CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE
UNITED NATIONS PLAZA AT 46TH STREET NEW YORK, N. Y. 10017 CABLE ADDRESS INTERPAX OXFORD 7-3131

6 April 1971

Dear Mr. Murphy,

Enclosed is a copy of the working paper prepared by Mr. Gabriel Hauge, dealing with the first item on the agenda for the Bilderberg Meeting, (The contribution of business in dealing with current problems of social instability).

We are encountering a delay in the receipt of the final paper, which is being prepared by Mr. Giovanni Agnelli. We hope to have it soon enough to send to you in good time before the meeting but,if this is not possible, it will be distributed at the meeting.

Sincerely yours,

Dori Parker

(Mrs.) Dori Parker
Assistant to Joseph E. Johnson
Honorary Secretary General
in the United States for the
Bilderberg Meetings

Enclosure

RECEIVED
APR 7 1971
ROBERT MURPHY

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CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE
UNITED NATIONS PLAZA AT 46TH STREET NEW YORK, N. Y. 10017 CABLE ADDRESS INTERPAX OXFORD 7-3131

2 April 1971

Dear Mr. Murphy,

I am pleased to enclose a copy of the working paper prepared by Mr. Denis Healey for the second agenda item ("The possibility of a change of the American role in the world, and its consequences".), at the Bilderberg Meeting in Woodstock, Vermont. Also enclosed is a copy of an article by Mr. Healey, which appeared in the 2 March 1971 issue of The London Times.

The other working papers (by Mr. Gabriel Hauge and Mr. Giovanni Agnelli) will be mailed to you as soon as possible.

Sincerely yours,

Dori Parker

(Mrs.) Dori Parker
Assistant to Joseph E. Johnson
Honorary Secretary General
in the United States for the
Bilderberg Meetings

enclosures

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BILDERBERG MEETINGS

WOODSTOCK CONFERENCE

DELUDED STRATEGIES IN THE TWILIGHT OF THE COLD WAR

Mr.Denis Healey, the former Defence Secretary gives a British view of the changing world order.

For a quarter of a century international diplomacy has been dominated by the concept of the cold war as it crystallized under Stalin and Dulles. Mankind was seen as split into two camps - to use Zhdanov's phrase - led by the Soviet Union and the United States, and inspired by totally incompatible visions of world order. Sooner or later every country would have to join one camp or the other. The West believed that the communist camp would use force to expand its frontiers unless faced by superior power and the manifest will to use it. The communists believed that the West would resort to war when faced by its inevitable defeat at the hands of international revolution.

This picture of the world is still an element in the approach of communist governments. It has also shown an impressive capacity to survive in the West. As late as 1960, after the convulsions in Eastern Europe and the split between Moscow and Peking, Professor Walt Rostow was able to believe that the Soviet leaders could look ahead "within the bounds of reason" to achieving "virtually total power, exercised from Moscow" in 10 years; in the same year Mr. Crossman could write: "We can predict with mathematical certainty that, as long as the public sector remains the minority sector throughout the western world, we are bound to be defeated in every kind of peaceful competition which we undertake with the Russians".

Strategic nuclear posture

In the military field, though even the Pentagon has abandoned the illusion of American omnipotence, the myth of Soviet omnipotence continues to run around long after its head had been cut off. The United States's strategic nuclear posture is still based on the assumption that the Kremlin may believe everything will go right with a Soviet first strike while everything goes wrong with America's retaliatory forces. Mr. Heath appears to believe that four Russian frigates can in some sense dominate 10 million square miles of Indian Ocean and the continents around it while the six British frigates he has promised to keep there are barely sufficient to maintain the Beira patrol.

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Yet in fact the world has changed so much in the past 20 years that the cold war stereotypes are now a very inadequate guide to understanding it. Experience has also shown that some of the strategic assumptions on which western policy was originally based were unnecessarily pessimistic.

So far as nuclear deterrence is concerned, the stability of the Soviet-American balance is insensitive to wide fluctuations in the relative capability of the two sides. Given the appalling destruction which would be inflicted by even a handful of hydrogen bombs, an aggressor must demand a much greater degree of certainty that he will escape retaliation than is conceivable in the foreseeable future. On the other hand the non-nuclear allies of a nuclear power, particularly if they are geographically closer to the potential aggressor, require a high probability that their protector will retaliate in time. Nato's strategic debate in the past 10 years has been concerned mainly with narrowing the gap between the comparatively small degree of credibility which America's nuclear guarantee requires for deterring the enemy and the larger degree of credibility it needs for reassuring the allies.

By revising Nato strategy in 1967 so as to permit a longer period of conventional resistance and by developing guidelines for the initial tactical use of nuclear weapons if that resistance fails Nato had narrowed the gap sufficiently to reassure the European allies without imposing nuclear liabilities on the United States which would be grossly out of proportion to her stake in a conflict. Providing Nato's conventional capability remains as roughly proportionate to that of the Warsaw Powers as it is today, and includes a strong American ground force, Western Europe can and will feel secure.

The growth of nationalism

Thus understanding of the conditions required for stable deterrence had improved greatly in the past 20 years. Meanwhile the demonology of the early fifties has become steadily less relevant to the political realities of the seventies. Neither camp has proved to be nearly as monolithic as the cold war theory assumed, and neither has made significant headway in winning converts in the third world. Moreover, both Russia and America now face domestic problems which compel them to give a lower priority to world affairs than they might otherwise wish.

Consumer pressures, inseparable from the type of incentives needed to

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maintain the momentum of her economic development, are introducing social, economic and cultural changes into the Soviet system which will be reflected in further political evolution during this decade. Once Khrushchev had delivered his ex-cathedra denunciation of the doctrine of papal infallibility the cement of the international communist system was bound to crumble. No communist party in the world now accepts an automatic subservience to the Russian leaders. Their influence outside their frontiers now depends like that of any other government on diplomacy, economics and military force; communism as such will help them in composing their differences with other communist governments as little, or as much, as the initial heritage of common political institutions helps Britain in the modern Commonwealth.

In Eastern Europe, as in parts of the Soviet Union itself, nationalism is growing stronger every year, and there are signs that however much the Russian leaders resent it, they now recognize its force. As we saw recently in Singapore, nationalism in the ex-colonies can provoke a similar nationalism in the ex-imperial power - a dislike of being pushed around by lesser breeds. People who lack selfconfidence and feel their pride at stake may always produce an irrational response to an unexpected crisis. For this reason among many others the west must continue to provide a credible deterrent against Soviet military adventures. But it is equally important to produce a climate in which the military problem is de-emphasized and fears for security play a smaller part. Then both Russia and America will find it easier to adjust their policies to the changes of the past 25 years without the conditioned reflexes of the cold war interrupting the process every time there is an accident or misunderstanding.

In fact, quite apart from the role of nuclear weapons a number of developments combine greatly to reduce the incentives to the use of force by developed countries against one another. No single great power can risk serious damage even for the sake of totally destroying a rival so long as there is a third great power standing by to exploit his weakness afterwards. Thus the emergence of China helps to stabilize relations between the United States and U.S.S.R.

Moreover successful aggression brings fewer benefits at higher cost than ever in the past. Technology has reduced the strategic and economic gains once brought by conquest. The ability of navies to support themselves

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afloat and the intercontinental range of air power make foreign bases less inportant and reduce the value of a defensive glacis. Any developed country can now gain much more wealth by exploiting the resources inside its existing frontiers than by using force to extend them. Contraception can abolish the Malthusian pressure for expansion. Since the war Japan has controlled its population growth and by 1965 had built up the third largest steel industry in the world on coal and iron ore which were imported 64 per cent and 88 per cent respectively an average distance of 5.500 miles. Some time this decade Japan, with only half the population, will replace Russia as the world's second industrial power.

Though in some circumstances the interruption of vital supplies of raw materials like oil might threaten the peace, the ability of science to develop substitutes is reducing this risk. The old theory that capitalism must be pushed into imperial conquest by its need for captive markets has been exploded by experience - trade between developed countries grows much faster than trade between developed and undeveloped.

Since 1945 atomic weapons have introduced the risk of incalculable costs into the acquisition of resources by conquest, and, as Britain found at Suez international disapproval may further increase the costs of agression. At the same time the costs of exploiting occupied territory have risen greatly with the spread of nationalism and democracy. There is now available a full spectrum of resistance techniques from going slow and sabotage through kidnapping and hijacking to full-scale guerrilla war, so a determined people can make the occupier's costs rise above his benefits.

The declining role of war as a means of regulating conflicts among the developed powers derives largely from these considerations. The main cause of tension today is the mutual fear of attack. But this fear is most likely to become acute in a crisis arising not from the deliberate policy of the major powers, but from events which they can neither predict nor control.

There are at present two main categories of such events - those which may arise in Eastern Europe if the evolution of Soviet policy fails to keep pace with the growing demand of the local peoples for more national independence and political freedom, and those arising from changes in the undeveloped world which are thought by one side or the other to threaten the global balance of power. The key to peace lies in action to prevent or

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prepare against crises in these areas.

For Britain as for her neighbours it is the problem of Eastern Europe which must have priority both because it is more likely to affect our future and because it is more susceptible to influence by our policy; moreover if we really see ourselves as Europeans the unnatural division of our continent must appear increasingly as an intolerable mutilation and impoverishment.

In the immediate postwar period of all the nightmares induced by the cold war it was Orwell's vision of 1984 which was most compelling. Communist totalitarianism seemed bound to become absolute and irreversible in Eastern Europe as a younger generation grew up knowing nothing of another world. Yet the struggle for freedom in Eastern Europe has been led from within the communist parties themselves, and above all by the young. In 1956 Mr. Kadar was universally seen as the brainwashed puppet of the M.V.D.; it is now he who heads the drive for greater liberalism. Although like its counterparts in the West, the Russian establishment at first attributed the demand for change to foreign agitators, there are signs, particularly in their reaction to the recent Polish troubles, that they now recognize that it is a genuine tide of popular feeling which cannot be repressed by military force.

A challenge to the West

The developments in Eastern Europe present the West with a moral and political challenge which is clearly unwelcome both to the dinosaurs of the cold war and to the ideologues of West European federation. It is also testing for the rest of us. On the one hand we cannot, as President Brezhnev demanded, license the Russians to suppress the freedom movement whenever they think it threatens their hegemony. On the other hand we cannot intervene with force ourselves, so we must not encourage actions which might lead to Soviet intervention. The only contribution we can decently make is to work towards a situation in which Russia may acquiesce in these East European developments because at least she is satisfied that her own security is not affected. That, in my opinion, should be the underlying objective of a European Security Conference, and that is why it would be of doubtful value unless it made possible the discussion of mutual and balanced force reductions.

There are difficult practical problems involved in the negotiation of

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acceptable force reductions partly because the geography favours Russia and partly because her forces have a political role in Eastern Europe which is not directly related to the size of Nato forces in Western Europe. But these problems are not more difficult than those created by similar assymetries in the talks on Strategic Arms Limitation. Moreover progress in S.A.L.T. will be easier if it is complemented by progress on arms limitation in Europe. Indeed an early subject for treatment in the machinery set up by a European Security Conference might well be one which America and Russia have found it difficult to handle bilaterally in S.A.L.T. - how to deal with the Soviet missiles trained on Western Europe and the American nuclear systems in Western Europe which can reach the Soviet Union.

At present both Russia and America are uneasy about multilateral negotiations on European security in case they weaken the strength and solidarity of their alliances. Though this is the first time since the war that the West has less to fear than the communist camp in this respect, any real progress towards a new European security system will require changes in western as well as Soviet policy. Fortunately, like the strategic nuclear balance the stability of the military balance in Europe can tolerate larger fluctuations in relative force capability than general staffs will easily admit. So we need only wait for progress on Berlin to make a start.

Russia's South Vietnam

The instabilities in the third world present a problem which is at once less tractable and less dangerous then the problem of European security. The most striking feature of the last 20 years in South Asia, the Middle East Africa, and Latin America is the comparative indifference of the peoples and governments concerned to the cold war and the failure of both Russia and America to make any lasting mark on their development. Professor Galbraith may be right in describing the third world as the disaster area of American foreign policy, but America's failures have not been Russia's gains. Even in the Middle East where the Israeli problem has given Russia obvious advantages, Egypt is the only country where she can point to direct strategic benefits and these have been obtained as a very high economic and political price. In many respects Egypt can be seen as Russia's South Vietnam.

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Both the communists and the West tend grossly to exaggerate their real power to influence events in the third world. Vietnam has demonstrated the impotence of Russia no less than the United States. If the presence of 55.000 British troops in Sout-East Asia could not deter a handful of communist terrorists from making trouble on the Thai-Malay frontier in 1965 it is difficult to see why a mere 500 British soldiers in Singapore should do so 10 years later. But by the same token, if a large British fleet in the Indian Ocean had so little lasting influence on the internal or external policies of the surrounding states in the sixties why should the West worry even if there were a large Soviet fleet there in the seventies?

Russia like the West can hope to make only marginal and temporary gains in the third world with even the most skilful policies; they are unlikely to have any uniquely important effect on western interests in the long run. After all, the greatest threat to western supplies of Middle Eastern oil since the end of imperialism - far greater than at Abadan or Suez - was posed not by Mr. Brezhnev but by the Shah of Iran as chairman of the Organisation of Petroleum Exporting Countries; it was a threat of which the West had no right to complain and to which there was no appropriate military response. So the West had to capitulate as gracefully as possible.

Nevertheless, so long as either side fears that change in the third world may threaten its security by upsetting the global balance, it is worth while seeing whether it is possible to agree on taking no military advantage of such change, whoever may seem to gain politically. Both sides have an interest in limiting their military liabilities in the third world, since the benefits they can hope to gain from accepting liabilities are so uncertain. And since the third world itself prefers non-alignment, the concept of neutralization may have some meaning here.

Avoiding armed conflict

Previous attempts at neutralization have broken down, as in Indochina, where the external parties have seemed to interpret it as meaning that there should be no political change at all, for neither Russia nor the United States can decide how the Laotian or Vietnamese peasantry will order their affairs for ever. Revolutionary change, often attended by violence, is likely to be a feature of politics in the underdeveloped

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world for many years to come. Since the great powers cannot prevent such change, it makes sense for them to ensure that it does not drag them into armed conflict with one another. In Africa, the Middle East, and South-East Asia they have made some attempts to move in this direction. They should continue their efforts, while recognizing that even with goodwill in Washington and Moscow, a determined local power can often frustrate agreement. It is not much easier for the superpowers to enforce their will on others when they act together than separately.

In these brief reflections on the twilight of the cold war I am all too conscious of having said too little on at least three important aspects of the global balance - the growing economic gap between north and south, and the imminent emergence of Japan and China as major powers in every field of international affairs.

In the long run a failure to narrow the economic gap between north and south may produce the main threat to world peace, since the resulting situation might make war appear an acceptable option for the south. An undeveloped country may still believe that it is worth taking the traditional military short cut to power and affluence, particularly if it can obtain an adequate nuclear capacity quite cheaply. Moreover the foreseeable stability of the world power balance depends on governments continuing to put material well-being before other values. Even if this assumption remains valid for Russia and the West, it is too soon to feel confident that all Afro-Asian countries, and even China and Japan, will conform to the same pattern.

Japan's probable impact

At present, however, the north-south conflict is unlikely to threaten world peace unless it becomes mixed up with the conflict between East and West. And for 10 years at least China is unlikely, unless intolerably provoked, to initiate any major aggression, while her growing power will act as a restraining influence on the conflict between America and Russia. In this decade, it is Japan which is more likely to exert an unexpected impact on the world balance. If her partners in the Organization for Economic Cooperation and Development can reach agreement with her on adjusting the trade system of the developed world so as to accommodate her mounting production surplus, there is little to fear. If not, the stability of great power relations will be greatly influenced by whether

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Japan diverts her surplus into armaments or welfare, and if the former, on where she chooses to throw her military weight. At present, the Soviet Union seems more aware of the importance of this problem than most countries in the West.

The Times, London Tuesday March 2, 1971.

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