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BILDERBERG GROUP



GARMISCH-PARTENKIRCHEN
CONFERENCE

23-25 September 1955

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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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BUZZARD, SIR ANTHONY, BT.	UNITED KINGDOM
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GEDDES, C. J.	UNITED KINGDOM
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RYKENS, PAUL	NETHERLANDS
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VAN ZEELAND, PAUL	BELGIUM
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IN ATTENDANCE:

AIREY, SIR TERENCE	UNITED KINGDOM
DARVALL, FRANK	UNITED KINGDOM
FOCKE, E. G.	GERMANY
GATHER, G.	GERMANY
DE GRAAFF, F. A.	NETHERLANDS
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*) Participants who had accepted the invitation but were eventually unable to attend.

INTRODUCTION

The third Bilderberg Conference was held at Garmisch-Partenkirchen in Germany from 23 to 25 September, 1955, under the chairmanship of H.R.H. The Prince of the Netherlands.

It will be recalled that previous conferences of the same kind were held at Bilderberg in Holland in May, 1954, and at Barbizon in France in March, 1955. The purpose of this series of conferences is to reach the highest possible denominator of mutual understanding between the countries of Western Europe and North America and so to work for the removal of causes of friction, to study those fields where action may be necessary to prevent friction from arising in the future and to examine the general areas in which agreement may be sought. To this end it was thought desirable to bring together a group of men of experience, outstanding qualities and influence from different countries of the Western world in an atmosphere of mutual confidence and personal friendship which would admit of free and frank discussion. It is not the purpose of the Bilderberg series of conferences to construct policy. Participants include statesmen and diplomatists; trades unionists, intellectuals, business and professional men. They speak as individuals and not as representatives of their respective countries or the political parties, associations, or organizations to which they may belong. All, however, share a high purpose and a clear recognition of the urgency of the situation.

It was a conclusion of the first Bilderberg Conference that for historical reasons, together with many factors which were the ingredients of the present political, economic, and social situation, there would always be differences of opinion between the countries of Western Europe and those of North America, and in fact between any two countries in the world. Divergencies of view are not in themselves deplorable, and indeed, they are the quintessence of democratic life. Nevertheless, it is a matter of the utmost urgency that the will and the means should exist for finding a common basis on which to build our future.

At the second conference, held in Barbizon this year, subjects were chosen for the agenda which were bound to be controversial to a certain extent, but the discussion of which could clarify the situation, and in some cases could be followed up in the future. The problem of the uncommitted peoples was discussed and the general question of communist infiltration and propaganda, together with

the approach of the Western European and North American countries to this question. It was felt that there must grow up not only a better understanding between the countries of the Western alliance but a closer contact and better understanding with the Asian and African countries, to many of which belong the so-called uncommitted peoples of the world. There was a strong current of opinion also that there might be great value in arranging a subsequent meeting between leaders of the mind and spirit of the East and West in an atmosphere similar to that of the Bilderberg series of conferences.

It was also generally agreed that too little was being done to counteract the unceasing and insidious encroachment of communist propaganda. The participants agreed that whenever they had the opportunity they would try to further those ideas and suggestions which had found general agreement at the two previous meetings, by making whatever use might be possible of the press and other contacts with public opinion. It is believed also that in the wide and important field presented by the European-American Associations much could be done towards creating the friendly atmosphere needed for the growth of the highest degree of co-operation.

It will be seen from the list of participants that the Garmisch Conference was attended by men from thirteen different countries. The subjects discussed were:

- I. Review of events since the Barbizon Conference.
- II. Article 2 of the North Atlantic Treaty Organization.
- III. The political and strategic aspects of atomic energy.
- IV. The reunification of Germany.
- V. European unity.
- VI. The industrial aspects of atomic energy.
- VII. Economic problems:
 - (a) East-West trade
 - (b) The political aspects of convertibility
 - (c) Expansion of international trade.

In order to allow participants to speak with perfect frankness and in the knowledge that their words would not be read outside the conference circle, the Chairman asked for the utmost discretion. The press, as at the previous conferences, was not admitted, and this document should be treated as strictly confidential and for the personal use of the recipient only.

A press statement, released at Garmisch-Partenkirchen on 26 September, 1955, is reproduced in the Appendix to this report.

SUMMARY OF CONSENSUS OF OPINION AT THE CONFERENCE



A. *The changes in internal characteristics and external behaviour of the Soviet régime.*

The group noted that during the last year or two there have been significant changes both in the internal characteristics and the external behaviour of the Soviet régime. These changes are such as to deserve the considered attention of the Western peoples, and give some grounds for hope that the problem of Soviet Russian power and ideology will not be necessarily over the long term what we have known it to be in the past. Nevertheless, they have not yet led to any alterations in the Soviet position on major issues that could warrant in the slightest degree any modifications in the military posture of the Western countries as embodied in the policies and arrangements of NATO, or in their efforts to strengthen the free world politically and economically. Nor can there be any relaxation of vigilance in the face of other devices directed against the unity and the inner strength of the free world.

On the contrary, it is obvious that if the Western powers should permit themselves to be led into a premature relaxation of their defence effort, or into a slackened pursuit of their political and economic goals, this might very well give rise to renewed false hopes and miscalculations on the Soviet side which could undo even those slender elements of hope and encouragement implicit in the present situation.

On the other hand, there is also the opposite danger of needlessly rebuffing Soviet moves which may offer an opportunity for the establishment of a better atmosphere in internal relations and of inflicting on the peoples of the free world a discouragement greater than circumstances would warrant. It must be made clear to the Russians that every positive move on their part towards an improvement of relations with the free world will meet with an appropriate response.

In the coming period, Western policy will have to bear in mind constantly these two preoccupations. An undue emphasis on either of them can be distinctly dangerous. A carefully selected blend of unshakeable firmness and willingness to put forward and seriously to examine suggestions affords prospects that warrant reasonable optimism as to the possibility of preserving peace without jeopardy to the security of the free nations.

B. *The North Atlantic Treaty Organization*

During a broad discussion, the different aspects of the role of NATO were examined:

1. The need for maintaining and even increasing the effectiveness of the Atlantic Pact on all levels was recognized, for on the vigour of the Atlantic Pact depend largely the chances of negotiation and peace.
2. The military effort must be continued and maintained to the point necessary to prevent all temptation to resort to violence.
3. Emphasis was laid upon the importance of the Atlantic Community strengthening itself by making use of all facilities, including those offered by the Pact, for economic, social, and psychological co-operation.

C. *The Political and Strategic Aspects of Atomic Energy*

The group discussed the impact of atomic energy on the political and defence situation of the free countries of the West. No agreement was reached as to any method by which atomic warfare could be limited without surrendering the freedom of action of the Western countries to defend themselves but it was generally felt that their defensive arrangements are already based on the use of the minimum atomic or nuclear force necessary.

If the devastating effect of nuclear war acted as a deterrent to aggressive action and made war less likely it followed that the struggle on the ideological front would become more intense. The West must prepare itself for this development by increasing in every way the vitality of its society.

D. *The Reunification of Germany*

There was general agreement within the group as to the urgency of this problem as expressed by many speakers. There could be no real security in Europe until the reunification of Germany had been achieved on a basis of real freedom.

In discussing the Soviet's interest in German reunification there was a general feeling that the Soviet was not so much interested in the reunification of Germany as in the terms which she could get for it. It appeared that her object was still to use reunification as a central device to detach Western Germany from the Western security organization and eventually to absorb her into the Soviet satellite system.

Some participants expressed the view that the Soviet had a fear of what she called capitalist encirclement and eventual attack by the Western powers. Whether this fear was real or false, the West should not abandon the hope of a

possible successful approach by means of a security arrangement which would not endanger NATO or impair German freedom.

There was a general consensus of opinion that in these circumstances great caution and great patience were needed in any approach to the solution of this important problem.

E. *European Unity*

The discussion on this subject revealed general support for the idea of European integration and unification among the participants from the six countries of the European Coal and Steel Community, and a recognition of the urgency of the problem.

While members of the group held different views as to the method by which a common market could be set up, there was a general recognition of the dangers inherent in the present divided markets of Europe and the pressing need to bring the German people, together with the other peoples of Europe, into a common market. That the six countries of the Coal and Steel Community had definitely decided to establish a common market and that experts were now working this out was felt to be a most encouraging step forward and it was hoped that other countries would subsequently join it. The need was generally accepted to press forward with functional integration in the economic domain particularly with regard to the industrial utilization of atomic energy.

It was generally recognized that it is our common responsibility to arrive in the shortest possible time at the highest degree of integration, beginning with a common European market.

It was also generally agreed that the tariff walls surrounding this common market should certainly not be higher and should possibly be lower than the average of the existing tariffs now applied by the individual countries concerned.

F. *The Industrial Aspects of Atomic Energy*

During this discussion a consensus of opinion manifested itself in certain points.

1. The future of the human race is bound up with the development of nuclear energy.
2. The cost of research, development, installation, and the training of large numbers of specialists is very high. Thus the developmental expense which must be put into what might be called the first and second generations of reactors meant that economic justification would come after this. Nevertheless in the next few years this problem can be expected to be solved.

3. As a result of the high cost it is of vital importance that Europe should combine her resources, since the cost *per capita* in any single country would be far greater than that in the United States with its larger population and resources.
4. The opportunity to initiate joint action in Europe should be seized before atomic development has been crystallized along national lines and at a time when vested interests have not yet established the obstacles which may make co-operative action more difficult, if not impossible, in a few years' time.
5. The opportunity to develop this new source of energy is an opportunity to increase productive output and is directly connected with the establishment of a common European market. Around it can be built, if the opportunity is not lost, a new aspect and a new hope for the unification of Europe.
6. The quickest possible steps should be taken towards the integration of Europe in respect to the industrial use of atomic energy, and joint planning, training and research should be started as soon as possible. The possibility of extending this particular form of integration to other than European countries was also emphasized.

I. REVIEW OF EVENTS SINCE THE BARBIZON CONFERENCE

A European rapporteur surveyed the international events of the past six months. There had been a political evolution which might be called sensational; the conclusion of the Austrian Treaty, the visit of Bulganin and Khrushchev to Yugoslavia, the Summit Conference in Geneva, and lastly, the Atomic Conference in Geneva. The question was whether this was illusion or reality.

There seemed to be no serious reason to believe that the communist leaders had become less communist and therefore the changes in Soviet foreign policy were only tactical changes. Perhaps we were entering into a new "Litvinov" period. There seemed to be a parallel in the situation today according to what the Soviet leaders had themselves told us. Their statements indicated that there was a serious crisis in Soviet agriculture and in the productivity of Soviet industry, and there was an undoubted political crisis as a result of the adjustments made after Stalin's death. There was a tendency in the West to say "In spite of threats and Soviet actions we have set up the Western European Union and this has brought the Russians to the negotiating table." Was this really true? Or was it that Russia, having been unable to prevent the ratification of the Western European Union, was trying to prevent its implementation and aiming at neutralizing NATO? Russia could be likened to malaria. It was wrong to believe oneself dead when the fever was high and even more wrong to believe oneself cured when the attack was over. It was necessary to use the period when the fever subsided to take a cure and build up resistance against the next attack and this should indicate the action which we should take to meet the new turn in Soviet policy.

The cold war, as we had known it, had been a trench war, whereas the new conflict, called co-existence, was a war of movement. The change over from a trench war to a war of movement had often resulted in serious military disasters and we should be very careful lest this transition also caused disasters in the political field.

There were serious dangers in the new diplomacy by television rather than by negotiation and it was of great importance that we should not lower our guard. While we all sincerely hoped that the Russians really wanted peace, we must never forget that they may only wish to disrupt the military and political



organization of the Western world and that they will try to exploit all the difficulties which may arise between Europe and America.

It was significant that Khrushchev himself, speaking recently in Moscow, had said that the Russians always spoke the truth to their friends as well as to their adversaries. They were in favour of the relaxation of tension but if anyone thought that, to achieve it, they were going to forget about Marx, Lenin and Engels, he would be wrong. This was as likely to happen as it was for Easter to fall on a Tuesday. They were for co-existence because both capitalism and socialism exist in the world, but they would always stand for the construction of socialism. They did not believe that war was necessary for that, since peaceful emulation would suffice.

An American participant next described the current trend of United States affairs and policies affecting Europe. Since Barbizon the United States had gone through a period of relative tranquillity in its public opinion which had been remarkably quiet on foreign policy matters and a mood of moderation prevailed. The Austrian settlement and the Geneva talks on atomic energy had been well received and the misgivings with which the Summit Conference had first been viewed had given way in the end to satisfaction that some good might have been achieved. The speaker agreed, however, that great caution was necessary. The United States was also entering its quadrennial fever of presidential elections, a fact which could not but complicate to some extent United States foreign policy arrangements. With regard to diplomacy by television which had been mentioned by the first speaker, he felt that we should note that United States foreign policy would continue to be subject to a vigorous and interested public discussion, since a government in his country could not expect to follow an important policy over a considerable period of time without full discussion, full understanding and support by a large proportion of the population.

The speaker mentioned two long-range issues of great importance. The first was the meaning of the new Soviet diplomacy and its effect upon the solidarity of the free world. Radically different assumptions about Soviet policy might lead us into dangerously divergent paths. We must seek the proper balance between vigilance and strength on the one hand, and willingness to negotiate and settle specific issues as steps towards reducing tension on the other. Would our essential Western unity melt under the new Soviet sun and our inevitable differences loom larger? What would our attitude now be towards the fate of our friends in the Soviet satellites? Would we be wise and sophisticated in the more difficult competition in non-military fields and determined in sustaining the economic and other burdens of this competition? We need a common view, common strategy and common determination since communism would become more seductive if it were to modify its two most repelling aspects of ruthless

totalitarianism and armed aggression, and would present us with an even more serious problem than in the past.

The second issue, or set of issues, which might divide and weaken us arose in the Pacific. The United States was orientated towards two oceans and concerned about Pacific security only slightly less than Atlantic security. This was why Americans were exercised about the problem of Japan earning a living in the world in which she finds herself and were disappointed at the reservations which accompanied the admission of Japan to the GATT agreements. And then there was the problem of China. Here we were confronted by a problem which was far more than a technical question of credentials and recognition, and the China question could seriously affect our total relationship unless we could find a basis of agreement among ourselves.

A Canadian speaker could not find very much in Canadian opinion which differed from that described by his American colleague. Technically and diplomatically the United States and Canada were in the same position but opinion in the latter country had been increasingly worried about the realism and wisdom of non-recognition of China and that was an anxiety shared by all political parties.

Another United States speaker felt that it was important to recognize that the major differences that had existed between Russia and the Western countries since the recent war did not arise basically from the ideological disparity between the two systems, although that was important, or even from the personality and methods of Stalin himself, but rather from the fact that the destruction temporarily of the power of Germany and Japan left great political and military voids in the world and there was no agreement in 1945 between the major powers on the Western side, on the one hand, and Russia on the other, as to how these voids should be filled. Internal conditions in Russia could change. There could be a strong subjective reaction, as the speaker thought there had been, among Soviet officialdom against the many manifestations of Stalinism, and there could be a changed outward direction of approach to the Western world. All this did not alter the nature of Soviet political interests *vis-à-vis* Europe as they had emerged from World War II. There were more encouraging long-term factors. A parallel had been drawn between the present period and the Litvinov period of the late 'twenties and early 'thirties and in many respects it had been well drawn. But there was something that was significantly different. Firstly in the late 'twenties and early 'thirties Russia was only entering upon the period of extreme nightmarish terrorism that endured for twenty years, from 1933 to 1953. Today she is emerging from that period, and from the speaker's own observations there had been a feeling of acute horror and revulsion in almost all ranks of the Soviet system of officialdom right up to the very top. Even the

Soviet Olympus today seemed to be united primarily by the slogan "No return to the extremities and horrors of Stalinism". This, of course, implies a transition to something else and what that something else is we do not yet know. Perhaps the Russians themselves do not know and for that reason they might be facing something in the nature of a new constitutional crisis.

Secondly, there was the state of mind of what might be called the Soviet cultural and scientific elements, a body of people far more numerous and important today than they were in the late 'twenties. At that time there was a great stir of real ideological enthusiasm among these people while today their minds were dominated by something which might be described as political apathy and a burning desire for world contacts, appreciation, and the opening of a window to the Western world. These forces were the more powerful for the reason that they began to grow up under Stalin but were repressed under him and had now come out with redoubled force. That might affect both the internal nature of the Soviet system and the entire tenor of its relations with the outside world. It might be said that nothing had changed but the manners of Soviet diplomacy but we should not underrate the importance of manners on the final results achieved in life.

Note in connection with the above Discussion.

At a special evening session, two participants who had very recently returned from visits to Moscow and elsewhere in Eastern Europe, gave the Conference extremely valuable accounts of their personal experiences and observations there.

II. ARTICLE 2 OF THE NORTH ATLANTIC TREATY ORGANIZATION

The discussion of Article 2 of the NATO treaty was preceded by a very informative statement describing the progress made in furthering the Atlantic Alliance since SHAPE was set up in 1951. The statement indicated that great progress has been made in the area of organization for defence, that agreement had now been reached on a common concept, and there has been considerable improvement in the means of communication between headquarters. These achievements must be considered against the background of Soviet capabilities. The Soviet Union now had 4½ million men under arms, they had 175 divisions in the land forces, 20,000 aircraft, and 350 submarines. Added to these were more than 1 million men in the satellite forces, comprising some thirty divisions and about 2,500 aircraft, although neither men, aircraft, nor equipment were of the same quality as those of the Soviet Union.

The progress which had been made in the development of Soviet air-fields in the satellite areas had been very remarkable; there has been a great increase in the number, size, and quality of air-fields. This Soviet potential was continuing to increase. On the other hand, the significance of the Soviet declaration of the 640,000 decrease in man-power must be taken into consideration as also must the corresponding decrease in man-power which had been announced by most of the satellite states. The speaker indicated that it was impossible to assess the precise significance of these decreases at the present time, but it seemed quite clear that they were not taking place in the potential combat areas immediately opposing the NATO forces. The Soviet Union, moreover, was in a position to make these decreases without their having any great impact on its ability to deploy forces in the field against the free countries of the West.

As far as NATO was concerned its emergency plans were complete. The Western forces could not be said to be strong enough yet, although they were numerically four or five times as large as they were four years ago. Therefore it was clear that the German contribution was essential, and it would be three or four years before that contribution could be expected to be fully effective. As was well known, the German contribution would be in the nature of twelve divisions with some thirteen hundred tactical aircraft and a very small naval force largely for use in Baltic waters.

It was emphasized that two points had to be borne in mind; that the ability of NATO to carry out its task of defending the West implied the need not only for a German contribution but also the ability to use atomic weapons. In these plans, air-power was considered to be the dominant factor, and if the problem of defence were considered according to the standards of the second world war, we now had only a fraction of the land and air forces necessary to defend the West against the vast conventional military machine of the Soviets. The evil that NATO was designed to combat was war itself, and if we were to permit ourselves to become preoccupied with any particular weapon or weapons we should only be distracted from our objective. The purpose of NATO is the prevention of war.

Great progress had been made in the difficult field of infrastructure. Only after some fifteen months of discussion was agreement reached on the individual contributions of member nations towards the air-field programme. However, the fact that an agreed and workable system was finally reached was eloquent testimony to NATO's ability to carry out its task of international co-operation effectively. The question with which we were now confronted was whether the present "charm" campaign would make this co-operation more difficult. The NATO concept of collective security is firmly held by all the NATO powers, but the question remains as to how large an effort the individual powers were willing to make within the NATO framework in the face of the new Soviet tactics. The unity of NATO had been achieved in an atmosphere of fear that is now subsiding. All this suggested that much more needed to be done in the field of public education regarding the purpose of this alliance and particularly the role of atomic weapons in the defence of the West. Much public support was needed in national attitudes towards NATO together with the willingness to make sacrifices where necessary. In this connection it was important not to under-estimate the morale of the Soviet Union and the communist countries, since communist forces in Korea, Indo-China and elsewhere had demonstrated a very highly effective dedication, or fanaticism, in terms of willingness to move and to give their lives in battle, with no air support whatsoever. The free nations must find a means to match this with a dedication to their own way of life if they were to be able to win this struggle.

A United States participant made it clear that in his judgement the new development in Soviet policy in no way diminished the necessity for SHAPE. He believed that the great danger which we faced lay in the fact that the pressure of public opinion might succeed in placing an unwise limitation on the use of atomic weapons and that even SHAPE itself would serve no purpose if the use of these weapons were to be restricted. This again pointed to the need for public education.

There was a general feeling that the recent changes in the Russian attitude represented not a long-range policy but an attempt merely to lull the West into a sense of false security, and the danger which we faced therefore was that we might relax our efforts in the face of this "charm" campaign. NATO could be strengthened and a fresh spirit created, it was suggested, by means of Article 2.

A speaker pointed out that NATO commands unparalleled resources, industrial, economic, and military, though it does not yet enjoy the world prestige which it should have, since up to the present it has been regarded merely as a military organization and not the common expression of Western civilization. The larger problem might be tackled through the mechanism of NATO with emphasis on such subjects as convertibility, the utilization of atomic energy, increasing the mobility of labour, and assisting the development of the under-developed regions. It was suggested to this end that NATO could further the infrastructure programme particularly in the development of roads throughout Europe. It was thought that only if there was co-operation in other fields, as well as the military, would people be given the inspiration necessary to fit them to meet this very serious challenge with which they might be faced in the near future. NATO had imposed upon itself the rule that it would not use forces greater than were necessary to accomplish its tasks.

A European participant commented on the fact that the Western world had largely been occupied during the last few years with defensive measures. While this might be true as far as military questions were concerned, it was not true that the initiative had been surrendered, since NATO itself and the development of its institutional strength amounted to seizing the initiative. But now the Russians, by launching their campaign of charm, had again seized the initiative. They had been forced to launch their new campaign as a result of NATO and of Western co-operation and we were moving from the cold war to the hot peace. Article 2 might provide a method by which we could regain the initiative, and this was a matter which might well be discussed here.

There was a body of opinion which held that NATO could not undertake the kind of development on the spiritual side that was required in Europe, and that the member countries themselves must do this. NATO had in any case a most inadequate budget for this purpose. One of the functions of the Bilderberg Group, therefore, might be to help to create a realization, through members in their own countries, that NATO has a mission which is a mission of peace as well as of defence. Much good had been done in this direction by the references to NATO by Queen Juliana of the Netherlands when she opened her Parliament recently. It had to be remembered that the Russians were spending a billion dollars at least on propaganda, and in fact spent more money in jamming our propoganda programmes than the free world spends on its own propoganda.

It was felt that most effective propaganda could be developed from the human experience of NATO which could be used to familiarize people with the kind of co-operation that NATO represented. There was, for instance, a monthly magazine published by NATO, but more than this was required.

A British participant felt that the recent NATO meeting of parliamentarians of its member countries had not been as strikingly successful as it should have been and that NATO had not identified itself sufficiently with the conference. He felt that more than this was required. Possibly some parliamentary group might be conceived in connection with the NATO organization which could meet each year and serve as a means of education and propaganda for the NATO effort.

Another speaker felt that the question was not so much one of propaganda but one of what NATO itself could do to inspire people and prepare them psychologically for the use of nuclear weapons should this become necessary for their defence. While the United States had done so much to pool its military resources through the NATO mechanism little had been done to pool its political and economic resources in the same manner and the question was asked how far would the United States be willing to go in this direction. The more that atomic weapons were developed the more it might be possible that they would not be used and this gave even greater emphasis to the importance of conventional weapons and of the spirit of the Western people. It would be of great use if NATO officials could bring pressure on their governments to prepare young people in their respective countries for the task which they would have to face as members of the armed forces of NATO.

Other participants were more concerned with the hard core of military reality, which was the real responsibility of NATO, than with the economic and political aspects provided by Article 2. Some nations were displaying tendencies to reduce the military resources which they were making available through NATO, and it was essential that these tendencies should be checked. It might be regarded as a military duty for the free nations to engage in mutual discussions before taking unilateral action.

It was also pointed out, as an objection to the further implementation of Article 2, that there was not an identity of membership between NATO and other European organizations in the economic field. It was further contended that for NATO to attempt to consider controversial economic matters might endanger that complete agreement among its members which existed in the military field.

III. THE POLITICAL AND STRATEGIC ASPECTS OF ATOMIC ENERGY

The Conference discussed the issues which arose from papers on this subject prepared by United States and European participants.

The trends in recent years towards the increase in the power of atomic weapons, their speed and range of delivery, were emphasized by most speakers, together with the fact that the West had now lost its atomic monopoly. Doubts were expressed, however, as to whether there could be such a thing as an atomic stalemate since, as both sides developed the means of delivering an atomic attack, the emphasis shifted to geographical considerations of target location and dispersal, base location and dispersal, and factors such as the maintenance and turn-round of aircraft and other weapons. Moreover, if the countries of the West maintained their unity of alliance they had a definite advantage over the communist world and might be able to look forward to a long-term maintenance of superiority in the atomic field. It should be possible, therefore, to build up a defensive system giving some degree of protection against the possibilities of a decisive surprise attack, and making atomic aggression extremely expensive to the aggressor. In any case, it would be necessary to build up such a defence and to preserve it.

Another speaker recalled the previous discussion in which it had been pointed out that we were now entering into a period of hot peace and that as the fronts were moving closer the ideological war would become more tense in all non-military, and particularly in the social and economic, fields. He feared that we were not sufficiently prepared for this new trend of events. It was equally dangerous to replace the argument of military strength by the argument that communism, as shown by recent changes in Soviet policy, would change. The important point would now be to get vitality into our society.

A strong argument was put forward by a British participant in favour of a policy of graduated deterrence, by which the West would make a declaration that in the event of its being attacked, it would not use the hydrogen bomb at all unless it were first used by the enemy, nor would it attack centres of civilian population outside a specific battle area unless, again, the enemy did so first. It was claimed that such a policy would make a total thermo-nuclear war very much less likely, since it was in the interests of both sides to avoid the destruction

of their cities; this would become particularly relevant as the Soviet became able to strike the cities of the United States. Massive retaliation therefore had become far too drastic to be justified, and was in fact no longer necessary. On the other hand, the clear warning that atomic weapons would be used to repel any aggression would decrease the possibilities of war breaking out, and enhance the security of the "grey" areas in which the Soviet might think that the United States or her allies would not be prepared to commit themselves, at the same time providing the necessary counter-balance to communist superiority in manpower. Since the West would be dependent on the use of its large ports in the case of Soviet aggression, a great advantage should be gained from the adoption of such a policy. It was realized that the chief difficulty would be that of establishing distinctions in nuclear weapons and targets which would not break down in war, but that this disadvantage was outweighed by the moral, political, military, and economic advantages.

It was not possible to reach any basis of agreement on this proposal. There was, however, a general feeling that the West had already adopted a policy which was close to that of graduated deterrence in that it was unlikely to use more atomic force than was absolutely necessary. Many speakers emphasized the danger of limiting freedom of action in the face of aggression by making any previous announcement or promise which, in the event of dire emergency, it might not be possible to fulfil and which might in fact prove to be an invitation to aggression. It was not in the interests of the West that there should be a general atomic war, and if war did come atomic weapons should be restricted to the minimum use in the minimum geographic area wherever possible, while still achieving the objectives for which we would be fighting. Meanwhile, it was absolutely necessary that the West should maintain, and increase, its strength, that NATO should be given all the assistance possible to this end and that the free institutions of the West should be strengthened and made more vital in order to meet changing conditions.

IV. THE REUNIFICATION OF GERMANY

Discussion of this subject was marked by a very understandable sense of urgency, expressed by the German speakers in particular, for some solution which would bring about unification. Apart from the natural feelings of the German people, there was a feeling clearly expressed on the German side that there could be no lasting peace in Europe while this problem remained unsolved and that the time factor in solving it was one of very considerable importance. Meanwhile the totalitarian upbringing of the younger generation in the Eastern zone would seem to be going forward and communist ideas were gradually permeating the lives of the people.

To this must be added the reaction of the German people themselves and the feeling that a divided Germany could not be allowed to crystallize into a permanent conception. Against the background of the evaluation of the problem there was the question of what the Russians might gain from reunification. Russia had a considerable interest in obtaining economic help and recent visitors to Russia had emphasized that this was particularly true in connection with the responsibilities which the Soviet Union had assumed towards the industrialization of China in order to avoid being faced on the East by an eventually inimical China and on the West by the enemy represented by the free world.

There was also the desire of the Russians to effect some kind of security arrangement arising from a fear, which may or may not be a real one, that there might some day be an attack against her by the Western capitalist powers. German speakers made it clear that the Soviet would hope to use reunification as a central device to detach Western Germany from the Western security arrangements which already exist; then there was the Russian interest in maintaining an Eastern German government which would recognize the Oder-Neisse line. There was the Marxist belief in the ultimate collapse of the West and that certainly affected the Russian time-table. The discussion brought out the interest of Russia's long-term policy in the maintenance of the Oder-Neisse line and the retention of part of German territory within the Polish border. From the communist viewpoint, moreover, the turnover to the West of a former communist state would have a most unfortunate effect on the other satellites.

In evaluating the possibilities of reunification the main differences were

differences of emphasis. There was a feeling on the part of some participants that it might be possible to work out a pattern for reunification, not within the framework of the Paris agreements, but within the framework of a Germany closely tied to the West if the West were willing to pay the price of an overall security arrangement and were willing to provide economic assistance. An American participant discussed the probable course of Soviet policy and indicated that in his judgement the greatest diplomatic thrust would be directed by the Soviet towards Bonn and not towards the Western powers and that they would no doubt use their position in Berlin to give them additional bargaining power. Another American speaker suggested that the United States' attitude up to the present had been to avoid confusing the reunification issue with the security problem and to keep reunification well to the forefront. A French speaker held the view that his country's policy would certainly, although not altogether happily, support proposals on reunification made by the Western powers and, though it would be unlikely to give active support to a policy of negotiation for reunification, it would offer no active resistance.

There was some support for the suggestion, emphasized by a United States speaker, that the possibilities of reunification would be greatly enhanced if they could be thought out in terms of some larger, perhaps global, settlement. A British speaker raised the question as to whether this global settlement might have as one of its elements the possibility of mutual disengagement of the opposing forces in Europe. This would have to include not only the liberation of the Soviet zone of Germany but also the general detachment of the satellite countries from their present dependence on the Soviet, secured by free elections, before it could be accepted by the West. A German speaker, and indeed almost every German speaker on this question, emphasized the need of reunification and the fact that peace in Europe could not be achieved without it. He gave very strong assurances to his partners in the Western alliance that whatever would be done by Germany would be done not merely in consultation but in agreement. He stressed again the importance of the time element and the problem which arose from the need to blend patience with initiative whilst satisfying an impatient public opinion. Finally he made it clear that the question of reunification was based on the assumption that a price could be found which the Russians might be willing to accept at some point in the future, and under some conditions, so that reunification would become a possibility. He underlined the very important fact that Bonn would take no step to recognize the East German government and that the present German government would not take any action which would amount to giving up the Paris agreements and the arrangements made with NATO.

The implication that Western Germany's connection with NATO could be

used as a card for bargaining purposes caused some concern but the speaker cleared up this point by giving further assurances that it was certainly not the intention of Bonn to sever the NATO connection.

A French speaker threw into relief the relation of European integration to the problem of German reunification, and another German speaker stated his conviction that the greatest matter of interest to the Soviet union would be some effective security arrangement, since he agreed with earlier speakers that there was a genuine fear in the Soviet Union of capitalist encirclement which was a constant topic of conversation in Moscow. The significance of the discussion, however, lay in the fact that there were no very clear areas of disagreement; while some were implied and some perhaps not wholly cleared up, all speakers had shown their awareness of the urgent need to achieve the reunification of Germany on terms which would not endanger the freedom of the Western world.

V. EUROPEAN UNITY

The discussion affirmed complete support for the idea of integration and unification from the representatives of all the six nations of the Coal and Steel Community present at the conference. There was an assurance that the failure of the E.D.C., while perhaps interrupting the momentum of the movement towards integration, had by no means stopped it, and an expression of determination to carry out integration as representing the best means of assuring peace and permanent prosperity for Europe and the world. There were differing views as to the steps which should be taken and the forms through which integration should be achieved, and some expression by certain European participants of the view that in the economic field it might be better to proceed through the development of a common market by treaty rather than by the creation of new high authorities which would exercise jurisdiction over specific economic sectors. On the other hand some speakers took the other view, indicating that the creation of some form of high authority was essential to achieve a common market.

A European speaker expressed concern about the need to achieve a common currency, and indicated that in his view this necessarily implied the creation of a central political authority. A participant, speaking as a German industrialist, said that, having fought for integration before, German industry was still determined to pursue the same purpose, but he expressed considerable doubt as to the functional approach to integration by moving from one economic sector to another. In his view, the common problems of differences in labour standards and currencies and the various elements entering into the common market must be brought nearer to parity as a condition of further progress.

Another speaker urged that the various states which were to constitute the future Europe should henceforth encourage by all possible means the setting up of medium sized European societies where individuals of different nations could pool their ideas, work together, and learn from their mistakes.

From the general discussion on this subject it was evident that there was a lingering anxiety in some quarters as to the possible German attitude in the next generation, or in so many years. There were also economic reasons behind this anxiety. The prosperity of today could not be counted upon to continue indefinitely and without crises. The position of 50 million people in Germany in

the world market must, therefore, be considered. The United States had high tariffs; the Commonwealth had preferential rights; l'Union Française had the same thing; and there was Japanese competition stimulated by lower social conditions. Thus it was necessary to bring the German people into a common European market as quickly as possible and it was here that the great danger of the future lay if there were no United Europe.

German speakers pointed out that there was no large communist party in Western Germany and no extreme right wing. These things had been eliminated not by police measures but by the vote. There was far less nationalism in the schools and universities than ever before. Germans were certainly aware of the fact that they could not even preserve the freedom of Western Germany without the assistance and co-operation of the Western powers and would therefore voluntarily join any alliance or organization of the West designed to strengthen the freedom of Western Germany and which at the same time held out the hope of extending that freedom to the whole of Germany.

A United States participant confirmed that the United States had not weakened in its enthusiastic support for the idea of integration, although there was considerable diffidence in America as to how this enthusiasm should be manifested. Another United States participant urged his European friends to go ahead with the unification of Europe with less emphasis upon ideological considerations and, above all, to be practical and work fast.

Throughout the discussion there was considerable emphasis on atomic energy as forming, perhaps, the most hopeful area in which integration could proceed, the point being made that the peaceful industrial development of atomic energy requires resources of man-power, scientific "know how", and materials which may be beyond the resources of the individual European countries. While a United Kingdom speaker had expressed the inclination of Britain not to participate in general integration, he suggested that the British, too, might be willing to see some form of division of effort in the area of atomic research. One of the reasons for the application of the principle of unification and integration to atomic energy was the fact that in the atomic field there were not the same vested interests that affect attempts to integrate other economic activities.



VI. THE INDUSTRIAL ASPECTS OF ATOMIC ENERGY

This subject was introduced by a United States rapporteur on the basis of a paper previously circulated. The speaker discussed the matter of sources of energy and the methods by which they are utilized for the generation of electric power and other energy requirements, recalling that the progress of the human race had been largely dependent upon the utilization of energy. The great conventional sources of energy, upon which modern civilization was dependent, were not evenly distributed throughout the world in accordance with the distribution of populations and their use was greater in industrially highly developed countries than in the under-developed countries. Nor were these resources of conventional fuel inexhaustible; on the other hand requirements, particularly of electric power, were expanding at a rate which was doubling itself every ten years. Hydraulic resources in Europe would all be fully developed in a few years, conventional sources of fuel were having to be supplemented by shipments of fuel from other parts of the world and power plants which had been using solid fuels were being converted back to the use of liquid fuels.

The problem was how to develop the use of the new type of fuel, with its vastly superior potential of energy, in a way that would make it competitive and economic, and how it could be fitted into the economy not only of a developed country but of an under-developed one. The speaker discussed various types of reactor and the four main channels of development which had to be kept in focus. First there was the technical and engineering accomplishment by which energy was released and transformed into electric or other power; secondly, there was the commercial and economic aspect by which the engineering achievement was accomplished on a sound economic basis; thirdly, the legal and governmental aspects covering such problems as liability, health and safety, security, and inter-governmental relations; and fourthly came the management of the overall accomplishment, the extent to which the government moves forward and the extent to which private capital moves into the field. In the United States the Atomic Energy Commission had recently accepted an offer by private industry to organize a non-profit making corporation to finance and construct, own and operate a fast neutron breeder reactor, under licence from the Com-

mission. This corporation would be dedicated to research and development in the use of nuclear fuels and the results made known to the Commission and to others as directed by the Commission.

Discussion brought out the heavy developmental expense that went into what might be called the first generation of reactors and probably into the second. Economic success had to be looked for in subsequent generations. Economic reactors at this stage were likely to be large reactors and therefore those countries which were the most highly developed would benefit from atomic energy earliest and to the greatest extent. Transmission lines could, however, be used to bring about a better balance between sources of energy and the areas of its utilization. The matter of educated and experienced man-power was extremely important, and in the U.S.A. during the next ten years it would probably be necessary for 10,000 or 20,000 new people to be educated and given experience. During the next ten or fifteen years it was believed that the answer would be found to the problem of the economic production of atomic energy and that development would come more quickly than might be thought because everywhere the human mind was being focused on it.

A United States speaker emphasized the influence of energy on productivity, or output per man hour. In 1948 the output per man hour in the U.S.A. was about two-and-a-half times that of Europe and the amount of non-human energy available to the industrial worker of Europe was 40 per cent of that behind the worker in the U.S.A. The European nations should, therefore, take every step necessary to advance as rapidly in the use of this spectacular form of non-human energy as the United States. Here and now was the specific opportunity for the European nations to pool their resources. If nationalism were allowed to creep into this situation and each country were to work on its own, Europe would lag far behind the United States. If, on the other hand, it would pool its brain power and resources it could, over the next fifty years, write a history entirely different from the history of Europe during the past half century. Europe must not only work together but must not fail to put non-human energy behind human energy.

The implications of the use of atomic energy in the development of the under-developed areas were discussed, particularly where other fuel sources were inaccessible but where atomic fuel might provide an economic source of energy because the transport element of cost was insignificant. This was felt to be a matter of the economics of each case. It might be justifiable to use conventional fuels, transporting them to the point of utilization, rather than to use atomic fuels. To the cost of atomic fuel must be added other expenses such as the removal of the by-products and reprocessing which would render it less economic than the conventional sources of energy. In the utilization of electric energy,

moreover, a far greater investment in its utilization is needed than in its production.

A Netherlands speaker voiced what was clearly a strong current of opinion when he urged the need to initiate international European action without delay. Two basic elements had evolved from the problem before the group; firstly, that the future of the human race was bound up with the development of nuclear energy and, secondly, the high cost of research, development, and installation, together with the necessary training of numerous specialists. In any European country this cost would be infinitely greater per head than in the United States with its much larger population. Nor would the man-power be available for training the larger number of technicians needed. The only attitude which Europe, with all her native genius, could profitably adopt was to pool her resources and to join together to produce results in a field where there had not yet arisen the vested interests which made co-operative schemes far more difficult to put into practice. What may be possible now in the way of launching European co-operation in the development of atomic energy might be much more difficult, if not impossible, in three, four, or five years from now.

VII. ECONOMIC PROBLEMS

The Political Aspects of Convertibility and the Expansion of International Trade

The papers which had been circulated to the group on these two subjects, which have a certain bearing on each other, were discussed together.

A United States rapporteur, defining convertibility as a state of affairs in which there is a minimum of restriction on international trade, believed that a good deal of progress had been made in that direction since the war. But it was highly unlikely that the world would ever return to the theoretical perfection of the gold standard, because the experience of the 1930s showed us that, in a period of declining income the free flow of trade could accentuate unemployment. Therefore convertibility was politically acceptable only in terms of prosperity and growth. The increase in trade and prosperity both in Europe and the United States, however, was due in no small part to the steps which had been taken to reduce restrictions on trade, and the dollar gap had become a manageable problem. Inflation seemed to be the principal economic problem which could interfere with convertibility. In the light of the existing prosperity it would be a serious mistake not to do everything possible to further the removal of restrictions on the free flow of goods and capital. The speaker then dealt with the related problem of investment in under-developed countries where the present annual rate of \$3 billion generated an increase of about 1 to 1.5 per cent per year in the standard of living. This was clearly not enough to satisfy growing political needs and ambitions. There was room for both governmental and private capital, the first to develop ports, roads, and utilities, the second in the field of raw material sources and industry. Both our moral responsibility and our self-interest were involved and at a time when political tensions had been reduced we should increasingly turn to investment in these countries.

A French rapporteur stressed the importance of not dramatizing the economic problems with which the Western world was now faced. These were normal problems and we could only lose by giving them the kind of moral undertone which they should not have. Thus, recent American decisions regarding the tender for equipment for the Chief Joseph Dam; the tariffs on watches and bicycles, and the recent warning to countries to cut their imports in oil might be unfortunate but should not become moral issues. On the European side we could not have a clear conscience in the field of protection and many European

countries maintained restrictions which were not justified by balance of payments considerations. Our American friends had to bear pressures from groups of interests which were very much the same on both sides of the Atlantic.

On the other hand the United States had put into force a reduction of tariffs on Japanese goods which was a vital thing for the equilibrium of the whole free world. This was a particularly courageous action since it had resulted in a flood of cheap Japanese textiles. The speaker entered a plea for more understanding on the part of European countries *vis-à-vis* Japan and felt that the decision of several European countries not to give Japan the benefit of the most-favoured-nation clause was a mistake which invited Japan not only to look for other markets but possibly also for other political connections. It was important also not to dramatize British economic difficulties. These were serious enough but probably not more than a normal swing on the payments cycle. The British Government was dealing with its present difficulties without resorting to new trade restrictions, which was important for the whole free world and especially for other European countries.

A British speaker, dealing with currency and convertibility, believed that convertibility had been very greatly over-dramatized. In the long run, trade and finance went hand in hand and there could not be expansion of one without expansion of the other. But in the short run they could be alternatives and could come into conflict. Where a large volume of trade came into conflict with currency arrangements he would prefer to have trade maintained rather than the currency arrangements maintained. Economic considerations were now at the centre of the politics of every country and it would not be possible to recreate the conditions of the world when it was an economic unit. Therefore he urged that we should not attempt to recreate a hard orthodoxy in currency matters, of which the word "convertibility" had become a current symbol. In a shifting, complex world we needed to seek flexibility in our arrangements.

A United States participant reviewed the broad field of economic affairs in his country since the group met at Barbizon. During that six months the economists, he believed, had not caused much trouble for the diplomatists and the economics of the Western world had been strong. The corrosive pessimism which for so many years had hung over the West and its economics was receding more and more. Success was validating the claim that economic systems, driven increasingly by the accumulated decisions of individuals and businesses, could achieve self-regenerative economic activity at high and acceptable levels to populations.

We have had to consider what were the realistic levels of employment and unemployment in the full employment doctrine and to think again about the adequacy of monetary and credit controls of a general type and of sub-

sidary selective types as they had been evolved in our various countries for dealing with fully employed economies. There was no greater contribution that the United States could make to the economic strength of the free world for the period ahead, than to achieve a sustainable relative stability.

The American economic system was now fully engaged; there were a few evidences of weaknesses in it, largely in the area of deterioration in the quality of credit here and there, in the field of construction and consumer credit. Certain actions had been taken, with productive results, in the first area. In the second, where the government was not now in possession of specific weapons to deal with the problem, public attention not only of bankers, investment companies, and finance companies but of citizens themselves had been focused upon it. There was every prospect in the United States of continuing to achieve reasonably steady growth in real income, widely distributed among the population with a considerable degree of stability in price averages. As regards the long run, he thought that President Eisenhower's expectation of October 1954, of a \$500 billion economy within ten years at stable prices, now seemed to be somewhat on the modest side. The problem for America now seemed to be a shortage rather than a surplus of labour.

The value of goods and services imported into the United States in 1954 was more than 60 per cent above the 1947-9 level and in 1955 it was still higher. The overall supply of dollars to foreign countries from imports of goods and services, capital exports, remittances, and U.S. Government transactions had been running at \$20 billion for several years. For the last six years the supply had exceeded the expenditure of dollars by foreign countries, permitting them to build up dollar and gold assets by \$11 billion. Continuing United States expenditure abroad, the growing activity of the economy providing a rising demand for foreign goods and services, and growing capital exports gave the prospect of dollars being available as a basis for continued growth of trade.

There had been a large-scale redistribution of the build up of United States gold resources, accumulated in the 1930s, and during and immediately after the war. A large part of this redistribution of reserves had gone to Western Europe and would serve its purpose better if its growth led to action to reduce discriminating trade restrictions. Because of this redistribution the United States had to look more frequently at its own figures. For example, at the end of 1954 United States gold holdings stood at \$21.8 billion. At that time the amount of gold cover required by law against Federal Reserve notes and deposits was \$11.8 billion. That left the United States with free gold, so-called, in an amount about equal to \$10 billion. Short-term U.S. banking liabilities to foreign countries stood at \$11.2 billion, while U.S. short-term banking claims on foreign countries stood at \$1.4 billion. Roughly speaking, the

difference between these two figures was about the same as the value of the U.S. free gold.

During the five years ending with 1954, gold and short-term dollar holdings of foreign countries of the free world had increased by about \$9.6 billion, of which about \$8 billion was derived from gold and dollar transactions of these countries with the United States and about \$1.6 billion from other sources, principally new gold production. Thus the policies which the United States had pursued had, to a substantial degree, resulted in redistributing gold and dollar reserves in the direction of America's friends.

The speaker then reviewed the extent to which the President's policy announced in March 1954 had been implemented. There was the Trade Agreements Extension Act of 1954 which had extended the old law for one year. The United States had undertaken the negotiations with Japan and their results were put into effect on 10 September in the face of considerable protest from certain sectors of American industry. In those negotiations the U.S.A. had been joined by some, but not all, of its friends. The General Agreement on Tariffs and Trade had been revised and improved and it was hoped that, after a severe struggle, Congress would approve the Organization for Trade Co-operation, although the action of fourteen nations in invoking Article 35 of GATT against the Japanese would make this more difficult. The Customs Simplification Acts of 1953 and 1954 were already proving useful to foreign suppliers of the American market and the Bureau of the Customs had proceeded to make significant reforms in its operation. There had been two revisions of the tax laws designed to stimulate private capital investment abroad and action by the Board of Governors of the Federal Reserve System modifying the regulations relating to banking organizations authorized to do foreign banking business. An executive order establishing uniform procedures and regulations under the Buy American Act had been put into effect and the percentages applicable to the differentials sharply cut. While there had been a great deal of attention paid to the action taken regarding the generators for the Chief Joseph Dam in the West there had not been much publicity given to the contracts that had gone to foreign suppliers because of the reduction from 25 per cent to 6 and 10 per cent in the discrimination in favour of American companies.

The President had set up a Council on Foreign Economic Policy. The Trade Agreement Act of 1953 had been passed by Congress this year, giving the longest extension since 1948, and negotiations were now under way for a new round of tariff reductions early next year. Technical co-operation programmes had been advanced, the International Finance Corporation approved, and the Philippine Trade Treaty renegotiated.

It was perhaps believed that a nation capable of conceiving and executing the

Marshall Plan could conceive and execute a trade policy which would somehow be able to avoid every specific case of domestic self-interest which arose. In fact the general record of the so-called escape clause, under which the bicycle action had been taken, was not a bad one. When the bicycle case came to the White House from the Tariff Commission, four out of five of the sitting commissioners had found that, within the meaning of the law, injury had been done to American industry. After very careful consideration of the case the President modified severely the remedy recommended by the Commission. Six years ago Europe was sending 15,000-20,000 bicycle units a year to the U.S.A. Last year they sent nearly a million and it could be expected that sales would continue on that level, and better, in the future. The action taken was not a restrictive import control but, at the most, a checking of the rate at which the market was being entered.

As to the psychological aspects of this matter, the speaker believed that, with the possible exception of the Canadian market, there was no more stable market, no market which Europeans could enter with greater assurance, than the American. There would always be the risk of infrequent cases like the bicycle case, when the market was penetrated at a rate to bring into operation Section 7 of the United States law, but this should not disrupt European plans for earning dollars on the American market.

The decision with respect to the Chief Joseph Dam had been a close one and rested on an exception in the President's executive order regarding an instance where the American product was produced in a labour surplus area; the executive order was not limited purely to the question whether the area had a 6 per cent unemployment rate or not. Such decisions involving the Buy American Act were taken only when absolutely necessary.

The oil import problem was also controversial. The Committee on Fuel Resources had recommended, in order adequately to spur domestic development, that it was necessary to have a policy for the sharing of the market. This was now in the process of discussion and it had been hoped that it would be possible to maintain a flexible situation in the industry itself to deal with the problem. Steel scrap had provided another problem recently and the rate at which scrap was being sucked out of the American market had led to a request by domestic industry to limit shipments out of the country. So far the government had declined to take action, but it was important to realize that the matter had reached a stage of serious discussion. In all these matters the United States would seek the maximum consultation with her friends abroad.

In the discussion arising from the foregoing survey a European participant expressed the view that, although there had indeed been a redistribution of reserves, the reserves of European countries were still dangerously small. Some

people were, therefore, afraid that, after a period of dramatic change, the United States might adopt a "business as usual" attitude towards these matters.

The United States had passed the Displaced Persons Act and the Refugees Act, and thus corrected to some extent the restrictive immigration quota. But this had been done by exceptional acts surrounded by exceptional conditions and provisos. They were an important contribution in the right direction but a grudging recognition of immediate needs rather than a change of policy. Both Europe and the U.S.A. were in a dangerous position not only militarily but from an economic point of view, and could at a given moment be facing a hostile world. There was still an unbalance between Europe and the U.S.A. and a further large and rapid correction of the unbalance seemed absolutely necessary.

A Canadian speaker referred to the approach to a common market and, in welcoming it, felt some concern as to what kind of fences might be put round it. It was to be hoped that, as the movement towards a common market in Europe gathered strength, it would be the pre-occupation of everybody that it should not perpetuate or increase protectionist and restrictionist measures against trade with other parts of the world, but that emphasis should be exclusively on freeing trade within the countries of Europe.

A Netherlands participant agreed that any increased protectionist tendency would be most undesirable and was certainly not the intention of the Europeans. In support of this there was the Benelux example where it was agreed that the average tariffs for the outside world, protecting the Benelux countries jointly, were never allowed to be higher on an average than existing tariffs had been in Holland and Belgium. That had led to Belgian tariffs being decreased in some cases. Some in Holland had been increased but the result for the outside world was that they remained the same or were lower. For the six countries it would probably be carried out in the same way.

There was some discussion on a point, raised by a German speaker, regarding invisible trade which seemed to be becoming more important between centres of economic gravity like the U.S.A. and Europe. It might be that measures such as raising the tourist allowance for free entry of goods might be more effective than concentrating on the difficult problem of reducing tariffs. A United States speaker explained that this had been part of the President's programme of March 1954, but had languished in the face of opposition from certain sections of industry which feared that considerable amounts of some commodities might be brought in on an organized basis. It remained, however, part of the programme and it might be possible to get it agreed.

In summing up the discussions on the subject of convertibility a European participant felt that, whereas the problem of trade had been discussed at great length and with little or no disagreement, convertibility had been buried a

little too quickly. When we used to talk about convertibility we talked about trade liberalization and the impression should not be allowed to gain weight that this objective had been given up. Full employment should be maintained and trade developed as fast as possible. But besides full employment and trade there was productivity, a vitally important factor for the world, and there was no other way of increasing productivity in the kind of world in which we lived except through producers meeting competition. Convertibility was precisely the way of enlarging the area of competition and of bringing, progressively, American competition to bear on European producers. We did not want to do this in such conditions that it would bring about unemployment and trade restrictions but we should move towards non-discrimination *vis-à-vis* the U.S.A. in a manner which would not endanger the results achieved.

It was possible that a contradiction would develop between the movement towards a European market and a movement towards convertibility. If a common market were created with a moderate tariff, American goods might be still more difficult to get into that market than they were before because producers within the community would benefit from the preference which would exist. Therefore the movement towards a common market should proceed under the conditions of as low a tariff as possible *vis-à-vis* the outside world, a customs union complete in a certain number of years and a simultaneous movement towards a multilateral system covering the free world by the progressive reduction of tariffs. Once resistance to the creation of a common market in Europe had been overcome we should be in a strong position to overcome the resistance to a reduction of tariffs *vis-à-vis* the outside world and should be very close to convertibility.

East-West Trade

On this subject there was general agreement as to the difficult and seemingly small returns of trade with the Soviet bloc and particularly with China. There was little disagreement among the Western Powers regarding strategic items. The fact that 90 to 95 per cent of trade between the free world countries, amounting to some \$152 billion in 1954, was clearly in the non-strategic area at a time when military defence programmes required large shipments of strategical material within the Western Alliance, showed that the bulk of trade was free in so far as strategic controls were concerned. Behind the vague generalities about increasing trade, therefore, it was apparent that the Soviet Government was really interested in the strategic items and in getting the strategic list cut down. It seemed probable, also, that the communist countries might be hoping to obtain industrial equipment on a credit basis from the West.

We should have no illusions that there is much to gain and we should certainly

not wish to become dependent on Eastern trade. The orientation of the export trade of the Western countries had built up a system which made it of little interest, even to purely economic interests, to undertake the more complicated, quasi-barter Eastern trade. Nor should we seriously think that we could make the Eastern world dependent upon us.

A British speaker said that the Peking Government had tried to canalize trade with China through organizations that were really intended for communist propaganda. When commercial organizations insisted on avoiding this arrangement they obtained the consent of the Peking Government to communicate with them direct and arrange for missions to go to China. The Chinese Government would only give facilities for large parties and not to individuals who wished to go to China to transact trade. When large parties of businessmen arrived in China, the first offers made were for goods on the Embargo List, in order to induce firms in the United Kingdom to press for the removal of these items from the List and the Chinese would allege that others were not as strict as the United Kingdom in enforcing the Embargo List. Agreements were made to appear very important and received much publicity but, in fact, they generally had escape clauses and often came to nothing, in which case there was no publicity. The impression was that the Chinese could not pay for imports from the West. Their traditional exports went largely to the Soviet Union and the satellites. When the Chinese have offered exports to parties of businessmen in China these have been for tungsten, bristles, and other traditional Chinese exports, above the world market prices. If a United Kingdom firm saw the possibility of making purchases in China and communicated with a Chinese organization, and if the Chinese could not provide the goods, even though they were traditional Chinese exports, they did not answer the letters since they did not wish to say that they had not got the goods. The trade outlook in the foreseeable future was therefore poor.

The Soviet Union and her European satellites again gave the impression that they could not find sufficient exports to pay for imports other than raw materials such as rubber and tin, which they needed. The Soviet and satellites preferred large parties of businessmen because of the propaganda value, but would give visas to individuals representing single firms. The Soviet Union also tried to make advantageous offers for goods believed to be on the Embargo List, at times to create a demand for the relaxation of the List. The speaker did not believe that there was much money to be made out of trade with China or the Soviet Union and her European satellites. While there were some political and psychological advantages in encouraging commercial exchanges with these countries, there could be no dangerous relaxation of the Embargo List and large credits were not to be recommended.

A United States speaker discussed the attractions of an offer to Germany, or even to other nations, to participate in the industrialization of China through increased trade. The Soviets wanted to relax tensions so as to complete what they had to do at home and in China; they needed economic assistance to do it more rapidly and they had to help with the industrialization of China. If the cold war was not over but only entering a new phase or taking on a new aspect the real nature of which was not yet clear, we should not be willing to relieve an acknowledged adversary of his economic problems, to increase his potential military resources, or to help him to assist an aggressively disposed partner in the Far East.

German participants expressed agreement with these views and did not wish to change their attitude towards their Western friends, believing that if they did, it would mean the enslavement of Germany.

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When the Conference ended on the evening of 25 September it was evident that there had been a very valuable exchange of views on some of the most important problems with which the leadership of the Western world is now faced. The discussions which took place during the three days of the conference were remarkable for the measure of agreement expressed. This was of particular value in the case of German reunification and the Unity of Europe. Disagreement was, as a rule, largely a matter of emphasis. It was clear that participants would be able to return to their various countries enriched by a closer knowledge and understanding of the views, difficulties, and hopes of so many leading personalities of countries other than their own and so better equipped to deal with their mutual problems. Participants in this conference may, in the light of the consensus of opinion expressed during the discussions, and to some extent summarized in this document, be able to pass these views on to public opinion in their own spheres of influence, without disclosing their source.

PRESS RELEASE

An unofficial conference has been held at Garmisch-Partenkirchen from 23 to 25 September, under the chairmanship of H.R.H. Prince Bernhard of the Netherlands. Previous meetings of the same sort took place at Bilderberg (Netherlands) and Barbizon (France).

About ninety participants were present from various countries of Europe, and from the United States and Canada, all attending as private individuals. In an atmosphere of friendly frankness, made possible by the informal nature of the gathering, they discussed current problems of interest to free nations.

The objective was to promote by free discussion a closer understanding between individuals whose countries share a deep desire for peace and for human freedom. It was not the purpose to reach decisions or to establish policy.

Many topics were considered, such as: the problem of European integration, to be achieved through the creation of a common market and by other means; the problem of German unification; problems of East-West trade, of the expansion of international trade in general, and of convertibility of currencies; and the problem of atomic energy as a factor in peaceful industry, including a pooling of resources for atomic research and development.

The conference proceeded on the assumption that a steady unity of purpose is now more vital than ever to the preservation of peace and the defence of freedom.