beginning to nail the *fact* of "the new colonialism" on to aggressive, imperial Communism.

At the first Bilderberg Conference four years ago we had quite a discussion on the American viewpoint versus the British and French viewpoint on colonialism. But we all know that from our side of the fence colonialism is dead—we simply do not use that word. The entire trend of Western activity is to bring individual peoples forward. Yet here we are still stuck with the label, and we have not done the most elementary first lesson to pin the word "colonialism" on the Soviet Union, where it really belongs.

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Above all of those matters of detail that I have mentioned, I think the essential thing for us to do is to put our own fraternal house in order. We have got to be agreed among ourselves. We have far too often allowed the atmosphere to be poisoned.

If among ourselves, the countries represented here today could agree on the elementary principles of political warfare toward Communism, and the Soviet Union, and Communist China, and the new Colonialism, we would be able to set up the kind of "centre of magnetism" which is the only realistic and irresistible way to get through to these people. As one of the participants said this morning, the good citizens of Moscow are not going to swarm on the streets and build barricades and string Khrushchev up by the ankles—that's not the way things are going to happen.

We have to set up our own centre of magnetism here in order to make *our* place, *our* system, *our* way of doing things, *our* people's welfare, self-evidently better than imperial Communism.

Not long ago we poisoned our own atmosphere with Suez; we ourselves poisoned it forty-eight hours ago with Quemoy; a month ago it was the Near East, and tomorrow goodness knows what. We should be considerably smarter than we have been in the past.

Part of that smartness could be to find the formula whereby in political warfare our nations could get together more often, and actually have an international group to think and plan above the poisoned-atmosphere elements. One of the miracles of N.A.T.O. is that they have been able to do that. These N.A.T.O. members sort of sniffed around each other like strange bulldogs for a couple of years, and finally decided that they could stick together no matter what was happening. There is a similar co-operative situation in O.E.E.C. on economic matters.

Well, if we can do it in O.E.E.C. and we can do it in N.A.T.O., we can do it in political warfare. I submit that in political warfare this is the moment to do it.





# PROBLEMS OF THE COMMON MARKET

*By a European Participant*

I should like to emphasize one particular aspect of the problem which is under discussion today. I would suggest that we give some thought to the possibilities implied in the integration of the six countries into the Common Market. Here are my reasons.

The Treaty establishing the European Economic Community, like the whole process of integration, is dynamic and evolutionary in nature. When we drafted the Coal and Steel Community Treaty we had already in mind its extension to products other than those of heavy industry. We got that and went even beyond the mere extension of the reduction or the abolition of tariffs. We integrated the greater part of the economic policy of the six member states of our Community. It followed logically from the creation of a common external tariff that we were almost driven to this further integration. The moment you create a common external tariff commercial policy becomes a matter of common concern, but as everybody knows we went even beyond that by integrating other fields of economic policy, agriculture, transport, and so on. Now, how does monetary policy fit into this picture?

It is true on the one hand that we have not been able to bring the essence of monetary policy into this framework. There is no real integration of monetary policy such as is realized for instance in the field of, say, agricultural policy where the community is required to develop a real common agricultural policy for the whole area of the six countries.

On the other hand it would be wrong to say that nothing has been done in the direction of integrating monetary policies. We have a number of provisions in our Treaty, in order to facilitate or make possible the execution of the Treaty itself—such as that all states have to strive to approve the monetary arrangements necessary to permit the free flow of goods. The Treaty has done more, it has included a commitment for the six states to follow a sound monetary policy and this is not only a "façon de parler", it is not only fine words, it has implications for all institutions of the community which have to make decisions, recommendations or have to take administrative measures. Even more than that, certain organizations can try at least to establish co-operation or even co-ordina-

tion in the field of monetary policy. There is a provision saying that the Ministers and the Central Banks with responsibilities in this field shall co-operate. The Treaty established a special monetary committee which gives advice in this field, and we base our measures upon this advice.

There is a trend to establish co-ordination of monetary policies, but nevertheless there remains the possibility of conflicting policies, of policies which may even jeopardize the execution of our Treaty. The Community has faced this situation. The solution it has found in order to meet this difficulty may appear somewhat artificial, but I think it is easily explained by the complications of the situation we have to deal with.

This problem results in balance of payments difficulties which may have disturbing effects on the execution of the Treaty. If such a situation should arise, the Commission has first to examine the situation and to give recommendations to the state which is in difficulties; secondly, there is a possibility of the other countries providing mutual aid to the state which finds itself in difficulties, and only in the last resort is there the possibility of applying an escape clause. There is no doubt that we are faced here with the greatest weakness of our Treaty. The Treaty must be completed in this direction, and undoubtedly a greater measure of co-ordination of monetary policies if not real integration is highly desirable if not absolutely necessary. Development in this field should be organic, it should be an outcome of the work we have started.

Now, there is not the slightest doubt that we shall meet with considerable difficulties before we complete our Treaty in this direction. It is not my intention to go into detail, but I should like to draw the attention of this audience to one point which is perhaps the most difficult, that is the link between monetary policy and budgetary policy. I think it is one-third of the national income of all the member states which is distributed through the budget, so it is hard to see how one could come to a really integrated monetary policy without dealing with the problem of creating some sort of budgetary discipline among the member states. There is no doubt that we are here faced with a great political difficulty, perhaps not so much on the part of the ministers of finance, who sometimes would be glad to quote international commitments in order to restrain the desire of parliaments to vote big budgets, but on the part perhaps of the parliaments. The main conclusion which I draw from these premises is that I doubt whether without some institutional mechanism we can cope with the problem. It would evidently be an illusion to hope that self-discipline will suffice to bring about a good and sound situation in this field, otherwise we would have it already. And I doubt too whether we can find that automatism without institutional measures would meet our problem.

I do not want to enter into a discussion of the techniques of this integration.



This is another question and here we must be open-minded. I think there are different solutions possible, and one should not make out of this whole problem a matter of pseudo-religious belief. I think these are really technical questions.

If we go this way, do we risk being faced again with the criticism that this would be a step in the direction of splitting Europe? I do not think so. When we drafted and when we implemented the Common Market between the Six, we brought about by this very fact the negotiations for the Free Trade Area, and there is no doubt that we would not have had the Free Trade Area negotiations had we not first created the Common Market. And I dare say the same will happen if we should be successful in the field of monetary policy.