

CONFIDENTIAL

NOT FOR PUBLICATION
EITHER IN WHOLE OR IN PART

BILDERBERG MEETINGS



CANNES
CONFERENCE

MARCH
29-31 May 1963

LIST OF PARTICIPANTS



CHAIRMAN:

H.R.H. THE PRINCE OF THE NETHERLANDS

HONORARY SECRETARY GENERAL FOR EUROPE:
ERNST H. VAN DER BEUGEL

HONORARY SECRETARY GENERAL FOR THE UNITED STATES:
JOSEPH E. JOHNSON

HONORARY TREASURER:
PAUL RYKENS

DEPUTY SECRETARY GENERAL FOR EUROPE:
ARNOLD T. LAMPING

* * *

AGNELLI, GIOVANNI	ITALY
ANDERSON, ROBERT O.	UNITED STATES
BALL, GEORGE W.	UNITED STATES
BASSETT, JOHN	CANADA
BAUMEL, JACQUES	FRANCE
BAUMGARTNER, WILFRID S.	FRANCE
BEER, HENRIK	INTERNATIONAL
BENNETT, FREDERIC M.	UNITED KINGDOM
BERG, FRITZ	GERMANY
BIRGI, M. NURI	TURKEY
BLAISSE, PIETER A.	NETHERLANDS
BRAUER, MAX	GERMANY
CALLAGHAN, JAMES	UNITED KINGDOM
CAVENDISH-BENTINCK, VICTOR	UNITED KINGDOM
CHAMBERS, S. PAUL	UNITED KINGDOM
CISLER, WALKER L.	UNITED STATES

CLEVELAND, HAROLD VAN B.	UNITED STATES
COLLADO, EMILIO G.	UNITED STATES
COPELAND, LAMMOT DU PONT	UNITED STATES
CZERNETZ, KARL	AUSTRIA
DAHLMAN, SVEN	SWEDEN
DEAN, ARTHUR H.	UNITED STATES
DE MICHELI, ALIGHIERO	ITALY
DUNCAN, JAMES S.	CANADA
EZZACIBASI, NEJAT F.	TURKEY
ENGEN, HANS	NORWAY
ERLER, FRITZ	GERMANY
FAURE, MAURICE	FRANCE
FONTAINE, ANDRÉ	FRANCE
GALLAGHER, CORNELIUS E.	UNITED STATES
GOSSETT, WILLIAM T.	UNITED STATES
GRiffin, A. G. S.	CANADA
GUBBINS, SIR COLIN	UNITED KINGDOM
GUINDEY, GUILLAUME	INTERNATIONAL
HAUGE, GABRIEL	UNITED STATES
HEALEY, DENIS	UNITED KINGDOM
HEATH, EDWARD R. G.	UNITED KINGDOM
HEINZ, HENRY J. II	UNITED STATES
HERWARTH VON BITTENFELD, HANS-HEINRICH	GERMANY
HEWITT, WILLIAM A.	UNITED STATES
HICKENLOOPER, BOURKE B.	UNITED STATES
HØEGH, LEIF	NORWAY
JACKSON, CHARLES D.	UNITED STATES
JOLLES, PAUL	SWITZERLAND
KLING, HERMAN	SWEDEN
KOHNSTAMM, MAX	INTERNATIONAL
KRAFT, OLE B.	DENMARK
LEMNITZER, LYMAN L.	INTERNATIONAL
LENNEP, JONKHEER EMILE VAN	INTERNATIONAL
MANSHOLT, SICCO L.	INTERNATIONAL
MASON, EDWARD S.	UNITED STATES
MASSIGLI, RENÉ	FRANCE
MATHIAS, MARCELLO G. N. D.	PORTUGAL
McGHEE, GEORGE C.	UNITED STATES
MEYNEN, JOHANNES	NETHERLANDS
MICHENER, ROLAND	CANADA

MOLLET, GUY	FRANCE
MURPHY, ROBERT D.	UNITED STATES
NEBOLSINE, GEORGE	UNITED STATES
NITZE, PAUL H.	UNITED STATES
NYKOPP, JOHAN	FINLAND
PECCEI, AURELIO	ITALY
PEDINI, MARIO	ITALY
PERKINS, JAMES A.	UNITED STATES
PETITPIERRE, MAX	SWITZERLAND
PIETTE, JACQUES	FRANCE
PINAY, ANTOINE	FRANCE
PIRELLI, ALBERTO	ITALY
PLEVEN, RENÉ	FRANCE
QUARONI, PIETRO	ITALY
ROCKEFELLER, DAVID	UNITED STATES
SAMKALDEN, IVO	NETHERLANDS
SCHMID, CARLO	GERMANY
SEGARD, JACQUES	FRANCE
SERGENT, RENÉ E.	FRANCE
SNOY ET D'OPPUERS, BARON	BELGIUM
SPAAK, PAUL-HENRY	BELGIUM
SPOFFORD, CHARLES M.	UNITED STATES
STRAUSS, FRANZ-JOSEF	GERMANY
TERKELSEN, TERKEL M.	DENMARK
TURNER, SIR MARK	UNITED KINGDOM
URI, PIERRE	INTERNATIONAL
WALLENBERG, MARCUS	SWEDEN
WOLFF VON AMERONGEN, OTTO	GERMANY
WOODHOUSE, CHRISTOPHER M.	UNITED KINGDOM

IN ATTENDANCE:

H.R.H. PRINCESS BEATRIX	NETHERLANDS
BRAAM HOUCKGEEST, A. E. VAN	NETHERLANDS
CHIUSANO, V.	ITALY
ROY, B. LE	NETHERLANDS
TANUGI DE JONGH, E. L.	FRANCE

INTRODUCTION

The twelfth Bilderberg Meeting was held on 29, 30 and 31 March 1963 at the Hôtel Martinez, Cannes (France) under the chairmanship of H.R.H. the Prince of the Netherlands.

Participants numbered ninety and represented the United States, Canada and fifteen European countries together with various international organizations. They were drawn from among political leaders (members of governments and parliamentarians) and leading figures in business, journalism, the civil service (national and international), the liberal professions and trade-union organizations.

In accordance with the rules of procedure adopted at each meeting, all participants spoke on an absolutely personal basis without committing any government or organization to which they might belong. In order to facilitate complete frankness, the discussions were confidential and no representatives of the press were admitted. A short press release in which the Chairman's name was the only name mentioned was distributed beforehand but no further release was issued at the conclusion of the meeting.

Three items were included on the Agenda:

- I - The balance of power in the light of recent international developments.
- II - Trade relations between the U.S.A. and Europe in the light of the negotiations for Britain's entry into the Common Market.
- III - Trade relations between the Western world and the developing countries (tariffs, quotas, commodity arrangements, etc.).

Ad. I This item will cover changes in power relations—political, economic and military—between the Communist and Western countries and inside each group.

On account of developments subsequent to the preparation of this agenda (particularly the collapse of the Brussels negotiations between Britain and the E.E.C.) and the close connexion between this fact and items I and II, the Chairman asked participants:

— in dealing with item I to give preference to the subject of the political and military relations existing between the Western allies without thereby

excluding certain current economic-political problems which have arisen as a result of the failure of the Brussels discussions;

– in dealing with item II, to concentrate on future prospects, more especially in regard to the "Kennedy Round" and certain specific problems such as the co-ordination of agricultural policies.

Since certain participants were absent when the meeting opened, item III was dealt with first although various participants returned to this item during the last session. The original order of the various items has been adhered to in the present text.

In accordance with another of the Bilderberg Meetings' rules, aimed at preserving the confidential nature of the discussions, none of the participants is mentioned by name in the present report.

I. THE BALANCE OF POWER IN THE LIGHT OF RECENT INTERNATIONAL DEVELOPMENTS

In the course of a preliminary note, H.R.H. the Prince of the Netherlands had suggested that participants should concentrate more particularly on a consideration of the following questions:

- What impact will the growing strength of Europe have on the relations between the U.S. and Europe in world affairs: competition, cooperation or partnership? What are the conditions for a partnership?
- Is the idea of a multilateral or multinational nuclear force an answer to the troubles of the Alliance? What exactly does it mean? How is the problem of the ultimate political control of such a force to be solved?

What is the relevance of this concept to the current general disarray of the alliance?

Participants particularly qualified to discuss the matter were also asked to give their views on the recent Franco-German treaty and on its role within the Common Market and the Atlantic Alliance.

A written note had previously been drawn up by an Italian participant who referred to its main lines of argument in addressing the meeting.

The failure of the Russian bluff over Cuba, wrote this participant, demonstrated,

- a) that there is a balance, at an extremely high level of destruction, between the military potential of the United States and the USSR;
- b) that Khrushchev recognises this fact and that, whatever he may say in public, he is prepared to accept the consequences of this balance.

There was therefore reason to hope that "peaceful co-existence", without open hostility, would continue for some time. This balance, argued the author of the note, was entirely based on the American deterrent independently of other national forces. At the same time, the conflict was continuing on the ideological level and it would be ill-advised for the moment to hope too much from the Russo-Chinese disagreements, however deep, all the more since the lack of unity within the Western world was also real and serious. The most important question in this connexion was that of American leadership. For his

own part, the author of the note was in favour of accepting such leadership unreservedly: it was, he wrote, a fact of existence, if only because America spends four times as much on arms as all the other members of NATO combined. It followed that American leadership, based on the only real deterrent force against the USSR, constituted NATO's cornerstone, notwithstanding European recovery on the economic level. True, arrangements could and should be found to render that leadership as little burdensome as possible but to reject it purely and simply could only create a dangerous neutralism, especially if it took the form of a sort of "anti-colonialism" directed at America.

The author went on to discuss the circumstances surrounding the recent breakdown of negotiations between the United Kingdom and the E.E.C. and expressed his bitter regret concerning them. The breakdown, he said, was a blow from which European integration might never recover. True, the French rejection was delivered in accordance with the provisions of the Rome Treaty which calls for unanimity among governments of the Community as regards the admission of new members but it ran counter to the only line of action which would enable genuine European union to develop, namely compromise between the wishes of the various European countries, each being merely a part of a greater whole. The author of the note considered that what was still more serious was the fact that, at his press conference, General de Gaulle should have let it be understood that the choice was not between Paris and London but between Paris and Washington, on whose behalf Great Britain would have played the role of "Trojan Horse" within the Common Market. In actual fact, he wrote, on the basis of their attachment to NATO and their acceptance of American leadership, Italy and the Benelux countries might equally well be considered as "Trojan Horses".

The author of the note concluded by emphasising that the Soviet threat remained as real as ever and that, given Khrushchev's skill in exploiting divisions within the Western camp, complete unity was more than ever essential.

Discussions on this item of the agenda revealed that the meeting could generally adhere to the concepts advanced by the author of the note in respect of the need to remain loyal to NATO and to accept American superiority as a fact; considerable divergences of opinion became apparent, however, in regard to the application of those postulates now and in the future.

A large number of speakers took up the criticism of the policy of the present French government which seemed, directly or indirectly, to have inspired the note. One of the French speakers observed that many of his compatriots, like himself, only partially supported General de Gaulle's European and Atlantic policy and, more especially, the methods sometimes employed by



the President of the Republic. Nonetheless, in his view, it would be a mistake not to avoid any reprisals or controversial statements likely to harm French national prestige. If pressure were considered necessary, it should be applied in the form of understanding and friendship. Other French speakers argued on similar lines. A British speaker wished to dissociate himself from certain criticisms levelled at the General whom he considered a great man, a great Frenchman and even a great European.

The persistence of the Soviet threat emphasised in the note was raised by several participants during the discussion. A British speaker, supported by a German participant, defined the policy of the USSR as follows:

– not to maintain the existing balance but to tip the scales in favour of the USSR;

– for this purpose, to exploit every opportunity provided by the West. Khrushchev had merely recognised that this needed time. At the present time, moreover, given the fact that the situation in Cuba, the Middle East and Africa, not to mention China, was not very favourable from his point of view, his primary objective remained the Western countries: Berlin was still Khrushchev's main concern, especially if one bore in mind his apprehension regarding the possible provision of nuclear weapons to the Federal Republic. The German speaker did not a priori include Cuba in the list of Russian defeats; it was rather that Khrushchev had wanted to avoid full-scale conflict in an area where the military conditions were particularly unfavourable from his point of view. At the present time Khrushchev considered Cuba as a political bridgehead. In the German speaker's opinion, the danger still lay in Berlin.

The uneasy situation currently prevailing within the Atlantic Alliance was generally recognised and a very large number of speakers sought to analyse the causes and the symptoms on both sides of the Atlantic. What are the features of the Atlantic crisis? Several participants attempted to define them and to recommend steps to eliminate them.

The main elements brought out in the course of the discussion may be listed as follows although the same discussion revealed that they were closely interconnected:

- the failure of the Brussels negotiations,
- the doubts sometimes expressed in Europe as to the United States' determination to use their nuclear deterrent in support of their allies in the event of war;
- the lack of balance between United States' nuclear power and the forces of its European partners and, as a result, the problems arising from American leadership;

- the French determination to create an independent nuclear force and the resulting apprehension that "dissemination" and even "proliferation" of nuclear weapons might take place;
- the divergences between the allies as to the formulas whereby the NATO Treaty might be improved, if necessary, more especially as regards the supreme control of nuclear weapons.

Although the breakdown of the negotiations for Great Britain's entry into the European Economic Community which followed on General de Gaulle's press conference of 14 January 1963 was more specifically the subject of item II of the Agenda, several participants raised the matter as early as this stage of the discussions in connexion with the uneasy situation within the Atlantic Alliance. Recent happenings in Brussels had caused extremely sharp disappointment in the United States and the point was emphasised by several American participants who considered that the Atlantic Alliance had suffered a blow, all the more serious in that it was inflicted by allies. Several of the American speakers observed that Europeans perhaps failed to appreciate to the full the radical break in the United States' former traditions which that country's adherence to NATO represented. That adherence had now been accepted by all sectors of American public opinion (including those who were previously the most traditionally isolationist, e.g. the farm voters of the Middle West) and support for the organization had taken on an almost religious character which made any blow administered to it all the more serious. There was a great desire to achieve real unity with Europe, including Great Britain, via the Trade Expansion Act. There was a danger that the Brussels failure would render that long-term policy illusory and the French decision struck the American public as a refusal to recognise any entity superior to the nation or even to recognise a greater common denominator. The American public saw this as a return to isolationism, a European cartellism, and was profoundly disturbed.

While all the European speakers discussing the failure of the Brussels negotiations recognised its harmful consequences for the Atlantic Alliance, there were some who showed themselves anxious to reduce the question to narrower proportions. A French speaker, for instance, considered that two problems had been confused:

- a political problem in that the original purpose in creating "the Europe of the Six" had been to enable Germany to recover its place in the concert of nations without at the same time recovering all the elements of national sovereignty so that transfer of these to a higher community became necessary. At the time, this policy had been opposed both by the British as a whole and by General de Gaulle's supporters;

— an economic problem arising at the Atlantic level and which should not therefore be presented in terms of Great Britain's adherence to the Common Market. There was, in this speaker's view, no contradiction between a politically integrated Europe—even limited to six members—and an Atlantic world co-operating closely in the military and economic fields.

A Belgian participant described the 14th of January as the free world's "black Monday" and, more specifically, felt that the method adopted by the French government was inadmissible because of its unilateral nature. Emphasising the community quality of the Europe to be built, implying a spirit of solidarity which went beyond individual nations, this speaker advanced the view that French diplomacy no longer believed in this concept and preferred to confront its partners with a *fait accompli*.

But a French participant belonging to the government majority group replied that the cessation of European construction dated back rather to 17 April 1962 when the "Fouchet Plan" was rejected, a plan which represented an initial stage in that it provided for periodical meetings between governments, a clearly-defined organization covering defence and foreign and cultural policy which may have been modest but which could have been the embryo of a greater organization. The French attitude in January 1963, said the speaker, was solely due to the fact that it was impossible for Great Britain to accept all the conditions of the Rome Treaty. The building of Europe meant accepting one's share of the responsibilities and burdens.

Addressing the meeting again towards the close of the discussion, the Belgian speaker emphasised that, as a supporter of an integrated Europe rather than of a simple alliance, he considered British participation in the European institutions vital since French opposition made the former formula impossible.

A British participant, supported by various other speakers, considered the Brussels breakdown to be the result of a combination of factors rather than of the French Government's attitude alone and that the responsibility should not be attributed exclusively to the President of the Republic. With the support of other speakers in the subsequent discussions (see item II of the agenda), he argued that it was above all essential to avoid any policy calculated to hinder Great Britain's association with Europe when the time came.

A number of American participants considered the contention that their determination to intervene on behalf of their allies was any less than in the past to be utterly without foundation. In particular, they stressed the extent of American forces in Europe and the importance of their country's financial

contribution to joint defence. Nearly 400,000 American troops were stationed in Europe, some of them accompanied by their families, and this demonstrated the permanent nature of their commitment, although the North Atlantic Treaty had been "sold" to the American public without any implication that American ground forces would be stationed in Europe under it. In this respect, actions had outstripped commitments, just as the United States had already intervened in two world wars without having previously committed itself to do so. The American attitude had always been governed by long-term considerations without regard to the circumstances of the moment. Similarly, on the financial level, military expenditure had continued to be extremely heavy; at the present time, 60 cents out of every dollar of public funds went to defence. Must the United States go bankrupt, asked one speaker, in order to convince its European friends? Many U.S. congressmen would be only too happy to see Europe take over the defence of Europe, if only to save the three billion dollars which it cost to maintain American troops on the Continent. In fact, however, not one American congressman, even though all would one day have to seek re-election, queried the commitments entered into with America's allies. An American speaker also commented that continued European suspicion of American promises might eventually bring about a swing in United States public opinion which would have regrettable consequences.

A French participant, supported by a Belgian participant, a German speaker and a British participant, condemned all and every display of suspicion concerning American determination to remain in Europe: to question that determination, he said, almost amounted to clearing the way for such an eventuality.

Another French speaker occupying an independent position observed, however, that allowance must be made for strategic evolution which, within a few years, might deprive the presence of American troops in Europe of any meaning, especially if the concept of "fortress America" which was already suggested by the present development of Polaris and Minuteman missiles were to become a reality. The Soviet Union might be tempted to confront the West with challenges which it would seem irrational to answer with nuclear methods and many Frenchmen, and even other Europeans, feared that the United States might consider a threat to the Europeans as not necessarily a threat to itself. This did not signify suspicion. Within such a context, English and French efforts might be seen as an attempt to find a sort of "European parachute" to be used in the event that the Alliance did not immediately operate.

Another French participant, already mentioned, and an advocate of the national strike force, denied that he had the slightest doubt as to the deter-



mination of the present American presidential team. But was it always possible, he asked, to foresee the future? And should not the confidence which the Americans sought be reciprocal?

The disproportion between the contribution of the United States to joint defence and that made by its partners was likewise recognised by a British participant as a source of uneasiness on the European side; such a disproportion could not continue indefinitely. This point was expanded on by the French participant just referred to: when NATO was conceived, he pointed out, the imbalance was in accordance with reality because of America's monopoly in the atomic field—a field which, however, had nothing like the importance which it now possessed. Since then, Europe had achieved a spectacular "recovery" and the feeling was developing that the Alliance must be "rebalanced" and Europe strengthened in close co-operation with America. But the United States wanted to maintain its monopoly, not only as regards manufacture of nuclear weapons but also as regards the decisions concerning them. America was especially apprehensive that it might be drawn into a conflict through error or some rash action. Accordingly, said this speaker, everything proposed by America—a multinational or even a multilateral force—seeks to convey the impression of a certain sharing of responsibility while retaining the sovereign right "to press the button" and it was this approach which France opposed. In addition, the speaker continued, it is not desirable that the Alliance should seek to restrict the efforts of the Europeans to the "conventional" field by allotting them, as it were, the role of "footsluggers". Finally, at the present time, the military effort in the nuclear sector conditioned, so to speak, however regrettable this might be, the development of an atomic industry—a field in which the lack of balance is also very pronounced.

In reference to the United States' "over-kill capacity" which had previously been cited by a German participant as the main element in preserving world peace, an American participant emphasised that the best deterrent was the one which was "technically" capable of ensuring victory and that it was vital to avoid under-estimating the capacity of the U.S.S.R., whether in the nuclear or conventional field. In order to cover all objectives within the minimum space of time, maximum capacity was essential.

Arguing along similar lines, a Turkish participant considered that this superiority constituted the best deterrent force available within the Alliance and that, if this was a fact, it was erroneous to pretend that the United States thereby imposed its will on its allies within NATO. This point was also taken up by a Belgian participant who contended that if the Americans could be blamed for anything it was not because they had not applied their leadership

with sufficient consistency and force (criticism of this leadership, a German participant observed, often reflected a Maurras-type nationalism) since there was no example of the United States having sought within NATO to impose a resolution with which the other member countries refused to associate themselves.

A British participant asked whether it was certain that Europe was ready to assume all its responsibilities, more especially of a financial order, to establish a genuine balance with the United States? At the present time, it would seem not.

Returning to the problem of the relation between nuclear forces and conventional forces in NATO strategy which had been raised by a German participant, two speakers from that country emphasised that "flexibility" in the choice of possible reprisals was essential. A defence system which only had nuclear forces available would find itself in the position of a policeman with nothing but a sub-machine gun to preserve order. It was up to the allied powers to make their contribution in those complementary fields where inadequacies were apparent. On the other hand, said one of these speakers, if we invest too much in conventional arms (which is not the case at present in Europe) we run the risk of weakening the "credibility" of our deterrent force.

While not denying that the Alliance was confronted with various problems, an American participant contended that, on the basis of its practical operation, its balance-sheet was a positive one and that substantial progress had been made since 1949. In discussing the American nuclear monopoly, it should be remembered that this only applied to the possession of such weapons. The speaker referred to the plans which had been drawn up to allow for the use of nuclear and conventional weapons alike and pointed out that such plans had been made by an integrated inter-allied team comprising virtually all member nations. Similarly, SHAPE, an organization possessing a regional structure, received its orders from the "Standing Group" which, in turn, was governed by the NATO "Military Committee" in which the political lines were laid down by 15 nations. The military command merely applied these directives. The plans, drawn up with great care in order to conform to those directives, were designed to meet two primary considerations:

- to ensure adequate control, especially involving avoidance of premature use of atomic weapons without orders from a higher level, this being a political element of key importance;
- to ensure, in the nuclear field, an adequate and sufficiently rapid reprisal policy.

The danger of a proliferation of national nuclear weapons was raised by certain speakers in connexion with the French government's decision to create an independent deterrent force.

A French participant, already mentioned several times and who set himself the task of explaining the policy of the French government at this juncture, outlined and defended the reasons underlying this decision. Apart from the considerations already mentioned above (uncertainty as to the future, the American monopoly, the necessary development of a nuclear industry), the French government considered that any nuclear force should be subject to a political authority which, for the moment, is national in nature since only national States can assume the crushing responsibility of using it. It might one day be possible to envisage a supranational force but this was not a reality as of now. Nor did France wish to place its defence (i.e., having regard to possible future developments, its whole destiny) in any other hands but its own. In this respect, the French followed exactly the same reasoning as the British. Why, asked the speaker, should something which was good for the British be bad for the French? France, too, wished to be able to play a deterrent part. Another reason why a nuclear force was necessary was that it enabled the smaller countries to "weigh more heavily in the scales" as regards political and military affairs. It was impossible to speak of dissemination in this connexion, said the speaker, since the French government could not, as certain observations might have suggested, be compared to some sort of potentate or "Führer" threatening world peace. Such dissemination, moreover, had already begun and might progress still further tomorrow without the United States being in a position to resist it. Furthermore, the policy in question was one which had reached a point of no return and had already been initiated by the leaders of the Fourth Republic.

The fact remained, said an American participant, that the proliferation of nuclear weapons constituted a real danger since the possible launching of even one or two missiles could unleash a nuclear holocaust. In this connexion, there was a tendency to think of nuclear weapons as a mere extension of conventional weapons whereas the reprisals which the former might provoke, could not be limited to a specific region but could immediately extend to the whole Western world. This latter point was likewise emphasised by another American participant.

A Netherlands participant stressed that the European countries could not wait and do nothing but must take steps to promote the Atlantic partnership by strengthening Europe. But how could action be taken if there was the permanent possibility of veto by a single nation? The speaker insisted that Western defence could not be guaranteed by a juxtaposition of national nuclear powers. The question was whether we were going to build an organization for peace on national rivalry between sovereign states and therein lay the responsibility of our generation.

A Belgian speaker, already quoted, regarded the French decision to acquire an independent nuclear force as the real cause behind the breakdown of the Brussels negotiations (because of the position adopted by Great Britain in the Bahamas) and expressed vigorous opposition to that decision. The principles which had governed Western policy for fifteen years past were being challenged and this seemed to be due to France's determination to possess an independent nuclear force. What political hypothesis, he asked, was satisfied by the idea of a national nuclear force? It was impossible any longer to imagine Russia launching an attack on individual European countries. There could no longer be anything other than a world war in which the United States would be involved on the first day, so that the fate of the world would be decided primarily in Washington; individual national defence was no longer a possible military position. On the other hand, said the speaker, the French force could not provide France's allies in continental Europe with the guarantees offered by the United States deterrent.

A British participant argued that the question was not whether France would have a nuclear force or not but what that country would do with it. In the absence of increased consultation within NATO, certain anxieties might develop. Again, while the dissemination of nuclear weapons may have begun, that is not a reason for ceasing to oppose it, if only in order to enable a genuine agreement on disarmament to be reached eventually. In this connexion, it was noteworthy that the USSR had refrained from supplying nuclear weapons to its satellites. A French participant observed that France wished its European allies to play the very role which France herself refused to play vis-à-vis the United States. He considered, however, that Britain, on its side, should become more "European".

Another French participant who did not wish to exclude the possibility of a revision of NATO in an atmosphere of confidence, emphasised that the main danger of French nuclear armament (apart from its effect on the country's economy and currency) lay in the breach of free world solidarity. Such solidarity must be maintained at all levels if we wanted to defend Western civilization. A German and an Italian participant spoke along similar lines and stressed the highly alarming nature of the present situation. The latter also expressed his concern at a certain anti-Americanism, a certain desire for neutralism, certain notions of a direct compromise with Russia which could be attributed to the President of the French Republic. France's partners, said this speaker, must not be forced to choose between Paris and Washington.

During the discussion, speakers analysed at length the factors in the present crisis but at the same time they sought solutions which would make it possible to face

up to the situation and bring about a smoother operation of the Atlantic Alliance.

The problem of the Alliance was set forth by a German participant as that of "national security through collective defence" as opposed to "collective security through national defence". Efforts to achieve integration should not only be continued but extended still further; in fact, NATO was only an improved military coalition. It was paradoxical that we should have an integrated operational command but, on the other hand, should not have such integration in the logistic sector. The same applied to the manufacture of weapons where research, testing and production were uselessly split up, this being equally harmful in regard to the quality and cost alike. The speaker wondered how the desire to possess national nuclear forces could be explained: was it a question of prestige or of a wish to wield more influence or of suspicion of the United States—a suspicion which, in the speaker's view, was unjustified. After stressing Germany's determination to hold aloof from national nuclear weapons, the same speaker expressed the view that national sovereignty had become out-moded and that the concept of a "European Third Force" was unrealistic. In actual fact, he said, two concepts present themselves:

- an Atlantic Community based on two elements, i.e. America, on the one hand, and, on the other, Europe as the "second pillar"; this was a highly desirable formula but pre-supposed an integrated Europe with a central authority controlling nuclear weapons—a situation which required time to achieve;
- an integrated Atlantic society with common institutions. Here again, time was needed but an effort must be made forthwith to achieve a common policy instead of merely issuing communiqués alluding to a "common denominator".

The French speaker already referred to as the defender of the French government's policies cited the superiority of American power and the solidity of the Atlantic pact as factors essential to the equilibrium of the international situation but he likewise cited the regional nature of the Atlantic Pact and the fact that it concentrated too strictly on the military aspect as examples of its present weaknesses. If confronted with global aggression, he argued, the NATO powers must be able to devise a global strategy and similarly reach agreement on questions outside the Alliance's regional framework, e.g. the Congo, New Guinea or the Near East. Moreover, in order to obtain stronger support from public opinion, it would be desirable for the Pact to concern itself with the economic and cultural fields as well.

The same speaker was opposed to the American nuclear monopoly and the lack of balance in the Alliance and stressed that the French deterrent was not aimed at destroying the Pact nor at creating a "European Third Force". Neither neutralism nor anti-Americanism was involved nor was

there any desire on the part of France to see a Europe independant of the Community. France could only benefit from co-ordinating its action with that of its allies, more especially as regards the distribution of strategic objectives and roles. On the other hand, France did not wish to see its strength submerged in a denationalized entity and it was for this reason that France did not support the concept of a multilateral force as suggested at Nassau, a force which would be deprived of nuclear warheads, provision of which would depend on American goodwill.

Replying to the previous speaker, an American participant set out his country's aims as follows:

- to encourage a strong Europe and hence to encourage its economic and political integration;
- to create and strengthen arrangements facilitating increased Atlantic co-operation.

The nuclear defence of the West is indivisible: the defence of Europe is vital to the United States, the defence of Europe depends on the American deterrent. Because of this, the United States commitment was of a permanent nature, as demonstrated by the presence of thousands of Americans based in Europe. Having expressed these convictions, the speaker went on to say that it was necessary to take joint action to maintain the stability of our economies, to strengthen our military potential and to increase our assistance to new nations, more especially to keep them out of the grasp of the East. In discussing the difficult problem of the control of atomic weapons, a difficulty arose which had already been mentioned by a German participant: technology had gone so much further than had the traditional arrangements between sovereign states that it was important to find new institutional methods for exercising our power over the terrible weapons available to us. There were three possibilities in regard to that power of control:

- leave things as they were, relying on the United States in the hope that the situation would not change. This implied an increased dependence of the free world on the United States and did not take account of the present British potential nor of the future French potential;
- let things follow their course, more especially as regards the French force and its influence on the latent desire of certain other countries to possess their own nuclear force, with the consequent danger of proliferation already mentioned;
- to consider NATO as an atomic power in its own right and hence establish, at any rate among certain of its member countries, joint possession of certain nuclear devices with power of decision being held on an equal footing. The speaker considered this solution as the only one possible, given that Europe

had not yet reached a stage where it could speak with a single voice, and such was the line of the present proposal for a multilateral force which represented an effort, however imperfect, to utilize national potentials and enable all the countries concerned, even if they had no nuclear potential of their own, to participate in their own defence in this field.

To make a choice in favour of a multilateral force was not, the speaker went on to say, an easy matter since the objection to "several fingers on the trigger" still remained (and this applied to an Atlantic and a European force alike, so long as the latter failed to delegate power to one person) but that objection applied still more cogently to a juxtaposition of national forces with "several fingers on several triggers" and a consequent increase in the dangers of an "accident". Again, the creation of a multilateral force would enable the United States' partners to share America's experience in the management of such a force and the speaker expressed the hope that in these circumstances the various countries would not insist any longer on the possession of a nuclear force.

A British participant analysed in similar terms the various possible formulas for emerging from the present situation which he described as one dominated by "psycho-pathological" elements: a critical lack of confidence on both sides of the Atlantic, a profound anxiety resulting from the fact that the Soviet capacity to retaliate to an American atomic attack would lessen the credibility of the American deterrent.

Three possibilities were open to us:

– each ally to possess its own nuclear force: such a formula, said the speaker, was irrational and a cause of division within the Alliance;

– a multinational force from which each member could withdraw if need be. This solution was likewise unacceptable since it involved discrimination in favour of those members of the Alliance with a lead in the technical field which, the speaker reminded his audience, included the means of delivery;

– a multilateral force but this would only be genuinely multilateral and retain all its "credibility" if it excluded any possibility of a United States veto on its use. This would not be easy in practice, if only because such a concession would involve the danger of increasing the United States liabilities out of all proportion to its interest in the joint defence of Europe.

The best practical solution would therefore consist in giving the European members greater say in the use of the deterrent by increasing their knowledge in this field and intensifying joint consultation. To achieve this, said the speaker, institutional arrangements were not enough and mutual confidence was a vital element. Interdependence must operate in both directions.

A Turkish participant devoted most of his statement to this psychological

aspect of co-operation between allies and expressed relative optimism. He suggested three approaches to prevent current problems from becoming harmful to NATO:

- elimination of any factors contributing to the "dramatization" of these problems;
- making allowance for the pride and susceptibilities of all parties;
- ensuring as far as possible that the various problems do not influence each other.

As a number of other participants had already emphasised, it was certain that NATO must evolve. There had already been a considerable degree of evolution since it was set up: Greece and Turkey, followed by Germany, had joined its ranks. International problems which it was once considered impossible even to touch on in the NATO Council were now the subject of detailed examination. Much remained to be done and, in world affairs, members would have to achieve a certain harmony if absolute solidarity proved impossible. In this connexion, it was noteworthy that the machinery for consultation was gradually being perfected. In short, repeated the speaker, NATO's shortcomings should not be dramatized by being represented as utter incapacities.

This relative optimism was not shared by a Belgian participant, already quoted several times, who recalled the recent American proposals to give a worldwide character to consultation within NATO, to set up an atomic committee in NATO and, finally, to institute multilateral, multinational or inter-allied nuclear forces. Such proposals, he contended, had been received by Europe with hesitation and contradictory reactions. True, the proposals had varied but the United States awaited a gesture from Europe indicating that there was a readiness to accept them.

The European countries' great desire to be associated with nuclear strategy (a desire which was met by the American proposal for a NATO force) and their anxiety to avoid being excluded from research concerning atomic energy and delivery systems were entirely legitimate but the methods of satisfying such aspirations should be discussed within the framework of NATO and it was reasonable to fear that no such discussion would take place until agreement was reached on the key principle of the indivisibility of free world defence. And it was France's voice above all which was awaited in vain in the international institutions.

In a subsequent statement, the same speaker returned to the question of consultations within NATO. Such consultation, he observed, was valueless when it merely consisted of one country informing its allies of a decision which had already been taken—and doing so only a short time before informing the

public at large. What was important was to decide whether consultation could or should lead to a joint decision. Views on this point varied. Was France ready, asked the speaker, to accept a system allowing such decisions to be reached even when it found itself in a minority? The speaker listed the following guiding lines: reaffirmation of honest collaboration with the Anglo-Saxon-world and, in particular, America; the indivisible nature of defence; discussion of different problems within NATO; loyalty to the Alliance and the European Community as originally conceived.

A French participant who had occupied a high position in a previous French government discussed the psychological and institutional aspects of the problems confronting the alliance, problems of "growth" involved in adapting to new situations, sometimes complicated by the inertia with which certain legitimate claims had long been received. In consequence, governments must show imagination.

For example, it was normal that 200 million Europeans should wish to take part more effectively in the direction of world affairs and that America's allies should wish to extend their research and their activity in the nuclear field since the Atlantic Pact had never been described as implying an American nuclear monopoly: France and England would never have accepted such an arrangement. Atlantic institutions must accordingly be adapted to those aspirations. Given the immense danger involved in the dissemination of atomic knowledge and weapons, would not the United States, asked the speaker, show its leadership in discussing with its allies ways of limiting that dissemination and of adapting national programmes to the demands of the Alliance? In this connexion, the present proposal for a multilateral force gave a certain impression of improvisation which was not reassuring. A serious and considered analysis in these fields would dispel many anxieties and suspicions, even if no final solution were immediately forthcoming. Naturally, an open-minded attitude on the part of the United States in these fields should find its counterpart on the other side of the Atlantic: Europeans should agree to carry a greater share of the joint burden, including assistance to development, outside any form of "European nationalism" and not in such a way that the ambitions of any country could be camouflaged under the European label.

It was for this reason, the speaker concluded, that the future of the Alliance required European integration combined with sufficiently developed institutions so that the nuclear powers of Europe would be, so to speak, trustees for the rest while the Alliance, instead of being a treaty between the United States and fourteen of fifteen separate countries, would be a treaty between the United States of America and the United States of Europe.

The need for a united Europe as the "second pillar" of the Atlantic Alliance,

put forward by a German speaker, was raised by several other speakers during the discussion. "Two keys are better than five fingers", said a German participant in this connexion and the speaker emphasised the importance of Great Britain and the Scandinavian countries adhering to Europe. An opportunity for this to take place, said a British participant, was missed in January 1963 and the creation of an adequate institutional framework was thereby prevented but perhaps a fresh initiative might be launched although a French participant thought it would be preferable that this be done by France's European partners rather than by the United States or Great Britain. Any such initiative, said this speaker, should be aimed at an "equal association" between the United States and Europe taking in the nuclear sector. If there was a determination on the European side to make the necessary effort, more especially the financial effort, then the climate in the American Congress would be more favourable to this idea. By way of corollary, it would be up to the United States to waive its power of veto and up to France and the United Kingdom to make the gesture of assigning their nuclear forces to Europe. Such a formula, the speaker contended, would involve fewer problems than might be thought since, in the event of nuclear attack, retaliation would be automatic and in the case of attack on a lesser scale there would be time to consult, even if only very rapidly.

Another French participant suggested that additional consideration be given to the "time factor" in examining formulas enabling NATO to be recast on the same basis as the economic partnership at present contemplated, in the light of the possible evolution of defence technology. It was essential to turn towards European structures of an original kind which would simultaneously include a close harmony between Great Britain and France and an association of the other countries which would assume a share of the joint financial burden but also a share of the manufacturing activities, possibly those which were less specifically nuclear.

A Belgian and an American participant spoke against the idea of a "directorate" of the three nuclear powers—the United States, Great Britain and France—within NATO since, as the former put it, the other European members of the Alliance could not accept such an arrangement. The American speaker also argued that it was contrary to the spirit of the Rome Treaty that a given country should appoint itself spokesman for Europe. In addition, said this speaker, the funeral oration for the multilateral force had been delivered somewhat too quickly. As regards the future, we must reserve judgement. We were in a period of pragmatism, there was no perfect solution and we would have to rely on what we had to achieve satisfactory arrangements.

Referring to the lack of balance between the world role of the United States

and that of its allies, the same speaker likewise advanced the view that the end of the colonial era would enable the European powers to forge new links, new relationships, with certain young nations. Not only did the United States not hinder such a trend, he asserted, but actively favoured it since that country desired neither to see dangerous vacuums nor to wield world domination.

As requested by the Chairman, certain participants from the two countries concerned discussed the recent Franco-German Treaty. According to a German speaker, that treaty represented the final and fortunate conclusion of a long period of hostility. As such, it should be welcomed by all members of NATO, all the more so since it could exercise a stabilizing influence when certain divisions, such as those concerning Great Britain's entry into the Common Market, had been overcome. A French speaker went further in replying to a compatriot who had suggested that the treaty could not be applied in practice—a fact for which he was grateful. According to the former, the treaty could be the beginning of a certain organization of Europe, all the more acceptable in that it in no way hindered the possibility of subsequent action, that it was not exclusive, that it did not set up a closed club, that it respected existing alliances and left a measure of freedom to the contracting parties.

Another French speaker, however, even though he had worked for many years past in the interests of a Franco-German rapprochement, expressed opposition to the treaty which he regarded as the adoption on a bilateral level of the "Fouchet Plan" which France's partners had rejected. Moreover, he said, the treaty introduced within Six-Power Europe a threat to smaller countries, more specifically in that it provided for certain decisions to be reached between Germany and France, thereby tampering with the operation of the Community.

Another German participant voiced his approval of the treaty's provisions so long as they were applied within the framework of Atlantic and European solidarity. Any doubt in this regard should be removed when the time came to ratify the treaty by including precise legal references.

II. TRADE RELATIONS BETWEEN THE U.S.A. AND EUROPE IN THE LIGHT OF THE NEGOTIATIONS FOR BRITAIN'S ENTRY INTO THE COMMON MARKET

In preparation for discussion of this item on the agenda, a note emanating from a British source and presented in the form of a questionnaire had been distributed to participants, as well as an American note which replied in part to this questionnaire.

The British note comprised six questions:

1. Will the United States Government go ahead with the Kennedy Round?

What are the obstacles to rapid advance

(a) in the U.S.?

(b) in Europe?

2. Will the United States administration reinstate the Douglas amendment?

If not, does this mean that the whole concept of abolishing tariffs on industrial products over a wide area is to be dropped and the only proposal will be the reduction of tariffs over a period of years?

3. What reciprocity in the agricultural field does the United States expect from the E.E.C.? What degree of freedom for entry of agricultural products does it regard as a pre-condition of any reduction of industrial tariffs? If the E.E.C. makes a concession in this field, will the United States pay for it by making additional reductions in the industrial field? Does the United States consider that there is the slightest chance of France agreeing to a more liberal import policy for agricultural products?

4. What happens if the E.E.C. adopts a wholly negative attitude? Does this mean that all tariff reduction then comes to a halt or would the U.S. be prepared to go ahead on a tariff reducing scheme with those countries that were prepared to co-operate?

5. In the meantime will United States tariff policy be on a basis that is consistent with the general objective of reducing tariffs? We have had recent examples to the contrary in the cases of a number of products and others are being threatened.

6. What effect has the breakdown of Brussels had on the U.S. attitude towards trade in peaceful goods with the Soviet block?



The American note was primarily concerned with the failure of the Brussels negotiations and indicated that this raised four main questions, concerning respectively:

- President Kennedy's willingness and ability to implement the Atlantic trade partnership which was the aim of the Trade Expansion Act;
- the extent of European interest in liberalization of trade with the United States;
- trade in agricultural products, particularly those products which are subject to the Community's variable import levy system;
- possible alternatives to an Atlantic trade partnership.

The note recalled that the United Kingdom's exclusion from the European Community rendered ineffective President Kennedy's authority under the Trade Expansion Act to cut certain tariffs out completely.¹ The only remaining possibility was a 50% reduction, a fact which reduced the American Administration's negotiating possibilities and prospects. The essential purpose of the Act was to achieve a genuine Atlantic trade partnership, thereby preventing a division of the Western world into antagonistic blocs.

On this basis, the programme enjoyed broad national and congressional support. In present circumstances, any substantial liberalization of trade with the European Community seemed to Americans less valuable and less feasible. It followed that approaches would be more cautious and matter-of-fact; additionally, the Administration would be less centrally concerned with the Community and more interested in Great Britain, Canada and possibly Japan.

There was evidence of a lack of interest on the part of the European Community in dramatic tariff reductions. This might be explained by adjustments which had already taken place between members of the Community and by reluctance to invite a new wave of competition from powerful, aggressive American firms. There were also Europeans who saw such reductions as a threat to European integration. The Community could therefore be expected to approach the Kennedy Round with a certain reticence.

In the case of agricultural products, the chances of liberalization were even poorer. This was the more serious because the Administration was under heavy domestic pressure in this field and might be impelled to make concessions on this point a condition of any major reduction of its industrial tariffs.

The principle difficulty arose in connexion with commodities whose prices were supported in the Community and hence involved a variable tariff known as an import levy, designed to keep those prices higher than the world price.

1. The Act provided for such a possibility in respect of industrial products where the exports of the United States and the European Community combined accounted for 80% or more of total free world exports.

These support prices would therefore be a critical factor and the Community had so far shown little disposition to be flexible on this point.

Great Britain had expressed great interest in the Kennedy Round, all the more so since Britain's exclusion from the Common Market had led that country to look for other export opportunities. But the provisions of both the Trade Expansion Act and the GATT would prohibit the United States from granting tariff concessions to Great Britain without also applying them to the Community. Should negotiations with the Community prove unproductive, the advantages of the Kennedy Round to Britain would be correspondingly small.

These concerns had led certain circles to suggest that the United States should enter into a preferential trade liberalization arrangement with Britain, other EFTA countries and Canada. But such an arrangement would be illegal under the Trade Expansion Act —and would also violate the GATT unless it took the form of a free trade area. Moreover, this formula would further divide the Western Alliance and drive the Community towards protectionism. Spokesmen for the Community had frequently stressed that it was open in nature. Only if the Community were to turn decisively away from that policy would so radical a departure from the policy of Atlantic trade partnership be justified. At the present time, a policy of partnership was still the best, though its implementation had become more difficult.

In the course of the discussion, a number of speakers referred to the failure of the Brussels negotiations in January 1963, a subject already touched on during the exchange of views concerning the first item of the agenda. A Netherlands participant and a British speaker emphasised the unexpectedness of that failure, the former quoting a passage from Professor Hallstein's statement of 15 February ("The truth is that negotiations had entered a difficult phase which required that the British should also make certain concessions but there was still a reasonable chance of reaching agreement") while the latter speaker recalled the warm welcome extended to Great Britain by the delegations of the Community countries during the conversations and the assurances received from France by the British negotiators only a short time before General de Gaulle's press conference.

Several speakers sought to list the conflicting viewpoints which finally caused or at any rate contributed to the breakdown. In this connexion, a British speaker countered the argument advanced earlier by a French speaker, according to which it was up to Great Britain to accept the Rome Treaty outright without requiring any substantial alteration and that the reasons for the French government's attitude should be looked for there and nowhere else. It must be admitted, said the British speaker, that Great Britain's economic

strength involved fundamental problems affecting the Commonwealth, the European Free Trade Association, the United States and the Afro-Asian world. Recognising these problems which were of a global nature and allowing for them in the conditions of membership meant acceptance of an enormous expansion of the Common Market which pre-supposed major changes in the balance of power and policy within the Community itself and the consequences and sacrifices involved on both sides had likewise to be accepted. On a more formal level, said the speaker, there were only a few pages of principles embodied in the Rome Treaty, the bulk of which (especially in the annexed protocols) consisted of waivers of those principles in order to satisfy the legitimate concerns of one or another of the member countries. It was therefore equally possible to do likewise in respect of Great Britain without violating the spirit of the Treaty.

A similar point of view was expressed by another British participant who outlined the attitude adopted by the British government in the Brussels negotiations. He declined to admit that the failure could be attributed to the British attitude and he pointed out that his country's requests did not go beyond the provisions of the Treaty (article 237 of which provided for negotiation on the conditions of membership for new members). On 14 January, agreement had already been reached on a number of arrangements. It was the Commonwealth preference system which was regarded by some as discriminatory but it was precisely by succeeding in reconciling that consideration with the Rome Treaty's provisions concerning certain underdeveloped countries that a move might have been made towards a satisfactory solution of development problems at world level.

A French and a Netherlands speaker, both of whom favoured a satisfactory arrangement with Great Britain, nonetheless emphasised the importance of leaving the principles embodied in the Rome Treaty intact and, more especially, of continuing the integration process of which that Treaty was a beginning.

A French participant recognised the world-wide nature of the problems raised by Great Britain's entry (the monetary problem of the pound sterling, the problem of aid, the problem of agricultural products) which the Community had not hitherto been able to deal with as a whole and which it would not have been able to solve either if Great Britain had entered the Common Market. He considered that the negotiations between the United Kingdom and the Community represented a sort of bet that they would be solved, a bet made hazardous by the narrow framework chosen. In actual fact, solutions could only be found in a broader context and the question was therefore, having missed out one stage, to deal directly with the major broadening process which we must all face in unison.

Several statements by American participants revealed the extent to which the Brussels failure had interfered with Washington's plans to strengthen the Western world via economic measures. An American participant emphasised how the United States government, in spite of the protectionist forces in the country, had decided after prolonged hesitation on a liberal policy, partly from conviction but also because it considered this essential in the struggle against communism, in order to expand markets, assist underdeveloped countries and, finally, in the interest of the United States. Another American speaker outlined the steps taken by his government since the war in order to achieve close Atlantic co-operation: he cited the Marshall Plan and the support given to European integration on a supranational basis and covering the United Kingdom. Such a system would likewise protect the interests of the smaller European countries and make co-operation with the United States possible on an equal footing, the United States not being in a position to enter a system of unification such as was planned for Europe. Finally, there would be no question of American "leadership", a term which called up the notion of domination. The speaker remarked that the "Six" had made a considerable contribution towards strengthening themselves individually and collectively but that the attitude of the United Kingdom towards integration combined with that country's exclusion from the Common Market as the result of the nationalistic ambitions of a single state had precipitated the crisis, the European partner having defaulted. The speaker strongly stressed his country's desire to see Western Europe eventually form a greater unit, notwithstanding the present setbacks, a unit which alone could enable the problems discussed to-day to be settled on the basis of a genuine partnership.

In this connexion, an American participant furnished a number of chronological indications concerning the possible development of the Kennedy Round, making due allowance for the provisions of the Trade Expansion Act. The President would first have to publish a list of those articles concerning which he intended to negotiate. The Tariff Commission would have six months following such publication in which to hear from all interested parties and to determine the economic effect of the proposed reductions. Following this hearing, certain articles might be struck off the original list. Since the initial publication of the articles should occur towards 1 August 1963, negotiation in the strict sense of the word could not begin before spring 1964.

The same participant and other American speakers provided some clarification concerning the aims pursued by the Government of the United States in initiating the Kennedy Round. There was no question of the government seeking to impose its views, as implied by certain newspapers which under-

estimated the negotiating capacity of the other GATT members. It was not even a question of a discussion involving a "winner" and a "loser": the aim was to open up greater trade possibilities within the context of long-term expansion. In the same way, observed a French and an Italian participant, it would be a mistake to talk of "successes" or "failures" in connexion with the difficulties which would inevitably arise.

Another American speaker, however, pointed out that consideration must be given to the climate prevailing within the United States when the Trade Expansion Act entered into force. The protectionist elements had declined and many businessmen had become extremely liberal but there was still persistent unemployment, which might be structural, in certain areas. It followed that a lowering of customs barriers which would increase that unemployment without increasing exports would be badly received. If, in addition, a foreign government were to adopt public positions of a somewhat arbitrary nature towards American proposals, not only would the task confronting Mr. Herter, the negotiator appointed by the President, which was already crushing, be made even heavier, but the protectionist faction in Congress might even bring about amendments to the Act. A British participant alluded to a certain bitterness in his country following on events in Brussels which had occasioned an increase in nationalism calculated to have an unfavourable influence on his country's position vis-a-vis the negotiations contemplated by President Kennedy.

Among the specific problems raised by the Kennedy Round and the E.E.C. policy, a number of speakers referred to the question of agricultural products and all of them recognized that it was of a particularly delicate nature.

Particular attention was paid to the insistence—which, according to the press, was the responsibility of the French government—on making arrangements concerning the Community's agricultural policy before any negotiation took place within the framework of the Kennedy Round. Some speakers regretted the absolute nature of this requirement but a Netherlands participant considered that the attitude was not illogical so long as it did not conceal a wish for protectionism or resistance to progress.

A British participant argued that it would be regrettable if the arrangements to be made in this sector should assume a restrictive aspect because of the vast needs to be satisfied in the underdeveloped countries where malnutrition prevailed but it was nonetheless true, said a French speaker, that we were at present confronted with a limited number of financially solvent outlets. An international participant reminded the meeting that GATT had so far been virtually unable to do anything to free trade in connexion with agricul-

tural products because the national governments possessed a whole arsenal of protectionist measures. For its part, the United States insisted that agricultural products be included in the Kennedy Round since negotiation on industrial goods alone involved the risk of a lack of compensatory concessions, more especially from the viewpoint of American farmers.

Since, however, the problems involved were so acute, a number of speakers felt that negotiation merely aimed at further freeing of trade would be unable to furnish a solution. What was needed was to achieve a genuine joint policy in this field centered not only on agricultural prices as such but also and above all on the production levels considered desirable. In this connexion, a French participant, supported by another French speaker, recommended that the steps taken at the national level to implement this policy should seek to improve the prospects of the agriculturalists concerned (individual assistance) rather than maintain an artificial production level at all costs. Another French participant commented that the policies so far followed by the various governments were distinguished by a certain contempt for economic laws which was not unconnected with the extensive disarray to be observed at the present time, e.g. the agriculturalist's right to produce things which nobody wanted—if the demand was lacking, the price was raised! The adoption of a joint policy at Atlantic level might offer a means of reversing this trend.

Agricultural policy, although not that policy alone, raised the question of whether the Community intended to follow a protectionist policy withdrawn in itself or, on the contrary, a policy open to the outside world. Such "openess" was strongly queried by a British participant already quoted who took the view that, in the present context, a protectionist minority, represented by the French government, exercised a right of veto against a more liberal majority. This veto, said the speaker, might be taken far enough to result in the failure of the Kennedy Round and this would mean either the collapse of the Community or the terrible need for the other countries to seek a change in the GATT provisions whereby they could grant reciprocal concessions without benefit to the Community.

The question of whether we were moving towards a continental Europe or whether Europe genuinely aspired to partnership with America was raised by a Netherlands speaker and a senior international civil servant who, without thereby denying that difficulties might well arise on the European side, emphasised that it was equally up to the United States to effect a considerable revision of certain regulations at present governing its trade policy and which were not related to tariffs and quotas strictly speaking. In this regard, an American participant stressed that his country was prepared to study equally the thorny problem of "non-tariff barriers". But the important thing was

that these should be clearly identified; similar barriers likewise existed on the EEC side. This question might initially be dealt with, among others, by the preparatory inter-ministerial meeting planned within the framework of GATT for May 1963.

Due allowance should also be made for certain inequalities in the relative opportunities for industrial producers on either side of the Atlantic. Three of these barriers were particularly stressed by a French participant, supported by another French speaker, namely:

- The greater size of American firms capable of giving them a greater trading strength than that of their European competitors. It was true that mergers and regroupings took place within the Common Market but some time was still needed before genuine balance would exist in this connexion.

- The exceptional assistance provided to certain advanced American industries (e.g. in the realm of space research) by the massive orders placed by the United States government, whereas there was no corresponding support for the same industries in Europe. This point was also made by a Belgian participant.

- The unevenness of American tariffs, some of which reached extremely high rates, much higher than those of the Common Market. This was the cause of the demand for a lowering of the level of such tariffs before negotiations began on equality of reductions to be granted by both sides.

In this regard, a Belgian participant suggested that recourse be had to certain techniques already employed by OEEC which aimed at avoiding purely national protective clauses or, at any rate, that certain rules be created to govern their application, on the recommendation of special committees set up for the purpose. Even if the Kennedy Round succeeded, it was important not to rest content with that since, as the French speaker had emphasised, protectionism could re-emerge in a thousand forms.

Whether in connexion with agricultural questions, non-tariff barriers or any other problem, the negotiation of the Kennedy Round would be facilitated if it were possible for the European Community "to speak with one voice". The Rome Treaty provided that up to 1 January 1966 decisions concerning the trade treaties must be reached unanimously by the six contracting parties. After that date, which marked the end of the transition period, a specific majority would be sufficient. Considerable interest was therefore aroused by the suggestion of an international participant that the date should be brought forward to 1 January 1965, the year 1964 being devoted to a technical survey of the various elements involved in the negotiations. Possibly, this participant suggested, a "counterpart" acceptable to the governments of the "Six" could be provided in return for such a speeding-up, namely an undertaking to

reach agreement on a joint agricultural policy prior to the same date.

The effect of the Kennedy Round on the economy of underdeveloped countries was raised by several speakers (the general problems in such countries being discussed within the context of item III), all of whom emphasised that the arrangements to be made should not hinder those countries' export capacity. An Italian speaker suggested that there should be a "co-ordination of deficits" among the Western countries vis-a-vis the underdeveloped countries so that, while avoiding any form of monetary nationalism, there could be a fair distribution of the sacrifices made necessary in opening wider markets to their products.

Two Canadian participants provided several indications concerning their country's position. The breakdown of the Brussels discussions did not directly affect Canada, given the apprehension aroused in that country by the prospect of Great Britain's entry into the Common Market. The failure might, however, be considered regrettable if it marked the end of a liberalization process to which Canada had, as it were, adhered in advance in that its industry was already subject to United States competition without tariff protection. In this connexion, the success of the Trade Expansion Act could be considered advantageous if it led to an expansion of world trade in which Canada had a substantial share.

One of these participants likewise raised the question of East-West trade. He favoured a certain flexibility in this field since the contacts resulting from such trade might prove profitable to the Western cause.

A Swiss participant stressed both the importance and the limitations of the Kennedy Round by putting it in the context of the economic progress accomplished since the war—more precisely since the Havana Conference—which had led to increased interdependence of the Western economies. Paradoxically, that success might have played a part in the difficulties now hindering further advance. But the impetus already acquired should be maintained and, specifically, failure of the Kennedy Round would inevitably involve a weakening of GATT. At the same time, it must be borne in mind that the success of the Trade Expansion Act would not replace expansion of the Common Market; the European Free Trade Association could continue to play a useful role to the extent that it did not constitute a rival bloc to the Community.

A participant from an international organization pointed out that it must also be remembered that low tariffs, while important, were not enough by themselves to bring about economic expansion. National policies were more important, especially in the promotion of orderly development. Co-ordination of those policies and mutual assistance measures (especially in respect of fluctuations in the balance of payments, a point also discussed by a British



participant) were therefore essential. In this connexion, the West already possessed an admirable instrument in OECD.

In the course of the discussion, a number of speakers dwelt on the global nature of the problems requiring solution, the approaches to be adopted and the goals to be reached as well as on the importance of the attitude taken by the general public towards the new choices to be made.

As a British participant emphasised, it was a question of improving the trade structure throughout the whole free world. It was essential, therefore, as of now, that the European Community, Great Britain and the United States should avoid any steps calculated to endanger subsequent negotiations. It was essential to combat any signs of protectionism which were often the economic reflection of a rebirth of nationalism. This attitude should take concrete form, suggested a Netherlands participant, through the adoption of a joint code of good behaviour in regard to international trade which would formally reject subsidies, dumping, cartels, etc. Moreover, as a French, an Italian and a Netherlands participant emphasised, joint lines of action should be laid down, whether it was a question of agricultural products, assistance to underdeveloped countries, financial conditions ensuring a balanced expansion or a number of other fields.

Another English speaker stated that he agreed unreservedly with the solutions recommended by his compatriot but he pointed out that, in order to reach the goals set, adequate impetus was required and bilateral discussions must take place with the members of the Common Market in order to reach a final multilateral arrangement with its members. That was what the British government sought but it was obviously up to the members of the Common Market to decide.

All this implied, however, not only new institutions and a new distribution of the burden but also perhaps a new outlook, a new way of thinking in terms of association, in short a profound alteration in men's minds. Such a change could not take place overnight and this was likewise stressed by a number of other participants who, on the whole, showed cautious optimism concerning the future. There would certainly be several "rounds", sometimes involving sharp discussions, before final success was achieved. The essential thing was to overcome present bitterness, however legitimate, and not to represent the difficulties which would inevitably arise as so many final failures.

III. TRADE RELATIONS BETWEEN THE WESTERN WORLD AND THE DEVELOPING COUNTRIES (TARIFFS, QUOTAS, COMMODITY ARRANGEMENTS, ETC.)

Prior to discussion of this point, all participants had received a questionnaire specially drawn up for the meeting by an Indian rapporteur, as well as a note prepared by a German participant on the basis of this questionnaire.

The Indian questionnaire comprised the following main headings and questions:

A. THE IMPORTANCE OF ECONOMIC DEVELOPMENT IN THE LESS-DEVELOPED COUNTRIES TO THE MAINTENANCE OF HIGH LEVELS OF ECONOMIC ACTIVITY IN THE INDUSTRIALIZED COUNTRIES.

- 1) What are the categories of goods on which the increase in developing countries' import requirements will be concentrated?
- 2) What repercussions is this increase in requirements likely to have on industrial production in the highly industrialized countries?

B. HOW CAN LESS-DEVELOPED COUNTRIES BE ASSISTED TO MEET THEIR IMPORT REQUIREMENTS?

Through what means can less-developed countries be helped to finance these growing requirements? What role should be assigned:

- a) to an increase in earnings of the less-developed countries from their exports?
- b) to long-term financial assistance or credits?
- c) to private foreign investment?
- d) to outright transfers and grants?

C. THE ROLE OF LARGER EXPORTS FROM LESS-DEVELOPED COUNTRIES TO INDUSTRIALIZED COUNTRIES.

- 1) What can be done to arrest the trend towards a decline in commodity prices?
- 2) What can be done to enable less-developed countries to expand the volume of their exports of primary products and agricultural commodities to the highly industrialized countries?

- D
naire
note
and
OUNT-
THE
oping
e on
PORT
iance
their
o IN-
modity
d the
ies to
- 3) What importance can be attached to diversification of exports from less-developed countries and what are the possibilities for such countries to expand their exports of processed and semi-processed products?
 - 4) What are the fields in which highly industrialized countries can meet a larger part of their requirements from the less-developed countries? Do developments in the highly industrialized countries entitle such countries to expect wide outlets and what can be done in this direction?
 - 5) Can the less-developed countries be encouraged to meet their requirements of the less sophisticated manufactures from one another so that requirements of the more advanced products can be met in larger measure from the highly industrialized countries?
 - 6) How can the barriers to imports of processed and semi-processed goods from the less-developed countries be reduced?
 - 7) Might certain special facilities be considered where a particular industry in one of the less-developed countries is not in a position to compete on a completely equal basis with the corresponding production in the highly industrialized countries?

D. THE ROLE OF LONG TERM CREDITS, PRIVATE BUSINESS INVESTMENT AND UNREQUITED TRANSFERS.

- 1) What are the possibilities of stepping up long-term assistance and financial credits to the less-developed countries? What role can Governments play in this process?
- 2) Just as financial aid is often tied to purchases from the donor country, might the repayment of aid be tied to sales to the donor country?
- 3) To what extent would financial assistance on an untied basis enable more economic and productive use to be made of such assistance?
- 4) Given the tendency to tie long-term credits to specific projects, could the whole of the development programme in the less-developed countries be considered as a project so as to permit such assistance to be used as general balance of payments aid?
- 5) What can be done to stimulate a larger flow of private investment in the export industries of the less-developed countries?
- 6) Can outright grants play a role in maintaining activity in certain sectors of industry in the industrialized countries?

It was to this questionnaire that the note drawn up by a German participant referred. In a preliminary paragraph, this note recalled the differences of opinion which exist as to the most effective methods of accelerating economic development and, more especially, as to which forms of assistance should be

given priority. Some emphasise the provision of capital, others stress increased trade. It would seem, said the author of the note, that technical assistance is the most important form of development aid in that it creates the requisite conditions for rational employment of capital as well as intensification of exports. Other measures may prove ineffective unless the countries receiving aid possess people trained to make the maximum use thereof. Only a balanced development policy, moreover, can contribute to the solution of the gigantic problems confronting those countries and no such policy can succeed unless supported by those countries' own efforts and determination.

The author of the note went on to develop a certain number of considerations embodied in 10 paragraphs:

1. Without increased trade political assistance, the debts of the developing countries will continue to increase so that in the foreseeable future they will either no longer be able to meet their credit obligations or will be forced to cut down their imports thereby making progress impossible. For many of the developing countries which already use 15% of their income for the payment of credit debts, the time when the situation will become critical is not very far away. This dilemma can only be overcome by a series of co-ordinated measures: increased exports, productive use of credit, technical assistance directed to specific projects and increased use of private capital. Hence the importance of the outlets made available to these countries.

2. It is not easy to answer the question raised as to the importance which trade with developing countries represents for the industrialized countries because of the different conditions in which the latter find themselves. Generally speaking, the production of industrial plants, equipment and machines will be stimulated. As regards consumer goods, the demand will only gradually increase. In order to avoid inflationary tension in the developing countries, however, steps should be taken forthwith to provide for adequate supplies of everyday utility goods.

3. Opinions differ as to the effectiveness of raw material agreements as a means of raising the export yield of developing countries. It is certain that the best support for raw material prices is provided by good business conditions in the purchasing countries. The developing countries can rely on the support of the industrialized countries for all measures directed at checking excessive price fluctuations. However, it would be going too far if agreements aimed at obtaining ever-higher prices. Instead, the industrial countries should abolish all restrictions on the import of such products, especially in the form of consumer taxes.

4. More important and above all more lasting results can be achieved in respect of the export of industrial goods. Efforts aimed in this direction are

essential. At the same time account must be taken of the possibilities of the domestic market and, to begin with, simple goods must be produced which can become increasingly complex as time goes by. This is a long-term process which calls simultaneously for capital, technical assistance and a great deal of patience but it is an essential one in that diversification of developing countries' production is a [pre-requisite for their "take-off" towards expansion.

5. It is not true that it is primarily the industrialized countries that benefit from the advantages of international trade; on the contrary, the higher the standard of living rises in those countries, the greater will be the increase in their imports from developing countries, as demonstrated by an E.E.C. report. The pressure of wages and costs in the industrialized countries operates in this direction by opening up outlets, especially for certain goods requiring intensive labour. The developing countries must display an understanding of the protective measures taken by the industrialized countries to protect certain sectors to their economy, in other words to facilitate change-over and adaptation, since any crisis disrupting the latter countries would be in every way harmful to their efforts to assist development.

6. Diversification must also involve an expansion of agricultural production and this is one of the fields where tecchnical assistance is even more necessary than the provision of captal because of the contrast existing between the production achieved by the industrial countries with limited areas under cultivation and that achieved in those countries where people go hungry. The latter must therefore rid themselves of the necessity for agricultural imports involving heavy foreign exchange expenditure. On the other hand, the agricultural policy of the industrialized countries must take account of the aims of development policy, more especially by ensuring that increased protectionism does not perpetuate the existence of unsaleable or subsidized surpluses which, moreover, might well have a paralysing effect on the expansion of agricultural production in the developing countries.

7. Trade policy measures alone cannot bring about the integration of the developing countries in the world economy. More especially on account of the population growth, their industrial expansion is unlikely to be sufficiently rapid. Hence, considerable transfers of capital to these countries will be necessary for a long time to come. Assistance exlusively furnished from public funds, however, should not be the only possibility considered. In many cases, the possibility of enlisting private foreign capital is insufficiently made use of, even though this provides a very fruitful and efficient support in the economic field. The volume of such investments, however, is determined by the "climate" of the developing countries, as is proved, unfortunately, by the fact that almost

as much capital leaves developing countries as flows in from outside in the form of financial aid.

8. The financial needs which persist despite the foregoing must be covered for a long time to come by capital transfers from the public funds of industrial States. Opinions differ as to whether credits or outright grants should be employed for the purpose. It is increasingly recognised, however, that repayment of and interest on credits involves the necessity for economizing and making rational use of the aid provided. In addition, the provision of credits is not only more acceptable to public opinion in the donor countries but also in the recipient countries because of the political dependence which may be involved in certain gifts. In this connexion, the intermediary solutions applied by I.D.A. are of considerable interest.

9. Fundamentally, the countries providing the funds consider that they have not only the right but even a duty to watch over the use made of their aid and this perhaps explains why such aid is more often granted for a specific project rather than contributed to the national budgets. This is a sound principle, in the opinion of the author of the note who also expressed himself as being in favour of linking aid to purchases in the donor country: there is no reason, he wrote, why it should not be stated that aid is a contribution to establishing and strengthening lasting trade relations with the receiving country, thus strengthening the trade situation in the donor country. Moreover, the industrial countries have virtually no alternative since the biggest donor country, i.e. the U.S.A., has been concluding such tied contracts for a considerable time past.

10. A number of difficulties and tensions have arisen from the very understandable desire of the developing countries to complete their economic build-up within very short time limits. Such a process calls for combined efforts by the government, the administration and the native and foreign economies, and the conditions required for such co-operation have in many cases not been achieved. It is therefore desirable that these countries should allow sufficient scope for the dynamics of free enterprise, especially where there is already a broad layer of local enterprises, so that the initiative of those in charge of such enterprises will provide a stimulus which may be vital to economic progress.

In the course of the discussions, a number of speakers stressed the disappointing results so far obtained in development aid in view of the considerable sums allotted for the purpose and likewise emphasised the obstacles encountered by the Western countries in attempting to render their aid more effective. In this connexion, the author of the note, after introducing the discussion with a resumé of the points contained therein, observed that more than 70 billion dollars had already been allotted to aid by the Western countries.

Certain participants wondered whether it might not be necessary, without deviating from a determination to continue this aid, to reconsider the contention that development aid must not be tied to conditions laid down by the Western countries nor subject to guarantees required by those countries.

Specifically, an American participant referred to the report recently drawn up by General Clay in order to stress that the conditions imposed by his government on its assistance would henceforward be much stricter and the volume of such aid restricted. As a British participant observed, it is undeniable that leaders in the receiving countries are sometimes corrupt or venal and incapable of advancing the welfare of their people. Others, as pointed out by an American and a Swiss participant, withdraw into a species of immobilism by relying on the aid granted them (especially when such aid is of a humanitarian nature) or, alternatively, reveal themselves incapable of planning their long-term development, as was underlined by another American participant who stated that he himself had more confidence in widely decentralized local bodies than in governmental institutions. Additionally, as pointed out by a Norwegian and a French participant, several governments show themselves more concerned with incurring expenditure for prestige purposes (e.g. setting up unprofitable national air-lines) than with investments aimed at effecting a rapid improvement in living standards. Finally, there is a psychological difficulty in addition to the other difficulties mentioned above when, as an American and a British participant reminded the meeting, governments in receipt of aid give financial support in another quarter to action directly or indirectly opposed to the policy of the donor countries.

A participant belonging to an international organization further remarked that it was often very difficult to find "valid spokesmen" in the receiving countries since there were only a limited number of such spokesmen, with the result that it could prove necessary to abandon certain projects for this reason alone: hence the necessity (which was stressed by a number of speakers) for giving absolute priority to the economic, financial and administrative training of local officials and business people. In this connexion, an Italian participant stated that it was essential to draw up an overall plan in each country which grouped the public and private sectors and which gave preference to education within the country concerned rather than to the allocation of scholarships for study abroad. Similarly, an American participant contended that the training of the specialized workers needed for industry should not involve the destruction of local customs. A German and a Turkish participant stressed the value of a positive mobilization of skills for educational purposes, the former also emphasising the useful part which could be played by the free trade unions in this regard.

Another, and perhaps the most important, obstacle to the improvement of living standards in developing countries consists of the headlong demographic expansion in such countries which may well make all the Western world's sacrifices vain. This point was raised by several speakers who cited examples in support of their view that, while fully recognizing the various objections, a greater share of assistance should be devoted to giving instruction in or popularizing the use of various birth-control and family-planning methods. A French participant also voiced the opinion that the migration of nationals from the poor countries of Asia, Africa and elsewhere towards other continents could not provide a solution because of the social, moral, religious and health difficulties involved for those concerned.

Relatively few speakers committed themselves on the respective importance of aid provided from public and private funds but all agreed on the need to enable developing countries to build up an economic potential which would provide continually increasing foreign currency earnings simultaneously with an expansion of local consumption. An Italian speaker listed the following four forms of assistance in order of priority: 1) technical assistance; 2) economic aid; 3) trade facilities; 4) private capital. At the same time, however, as a French and a British participant pointed out, increased trade cannot be regarded as a substitute for assistance (if only because exports are drawn from the country's resources) but as an essential complement to such aid, a complement which, according to the British speaker, must become increasingly important with the passage of time.

An important discussion took place concerning the question of aid tied to purchases in the countries supplying funds, some participants not wholly sharing the German rapporteur's favourable view of this formula. One speaker reminded the meeting that the result as far as the receiving countries was concerned frequently took the form of an increase in the cost of their purchases, amounting to as much as 20% for certain products according to O.E.C.D. calculations. This point was also stressed by a French speaker. Some countries, such as the United States, which have real balance of payments difficulties, can justify tied assistance; others seek to justify it by reference to difficulties which in fact represent domestic over-consumption and which cannot in any way be solved by tied aid. But in the case of the United States, asked a participant from that country, are those countries which criticise the "tied" system ready to share the conditions which created its difficulties? As regards Great Britain, a participant from that country justified the tying of aid by the fact that an important production potential there is currently under-employed.

The conditions surrounding the allocation of government credits were likewise mentioned by various participants. It would be desirable, according to one of them, that such credits should be granted for periods of twenty or thirty years rather than ten which is too short a time in which to complete a project. On the other hand, the lenders should have some say in choosing among the projects submitted and be able to fix on those which seem to offer the best returns, if only because repayment of the loans would thereby be facilitated. An American participant spoke in favour of making credit terms more flexible, specifically in order to lighten the payment of interest which weighs heavily on the economy of the countries concerned. Certain rules governing the allocation of loans should, however, be jointly adopted, in the opinion of a French participant, if only to avoid a sort of competition, a "dumping of credits", which would encourage certain useless investments and lead to a dangerous degree of indebtedness.

The importance of the role which foreign private capital can play in investments in developing countries was recognised by most of the speakers. If local conditions are such as to encourage national enterprises, said an American participant, the same holds true for foreign investors, on condition that they are not made the subject of discriminatory laws as has happened in certain countries (e.g. in Brazil as regards the oil industry). The same speaker considered that at least in Latin America, private foreign investments were much greater than the balance of payments of the countries concerned would lead one to suppose. Against this, a British participant contended, on the basis of his own country's financial contributions, that world prospects were not favourable to private investment, more especially because of the poor prospects for profits which the developing countries afforded.

As might have been expected, the question of guarantees to foreign investors was raised by several participants who referred, more particularly, to the International Chamber of Commerce code and especially to the draft multilateral convention at present being drawn up by OECD and to a draft arbitration clause submitted by IBRD. Discussions currently under way within OECD on this topic are of a highly technical nature, according to an international participant. Two aims are involved: on the one hand, to institute an "investment court" (the appropriate draft has already been drawn up) and, on the other, to reinforce the formal guarantees. On this latter point, several difficulties will have to be overcome by OECD which is examining the possibility of a multilateral system (certain countries already have a purely national system) and an association of receiving countries with that system, more especially in respect of the possible payment of indemnities. At the same time, however, it would be undesirable to do away with a certain margin of risk,

if only to discourage undesirable investments. The United States Government, according to a participant from that country, is following this survey with interest but fears the psychological effect of an explicit declaration of principles which should be taken as a matter of course. Certain developing countries, for their part, fear that their formal adherence to those principles may be interpreted as a political alignment with the West. It might be preferable, as another participant suggested, to institute such a system within the broader framework of IBRD.

An element of primary importance in providing security for investments is that the country receiving assistance should maintain a healthy monetary system. This point was particularly stressed in the course of the discussion by the German rapporteur who emphasised that this was a factor in establishing confidence where no international law could replace the action of the governments themselves.

The role of investments in power sources was particularly underlined by an American participant who cited as an example the fact that the total production of electrical power in India was only 50% more than that of Belgium. These investments govern the expansion of the economy but it is essential that a global effort on behalf of industrial equipment should be undertaken at the same time since it is recognised that 12% of the total investment linked to a given source of power is devoted to the production of such energy and 88% to its utilization. It is therefore important that the expansion of developing countries should enable them to accumulate sufficient wealth to support and make efficient a programme for providing power equipment and, as may be seen, this process involves all aspects of the economy.

While all speakers seemed agreed on the need for developing countries to effect a continuing increase in their export trade and hence for the industrialized countries to encourage this evolution, various points of view emerged both in analysing the present situation and in seeking the necessary methods for improving it. In this connexion, said one international participant, it must be borne in mind that the countries concerned are not all at the same stage of development as regards their export capacity. Some of them—this being the first stage—can only depend on their agricultural and mining products to obtain the currency and thereby the capital goods they need. Others already possess a certain industrial potential for which fresh outlets must be found.

In considering the agricultural products, said this speaker, it was necessary to differentiate between tropical products in the strict meaning of the term and those products which could also be found in temperate regions. As regards the former, he agreed with the German rapporteur and an American partici-

pant in considering that the industrialized countries should be able to abolish all tariffs and taxes without thereby endangering their economies. The latter, on the other hand, presented a number of problems which were extensively discussed by various participants in the course of the meeting. It would seem that the Western countries are not in a position purely and simply to open their frontiers without causing serious disturbances in their own agricultural sectors. In any event, if it is desired to move towards increased access to industrialized countries' markets for foodstuffs from developing countries, the former, as a Belgian participant pointed out, must first stop increasing their own agricultural production since it is their own surpluses which cause world prices to drop. This pre-supposes a reconversion of rural areas and agricultural populations in the temperate countries, a reconversion which cannot be carried out overnight and which, in any case, will be by no means easy.

In this connexion, a number of participants raised the question of "terms of trade", in other words the relationship between the prices of raw materials from developing countries and the prices of the industrial goods which they are obliged to purchase from the industrialized countries. The Indian author of the questionnaire distributed to participants indicated that the former had constantly fallen over recent years. This view was challenged by several participants. In actual fact, one of them contended, such deterioration was not especially evident if one took a long-term view. In 1950-1952 (a period which was often taken as a reference) there had been an abnormal rise in prices because of the boom occasioned by the Korean war; in subsequent years, on the other hand, the liquidation of stocks established at that time had had a markedly depressive effect on prices. But—and this was recognized by all the speakers—it would be more accurate to say that it was the prices for industrial goods which had steadily risen over the same period. Various factors were cited in explanation of this situation: wage increases exceeding productivity gains, "inflation of demand"—all the greater in that it had been contained during the war years. This latter factor was contested by an international participant who considered that it was particularly important not to impose artificial curbs on demand in industrial countries but rather, while maintaining a policy of expansion, to try and control the inflation of costs which, additionally, had a harmful effect on rates of exchange.

Whatever the roots of the evil, it was agreed that the "terms of trade" over the last ten years had operated to the detriment of the developing countries and that it was therefore necessary to achieve a healthier relation between the prices for their sales to industrialized countries and the prices of their purchases in those countries. In this connexion, several participants considered the value of commodity agreements. Most of them were sceptical on the question but

a British participant cited certain examples of such agreements within the Commonwealth to support his view that the West should not be discouraged by certain political difficulties from adopting this approach: it should be possible, he contended, to guarantee the maintenance of developing countries' currency earnings by having recourse where necessary to compensatory financial arrangements. Arguing along different lines, an American participant expressed the view that the disadvantages of such arrangements outweighed their advantages: stabilizing developing countries' export gains automatically signified ceasing to increase them. And if gains were to be increased by raising prices, this would be in fact assistance and not a trade measure and the consumers in the industrial countries would have to foot the bill. Moreover, if agreements were concluded for some products and not for others, such assistance would solely benefit those participants producing the former and, in addition, would not enable any pressure to be brought to bear on the countries concerned to induce them to improve their production and distribution methods. A French participant relied on similar observations to reach slightly different conclusions and wondered whether it would not be more economical for the industrial countries to avoid seeking to influence the "terms of trade" but at the same time to give a solemn joint undertaking not to benefit therefrom. He recommended that this be done by the industrial countries agreeing to increase their aid to offset such deterioration as might be noted.

What can the more advanced countries do to assist the developing countries increase their industrial exports? As a French participant observed, it would be unthinkable to help them establish a production potential without at the same time providing the appropriate outlets. But, independently of any steps in that direction, there are sometimes certain inherent difficulties which were particularly emphasised by a Norwegian and an American participant: the quality of such countries' deliveries and services is not always in accordance with European standards, particularly where European cadres have departed after accession to independence. In addition, their harbour facilities are often excessively limited.

The main difficulty, in any case, and one which was mentioned by several participants, lies in the barriers set up by the industrial countries to protect their industries against a trade offensive on the part of those countries which possess cheap labour and are thereby in a position to offer goods at lower prices. It is true, as a German participant pointed out, that future action by trade unions in developing countries aimed at higher wages may reduce this disparity, as already proved by the example of Japan (a French speaker, however, considered it desirable that that country should occupy a preferential trade position in Asia rather than be considered as an appointed purveyor to the West).

The decision to open Western markets to industrial products from developing countries is therefore, as a British participant pointed out, primarily a political problem. It is because of the political links within the Commonwealth, added another British participant, that the United Kingdom Government has made considerable progress in this direction over recent years. But at the same time it has had to have its own industry carry out reconversion measures which were particularly marked in respect of textile factories (especially in Lancashire) where the labour force dropped in the course of a few years from 600,000 to 200,000. This example was used by several participants during the discussion. A French speaker referred to it in recommending rules which he considered should govern the opening of Western markets to such products: in the first place, the markets would have to be opened by the various Western countries in concert. In this way, the developing countries' exports would be spread out over wider markets whereas, if a single country were to open its market, the violent repercussions on its industries would have a psychological effect running counter to the aim sought. In the second place, such action should be gradual in order to leave the threatened industries sufficient time to reconvert. On a purely practical level, the most favoured nation clause should be applied in favour of the developing countries without hypocritical loop-holes such as limiting the reduction of tariffs for products which those countries supply on a large scale and the industrialized countries might waive reciprocal application of the clause. On the other hand, the developing countries themselves would have to agree to limit their exports so as to avoid disturbances in the importing countries and certain recent cases demonstrate that such voluntary limitation is not impossible. A British participant regretted that trade between the developing countries themselves was not increasing as rapidly as the rest of world trade and recommended that, in addition, the practice of quotas should be dropped wherever it still persisted. An American participant observed that it was essential to combat the paradoxical tendency of citizens in the industrialized countries to favour provision of aid from public funds—which they, as tax-payers, financed—rather than the opening of markets which represented less of a burden on the tax-payer but the effects of which were undoubtedly more apparent (and more difficult to handle since they occur in such branches as the textile industry where large numbers are employed and research budgets limited).

While a world-wide solution to this problem may be necessary, it is nonetheless true that partial and geographically limited efforts already instituted are of considerable interest, more especially in that they sometimes indicate the path to be followed. In this connexion, an American participant cited the case of the Central American common market which has increased trade be-

tween the associated countries and which encourages small local industries for which the national context is inadequate. The example of the association of African countries with the European Economic Community was mentioned by several speakers and, more particularly, by an Italian participant who pointed out that the interest of this association lay mainly in its equality aspect which enabled African leaders to be associated with the decisions taken. This idea was taken up by a British speaker who emphasised that the first essential was to deal with questions of aid and trade alike through the medium of institutions which gave the developing countries the feeling that their interests were being protected and their problems dealt with from their own point of view.

In the course of the various statements, the necessity for an everincreasing co-ordination of the aid given developing countries by the industrialized countries was emphasised by a number of speakers and would seem to have been generally recognised. Any "cacophony" in this field, said an American participant, must be carefully avoided and this opinion was echoed by an Italian participant. An Italian participant likewise reminded the meeting that the steps taken should lead to an organization on a basis of equality which would seek to settle the developing nations' problems on a world-wide level, if need be receiving delegations of sovereignty. Whatever the institutional framework chosen, however, it is essential, as a French delegate emphasised towards the end of the discussion that the Western countries should agree within the context of such co-operation to share the financial burdens and the responsibilities.

* * *

Before declaring the meeting closed, H.R.H. the Prince of the Netherlands extended the assembly's warmest thanks to its French hosts and to the various members of the Secretariat and then went on to outline some of the impressions to be derived from the three days of discussions.

It would seem, he said, that the solutions recommended by the various speakers for the problems involved were unlikely to be unreservedly acceptable to all participants. No satisfactory solution had been found to the most important issues which was not a tragedy so long as we were agreed on the basic principles. It was true that the confusion reigning ever since 14 January might seem disquieting and discouraging but the West could not allow such confusion to continue. In regard to nuclear problems, a way would have to be found between the American monopoly and defence on a purely national basis. The United States had made a considerable effort by advancing various proposals which had not so far convinced everybody because certain problems had not

been dealt with or at any rate not clearly set forth. It might be that the solution to defence problems lay in a European force integrated in the Atlantic framework.

Regarding item II of the Agenda it was clear that the Brussels set-back was a symptom of a crisis within the Alliance and not its cause. There would seem to be certain weaknesses in our ability to define an equal partnership within the Atlantic framework. Perhaps there had been a tendency to talk lightheartedly about this. One of our tasks should be to show ourselves more precise regarding this partnership and to try and define our objectives in the political, economic and military spheres.

It would not seem, unfortunately, that Great Britain's entry into the Common Market was imminent. But what happened within the E.E.C. would be of crucial importance, not only for the members themselves but also for their partners outside the organization and especially for the United States. In this context, the speeding-up of the majority vote procedure for the E.E.C.'s external negotiations, as proposed by two participants, might represent a solution to the dilemma confronting several member countries torn between their desire to go on with the integration process and their anxiety to avoid endangering their good relations with the rest of the free world. It was likewise clear that the final outcome of the Kennedy Round would be a new test of the strength and cohesion of the Western world. True, as certain participants had pointed out, it would be a mistake to attach undue importance to the successes and failures which would inevitably take place too strictly but, in the last resort, success was essential because of its immense importance to the relations between the various partners in the Alliance.

When the Bilderberg meetings began, said H.R.H. the Prince of the Netherlands, their aim was to foster greater understanding between the Americans, on the one hand, and the Europeans, on the other; unfortunately, the present meeting had made clear that the Europeans no longer spoke with one voice but the original aims remained unchanged. And if our American friends, concluded H.R.H., returned home a little uneasy perhaps by the extent of the problems confronting us, they could, on the other hand, be sure that most of their European friends believed in the permanence of their policy towards Europe, without which such a meeting as the present one would never have been possible.

*
* *